# 2011 Competitive Toll Settlement (CTS) Open House – April 14, 2011


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ENBRIDGE

# 2011 CTS Overview


- Scope of 2011 Competitive Toll Settlement (CTS)
- Settlement Process
- Drivers
- Key Terms
- Next Steps/ Timeline
- Questions

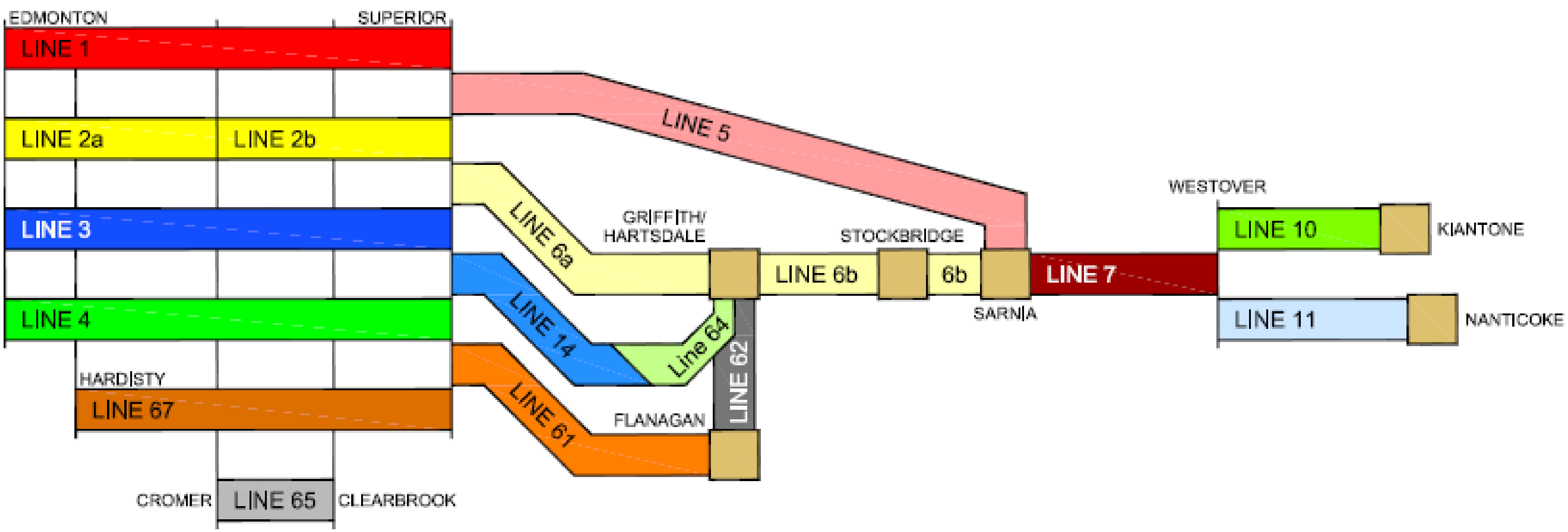
# Scope


- **Covers hydrocarbons on Enbridge Mainline originating in Western Canada**
    - Combined toll for both Canadian Mainline and Lakehead System for hydrocarbons originating in Western Canada
- **All existing Canadian Mainline Toll Settlements are superseded during CTS Term**
- **All Lakehead System Agreements remain in effect**

# Enbridge Mainline System

## Mainline System Configuration

Enbridge Pipelines Inc. / Enbridge Energy Partners, LP



# Canadian Mainline Scope


- Canadian Mainline now covers facilities that had variety of different agreements in the past:

Base Toll + Terrace Surcharge + Mainline Expansion Toll (MET)

| **Base Toll** | + | **Terrace Surcharge** | + | **MET** | = | **Canadian Mainline Toll** |
|---|---|---|---|---|---|---|
| **Lines 1, 2, 3, 4, 5, 6B, 7, 10, 11, 65, related facilities, and applicable NRAs** | | **Terrace Facilities** | | **Southern Access, Line 4 Extension, Alberta Clipper** | | **Lines 1, 2, 3, 4, 5, 6B, 7, 10, 11, 65, 67 and all related facilities related to or required to operate these Lines** |

# Settlement Process


- Commenced meetings November 2008 to address expiration of 2005 ITS at the end of 2009
- 2010 & 2011 ITS established basis for 2011 CTS
- Participants in direct negotiations included representatives from Shippers, Producers, Refiners and CAPP
- Continuous meetings since November 2008
- Full transparency during the negotiation process

# Settlement Process (con’t)


- Open house
- Receipt of comments and recommendations
- Changes made to application
- Target filing early May

# Key Drivers


- Builds on history of 16 years of successful settlement agreements for the Enbridge Canadian Mainline
- Preserves historic principles
  - co-operation, cost savings
  - win-win-win
- Creates competitive toll structure
- Alignment of financial interests, risks & rewards
- Contributes to overall constructive relationship with Industry through value creation
- Promotes regulatory efficiency

