Practice Applicable to Automatic Balancing

1. This Practice is subject to the Rules and Regulations Tariff for the applicable Enbridge System. In the event of any inconsistency, the Rules and Regulations shall prevail.

2. Capitalized words in this Practice have the same meaning as those words in the Rules and Regulations Tariff for the applicable Enbridge System unless otherwise specified in this Practice.

3. Definitions

   a) "Automatic Balancing Price": means the price determined for each Crude Type in accordance with section 9 or 10 of this Practice.

   b) "Crude Types": has the meaning set out in section 5.

   c) "Enbridge System": means any pipeline system owned and operated by a subsidiary of Enbridge Inc. that has automatic balancing, namely: the Enbridge Canadian Mainline system (owned and operated by Enbridge Pipelines Inc.); the Enbridge Lakehead (US Mainline) system (owned and operated by Enbridge Energy, Limited Partnership); the Spearhead Pipeline (owned and operated by CCPS Transportation, LLC); the Flanagan South Pipeline (owned and operated by Enbridge Pipelines (FSP) LLC); and the Southern Access Extension Pipeline (owned and operated by Illinois Extension Pipeline Company LLC).

   d) "Injection": means the physical introduction of a commodity directly into an Enbridge System from a tank, tanks or a feeder facility.

   e) "Non-Reported In-Line Transfer": has the same meaning as in the Carrier's Practice Governing In-Line Transfers.

   f) "SWIFTLINK": means the secure internet-based system that is used to electronically exchange information with Shippers.

   g) "Over/Short Position": means, for each Enbridge System, the Shipper's volumetric position on the relevant Enbridge System (which includes all of the Regular Receipt Points and Regular Delivery Points) as calculated by the Carrier and reported in the Shipper balance over/short position reports (both draft and final – the "Shipper Balance Over/Short Position Reports").

   h) "Reported In-Line Transfer": has the same meaning as in the Carrier's Practice Governing In-Line Transfers.

   i) "Retention Stock": means the working bottoms, working stock, station fill and line-fill required by the Carrier and assigned to Shippers quarterly.

   j) "Schedule A": means the schedule of Crude Types that is attached to and forms part of this Practice and lists the commodities that are subject to the price determination set out in sections 9, 10.a) and 10.b).

k) "Schedule B": means the schedule of Crude Types that is attached to and forms part of this Practice and lists the commodities for which the automatic balancing price is negotiated as set out in section 10.c).

l) "Unassigned Shipper Volume": means physical volume within receipt tankage, in excess of tank bottoms and working stock, not already assigned to a Shipper or Shippers through pre-receipts, carry-overs or any other means that designates ownership of the volume.

m) "Working Day": means a day on which the Carrier ordinarily conducts business, generally Monday through Friday except holidays. For greater certainty, Working Day 1 would be the first business day of a month regardless of the actual date.

n) "Working Group": has the meaning set out in section 4.

4. Automatic Balancing Practice Working Group

a) Carrier will attempt annually to form an automatic balancing practice working group (the "Working Group") to discuss and consider the ongoing application of, and potential changes to, this Practice. The Working Group will be comprised of a representative for each of the Carrier and at least 5 Shippers (on any of the Enbridge Systems). Carrier will invite the Shipper representatives to participate [**annually**] by invitation on SWIFTLINK.

b) If the Working Group cannot be formed in accordance with section 4.a) because representatives from at least 5 Shippers have not volunteered to participate, then notwithstanding any other provision of this Practice, Carrier shall be entitled to perform any of the functions otherwise intended to be performed by the Working Group under this Practice, and Carrier shall use the following process to notify Shippers regarding potential changes to the Practice, other than changes to Schedules A and B which will be made in accordance with section 5:

i) Carrier shall notify Shippers about changes in relation to this Practice via SWIFTLINK;

ii) Carrier shall provide Shippers with 30 days to review changes in relation to this Practice; and

iii) Carrier shall consider any comments provided by Shippers regarding changes to this Practice, but will have sole discretion over whether to make any changes to this Practice or continue this Practice.

5. Adding or Deleting a Crude Type

a) When a new commodity is proposed to be shipped on the Enbridge System, the proposal will be communicated by the Carrier via SWIFTLINK to all Shippers by way of a notice setting out the review and consultation process. If the Shipper wishes to identify this new commodity as Schedule B, it will also be noted at this time. The addition of the commodity to the Schedule B will be at the Carrier's discretion.

b) Any new commodity types accepted for transportation by the Carrier on an Enbridge System on or after August 1, 2005 will be added to Schedule A (each, a "Crude Type"). Notice will be given to all Shippers of the addition of the new Crude Type in the month immediately prior to the month in which balancing of the new Crude Type will begin in accordance with this Practice.

c) If a Crude Type is no longer a commodity type accepted for transportation by the Carrier on an Enbridge System, it will be removed from Schedule A (and B, if applicable) upon 30 days' notice to Shippers.

6. Temporary Suspension of Automatic Balancing Practice

   a) The Carrier reserves the right to temporarily suspend this Practice in respect of a specific Crude Type where volumetric adjustments to receipt tank working stock levels are required to ensure adequate operational volumes are maintained.

   b) Crude Types for which receipt tank working stock is required are indicated on Schedule A.

   c) In circumstances where this Practice is suspended in respect of a specific Crude Type to allow for volumetric adjustments to working stock, any Shipper, regardless of its Over/Short Position, whose Injections of a Crude Type have exceeded its feeder pipeline splits of that Crude Type can be asked to provide working stock in that Crude Type. Carrier may require Shipper to reconcile its position physically by amending their subsequent month Nomination for that Crude Type to increase supply via feeder facility or decrease Injections.

   d) A Shipper may be temporarily excluded from this Practice by the Carrier if the Shipper is required to provide financial assurance to the Carrier pursuant to the Crude Petroleum Tariff Rules and Regulations.

   e) The Working Group may determine other circumstances in which this Practice may be suspended or in which a Shipper may be temporarily excluded from this Practice in accordance with sections 14 and 16.

