

Enbridge Mainline Tolling Settlement

Joint Virtual Industry Open House

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Safety Moment

Cyber security



- One of the most critical factors determining if you click on a phishing email is context
 - Criminals try and convince you the email is valid and needs to be read and addressed
 - We look at an email and derive its context to determine whether we believe it's necessary to open, read, and click on
- What to watch out for:
 - Sender** – Using sources like legitimate company's website, social media, LinkedIn, etc. scammers can pretend to be people and companies that appear credible.
 - Subject** –The more relevant the message is to you or the more it captures your attention, the more likely you will interact with the email.
 - Email address** – Look at the sender details. If it looks legitimate, you will generally continue reading. Never trust the “friendly name” in front of an address it can be anything a criminal chooses.
 - Email Details** – This is where context can really get you. If the email's timing, relevance to you or your job, dropped names, etc. all seem legitimate, you may not question it.
 - Emotional Buy-In** – Scammers know if they can get you excited, angry, worried, or happy, they have a better chance of getting a click – e.g. HR themes or threats of expiry.

Common phishing words: must – overdue – urgent – action required – notification – IT reminder – revised policy – account update

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Mainline Tolling Settlement



- RSG approved the Mainline Tolling Settlement (MTS) Term Sheet on May 2, 2023.
- Enbridge worked with a subgroup of the Post CTS Mainline Tolling & Services Sub-Committee and CAPP to develop the MTS Agreement based on the approved Term Sheet.
- On November 9, 2023, with the support of the Sub-Committee and CAPP, Enbridge distributed a draft Issue Resolution Sheet for Issue #2022-01-B (IRS #2022-01-B), which included an MTS Agreement and appended Schedules.
- On November 14, 2023, Enbridge presented information regarding MTS Agreement and next steps to the RSG.
- Today, Enbridge, the subgroup of the Post CTS Mainline Tolling & Services Sub-Committee and CAPP are jointly presenting MTS Agreement information to the industry.
- RSG will vote on Final IRS #2022-01-B on December 14, 2023.

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Key MTS Highlights



Term	7.5 years; Jul 1, 2021 – Dec 31, 2028
Headline IJT (Hardisty to Chicago Heavy)	US\$4.63/bbl, a ~US\$0.75 reduction to the Base interim IJT toll Implemented as a dual-currency International Joint Toll
Depreciation	28-years; truncation date of December 31, 2048
MTS Financial Return	2023 test year - 12.65% equalized across Canadian Mainline and Lakehead
MTS Financial Return Collar	11% - 14.5%
Line 5 Treatment	Annual RSG approval of budget and workplan No recovery of spend up to December 31, 2022 and on the first C\$0.6B of new spend; Above this amount, 50% recoverable as approved; 50% recoverable once in-service
Operating Costs	Managed by Enbridge; toll includes US CPI escalator
Power Costs	Managed by Enbridge; toll includes power escalator
Interim Period Refund	C\$598MM via sur-credit further reducing the IJT charged to shippers by ~C\$0.12/bbl (Hardisty to border heavy) until June 30, 2028
Lakehead Toll and Other Matters	Enbridge filed a Lakehead settlement with the FERC that resulted in withdrawal of the Lakehead cost of service application, and awaits FERC decision

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Mainline Tolling Settlement Key Principles



- Level of service and toll certainty
- Cost informed tolls
- Risk sharing
- Line 5 treatment
- Jurisdictional cost alignment
- Regulatory peace
- Approvals and reporting

Level of Service and Toll Certainty



- No change in the level of service or operation of the Mainline
 - 100% common carrier
 - If there is a material change that affects the overall ratability, reliability or predictability of service, or quality of Crude Petroleum on the Enbridge Mainline, Enbridge will consult with the RSG
- Base tolls continue to be distance and commodity adjusted with CTS postage stamp surcharges rolled-into the base toll (i.e. no E2H and LOMA)
- MTS provides:
 - Toll certainty to shippers over the Term (July 1, 2021 to December 31, 2028)
 - Enbridge with incentives to continue controlling costs and maintain high utilization on the Mainline

Cost Informed Tolls



- Industry has benefitted from an immediate toll reduction with the interim tolls in effect on July 1
 - Initial headline IJT (Hardisty to Chicago heavy) is US\$4.63/bbl including L3R Surcharge (US\$0.865), a ~US\$0.75/bbl discount to the previous interim Base IJT toll
 - L3R surcharge will continue to be adjusted based on the rolling 9-month average throughput ex-Gretna per the L3R IRSs
 - Tolls for receipt and delivery tankage will be in addition to MTS tolls
 - The IJT will be designed as a dual currency IJT (Canadian portion in \$CAD and US portion in \$USD)
 - The tolls result in an initial Test Year MTS Financial Return of 12.65% and ROE calculation excludes L3R costs above the Class IV cost estimate
- A negotiated amount for Interim period of C\$598MM will be refunded to shippers via a surcredit
 - The resultant IJT surcredit estimated at approximately C\$0.12/bbl (Hardisty to border heavy) will commence with CER approval of the MTS and remain in place until June 30, 2028 which further reduces the invoiced charges