# CTS Benefits


- Toll certainty for volumes received in Canada
- Competitive tolls retain & attract volumes
- Leverages common carrier structure – no individual shipper commitments
- Eliminates toll deferrals
- Long term agreement provides certainty and stability
- Less complex tolls & tariff structure
- Preserves cost causality

# Key CTS Terms


- 10 year term commencing July 1, 2011
- Provides for appropriate financial return to Enbridge based on the risks assumed
- Enbridge business drivers aligned with customers
- Incorporates tolls that are fixed and then inflated by a prescribed index
- Starting point for tolls tied to cost of service model

# International Joint Tariff (IJT)


- Volumes moved from western Canada to the U.S. or Ontario use an IJT
- IJT based on U.S. $3.85 for a Hardisty to Chicago Heavy – other movements distance and commodity adjusted
- Adjusted by 75% of GDPP each July 1
- Includes Transmission, Receipt and Delivery Terminalling – IJT excludes Tankage
  - Tankage fee mechanism has also been established

# International Joint Tariff (con’t)


- IJT must be equal to, or less than, the sums of the respective local tolls to be valid
- Prior Year Adjustments calculated in 2011 will be recovered by Enbridge via surcharge
  - $0.067 per barrel for heavy movements from Hardisty to Border from July 1, 2011 to June 30, 2013 – other movements distance and commodity adjusted

# Canadian Local Toll (CLT)


- 2011 CLT based on April 1, 2011 ITS tolls using forecast volumes
- Adjusted by 75% of GDPP each year
- Includes Transmission, Receipt and Delivery Terminalling fees – CLT excludes Tankage
  - Tankage fee mechanism has also been established

# Canadian Local Toll (con't)


- Excludes net Prior Year Adjustment balances:
  - Prior Year Adjustments from 2010/ 2011 ITS generated from volume, cost and toll variances
  - Adjustment for tax impacts
  - Adjustment for other unusual items
- Prior Year Adjustments calculated in 2011 will be recovered by Enbridge via surcharge
  - $0.067 per barrel for heavy movements from Hardisty to Border from July 1, 2011 to June 30, 2013 – other movements distance and commodity adjusted

# U.S. Local Rates


- Lakehead System Rates continue to be set as usual
- Combination of Indexed and Facility Surcharge Mechanism (FSM), and other U.S. Agreements
- Lakehead System rates continue to be updated during CTS term per FERC process

# Contingent Toll Adjustments


- IJT and CLT will be adjusted during the CTS Term for:
  - Changes agreed to by Enbridge and Shippers
  - Results of NEB LMCI process
  - New capital expenditures greater than $250 million where shippers responsible for some or all expenditures
  - Material Change In Business Circumstances (Regulatory Changes resulting in > $10 million op cost increase per year)

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# Allowance Oil


- EPI and Lakehead continue to collect 1/20th of 1% of each barrel
- IJT - Allowance Oil of 1/10th of 1% of each barrel will be collected by EPI and split between EPI and Lakehead

# Threshold Volumes


- Provides a floor to volume variance
- Based on 9 month rolling average volumes ex-Gretna:
  - To December 31, 2014 = 1,250,000 bpd
  - After December 31, 2014 = 1,350,000 bpd
  - Threshold is adjusted down if shippers can’t meet threshold if:
    - Lack of Mainline capacity for reason other than Force Majeure
    - Bakken receipts exceed 305kpd and all volumes delivered into PADDII or Sarnia on the Enbridge Mainline

# Capital and Operating Costs


- Enbridge responsible for all operating and capital expenditures other than:
  - Capital projects greater than $250 million require negotiation with shippers and could result in change to IJT & CLT
  - Material Change in Business Circumstances
  - Shippers can directly support projects that do not benefit Enbridge Mainline through backstop agreements

# Renegotiation Notices


- Shippers have the option to renegotiate if:
  - Keystone XL does not receive U.S. presidential permit by January 1, 2013
  - Cumulative capital expenditures for integrity as a result of regulatory changes exceed $100 million during the term
- Enbridge has the right to renegotiate if ex-Gretna volumes drop below Minimum Thresholds

# Other Matters


- Standard dispute resolution process
- Transparent process to review and administer issues related to tolls and tariffs
  - Representative Shipper Group
- Audit and reporting provisions

# Summary


- 10 year deal governing tolls on the Canadian Mainline and Lakehead System for WCSB production
- Enbridge Mainline tolls are predictable and competitive to existing markets which will:
  - Retain and attract volumes on the Enbridge Mainline
  - Provide platform to extend delivery of volumes to new markets
- Provides for fair and equitable return for the risks assumed

# Target Timing/ Next Steps


| DATES | DESCRIPTION |
|---|---|
| April 14, 2011 | Open House |
| April 26, 2011 | Receive feedback and comments |
| By early May | Target to file application with NEB |
| By early May | Target to file tolls and tariffs |
| By late May | Comment Period |
| July 1, 2011 | Target Effective Date |

# Questions