Cost Informed Tolls continued



- O&A component of the Base IJT Tolls will be escalated by US CPI, starting July 1, 2024
- Power components of the Base IJT Tolls will be escalated by a power specific index to better align with power price fluctuations, starting July 1, 2024
- Other Surcharges / Surcredits:
 - LMCI
 - Line 3 Minnesota Abandonment Surcharge
 - MTS Relocation Surcharge
 - MTS Tunnel Surcharge
 - Annual Collar True-Up Surcharge or Sur-Credit, and Prospective Collar True-Up Surcharge or Sur-Credit
 - Non Performance Penalty

Risk Sharing within a Financial Return Collar



- The Annual MTS Financial Return derived from tolls will fall within the Financial Return Collar (the “Collar”) of 11% to 14.5%
 - Collar ceiling limits Enbridge earnings
 - Collar floor ensures Enbridge can continue to provide safe and reliable services
- Enbridge takes risk on operating and capital costs and is protected only via the Collar
- In the event the Collar is breached, Enbridge will true-up the over-or-under recovery through a Collar True-Up Surcharge or Sur-Credit
- Enbridge and RSG may agree to implement a Prospective Collar True-up Surcharge or Sur-Credit if there is a high likelihood that the Collar will be breached within the then-current year.

Line 5 Treatment



- Line 5 risk sharing commercial framework
 - Enbridge will exclude costs spent up to December 31, 2022, and up to approximately C\$0.6 Billion of future Line 5 capital spend from the Mainline rate base during and after the term of MTS
 - Should Enbridge not spend the entire C\$0.6 Billion by the end of the Term, the remainder will be refunded to shippers via a surcredit
 - Future capital incurred above the C\$0.6 Billion will be recovered as follows:
 - 50% will be recovered via an MTS Relocation Surcharge and MTS Tunnel Surcharge; and
 - the remaining 50% will be recovered via their respective surcharges once the projects are in-service
 - During the Term, Enbridge and CAPP will establish two Line 5 FSM projects that mirror the MTS Tunnel Surcharge and MTS Relocation Surcharge

Jurisdictional Cost Alignment



- Initial MTS tolls are set to equalize ROE's between the Canadian Mainline and Lakehead for the Test Year
- Cost recovery will occur in the jurisdictions in which costs are incurred
- The two Line 5 Surcharges will not be charged to local Canadian shipments
- Any required Collar true-up will be applied to the system that is responsible for breaching the Collar

Regulatory Peace



- No change in access to the Mainline (100% common carrier)
- Settlement of the interim period
- Term of 7.5 years provides toll stability through to end of 2028
- MTS has alignment with previous CER direction on cost informed tolls
- No Dismantlement, Removal and Restoration (DR&R) application on Lakehead
- Settlement on the Lakehead cost of service application

Approvals and Reporting



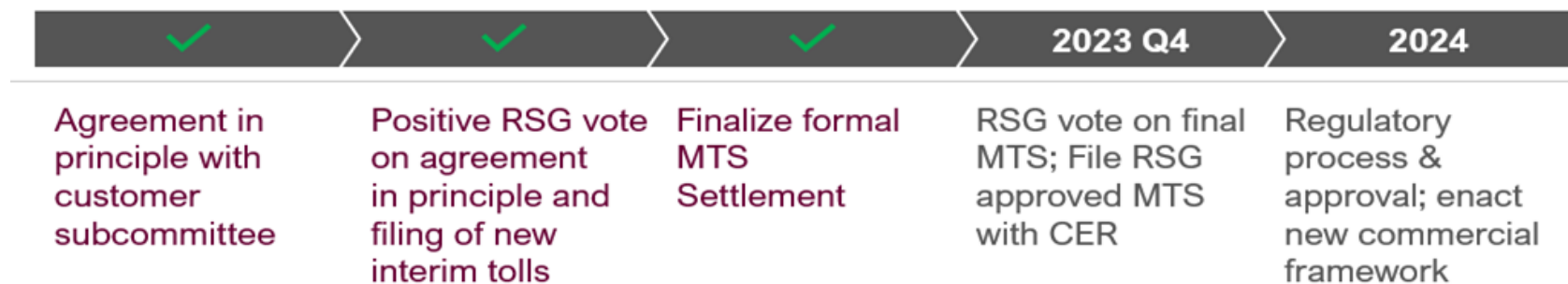
- RSG approval required for:
 - Annual funding for the Line 5 Relocation and Tunnel projects
 - Any non-integrity capital project greater than C\$150 million
 - Any expenditures involving Enbridge affiliates if greater than C\$10 million, excluding self-power projects
- Enbridge will report to the RSG:
 - Annual capital expenditures including a list of all projects which exceed C\$50 million
 - All affiliate self-power related expenditures on the Enbridge Mainline
 - Back-up information for the RSG to calculate toll escalation, Collar adjustments, and other surcharges and adjustments
- The RSG has the right to audit all cost information on an annual basis

Next Steps



- Enbridge will conduct second RSG vote on the MTS Agreement, on December 14.
- Enbridge will submit the MTS Application to the CER after the vote.

(RSG / Regulatory) Approval Process



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Q&A



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Appendix



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