7. Non-Reported In-Line Transfer Balances

   Regardless of a Shipper's Over/Short Position generally, the net difference created each month through all Non-Reported In-Line Transfers, on a Shipper and Crude Type basis, must be settled with the Carrier at the Automatic Balancing Price.

8. Over/Short Position Balancing Process

   a) For each Crude Type, each Shipper's monthly Over/Short Position on each Enbridge System will be balanced to zero.

b) In any month where a Shipper's Over/Short Position in a Crude Type is not balanced for whatever reason, that Over/Short Position in that Crude Type will be carried forward to the next month.

c) In a month when any Retention Stock change occurs, the Retention Stock change as communicated by SWIFTLINK will be settled outside the Over/Short Position financially if it is reasonably possible to do so. If it is not reasonably possible to settle financially then for the purpose of managing working stock levels sections 6.a) and 6.c) will apply.

d) On a monthly basis a Shipper's Over/Short Position in any Crude Type that is greater than 0 expressed as an absolute value, will be settled at 100%.

e) Where physical Unassigned Shipper Volume (USV) exists within Carrier tankage at the receipt location for a Crude Type, the Carrier reserves the right to assign all or a portion of that USV to any Shipper who has a long position in that Crude Type in the form of a pre-receipt of volume for the immediately following NOS month regardless of its Over/Short Position. Any Shipper assigned a portion of the USV is required to amend their subsequent month Nomination for that commodity to decrease supply via feeder facility or increase Injections.

f) In circumstances where section 8.e) of the Practice applies, each Shipper having a positive long Shipper position will be assigned all or a portion of the USV up to its total long position for a Crude Type as full or partial settlement of its position. If USV still exists once all long Shipper positions have been exhausted, the Carrier reserves the right to divest of the remaining volume at current market prices to any interested party.

9. Automatic Balancing Price Determination

a) By end of day on the fifth Working Day of each month, every Shipper that ships any of the Crude Types will supply to the Carrier a price sheet setting out a single price at the injection point to the applicable Enbridge System using that systems UOM for each Crude Type shipped by that Shipper on the applicable Enbridge System in that month. The price will represent the weighted average Enbridge System price by injection point for that Shipper for that Crude Type for the month. All price submissions received will be deemed final by the Carrier and price corrections will not be accepted after the fifth Working Day deadline.

b) Enbridge will calculate the Automatic Balancing Price for each Crude Type for each Enbridge System in the following manner:

i) Round One: for each Crude Type for which a minimum of 5 (five) Shippers have supplied a weighted average price for the month, Enbridge will calculate a simple average price using all prices submitted.

ii) Where any price supplied for a Crude Type for a month is 5% higher or lower than the simple average calculated on the basis of all prices supplied, it will be deemed to be an extreme price and will be excluded from Round Two of the Automatic Balancing Price calculation for each Crude Type.

iii) Round Two: For each Crude Type for which at least 3 (three) Shipper provided prices remain, the Carrier will calculate a simple average after excluding any extreme prices as identified in Round One.

iv) Any remaining prices that are 2% higher or lower than the Round Two simple average will be excluded from the calculation of a final simple average.

v) Round Three: For each Crude Type for which at least 3 (three) Shipper provided prices remain, the Carrier will calculate a simple average after excluding any extreme prices as identified in Round Two.

vi) If less than 3 Shipper supplied prices remain going into Round Three, then pricing for the particular Crude Type in question will be dealt with on an exception basis as outlined in section 10.

vii) Unless exception pricing applies, the final simple average price for each Crude Type in Schedule A will be the Automatic Balancing Price for that month.

viii) Notwithstanding the foregoing, Shippers whose weighted average price falls within the final +/- 2% range will have their positions settled using their own price.

c) In the event that in any month there is only a single Shipper of a Crude Type, the Carrier will use pricing provided by that Shipper as the Automatic Balancing Price if the Shipper provides written evidence acceptable to the Carrier that the contractual basis for that pricing reflects a fair market value for the Crude Type for the relevant period of time. The Carrier shall keep any such evidence and the information contained therein confidential. If the Shipper chooses to not provide written evidence acceptable to the Carrier in support of the Shipper's pricing then the Exception Pricing process set out in section 10 will apply.

d) The price determination process described in this section will also be used for the determination of allowance oil pricing and for that reason, Shippers will supply to the Carrier a single price sheet containing pricing for each commodity, including those that are Crude Types, representative of their weighted average stream pricing for each Enbridge System for the month.

10. Exception Pricing

a) For Crude Types for which less than 5 Shippers have provided weighted average prices or for which less than 3 Shipper supplied prices remain after the Second Phase of the Automatic Balancing Price calculation, balancing will be carried out on a Crude Type by Crude Type basis between the involved Shippers and the Carrier based on one of the following:

i) In the case where only 1 price submission has been received or remains after the Second Phase of the Automatic Balancing Price calculation, balancing will be carried out on a Crude Type by Crude Type basis between the involved Shipper and the Carrier based on one of the methods in b) below.

ii) In the case where only 2 price submissions have been received or remain after the Second Phase of the Automatic Balancing Price calculation, the Carrier shall manually calculate a simple average of the price submissions.

(1) If both price submissions fall within a +/- 2% range to the simple average the shipper positions will be settled using their own price.

(2) If one or both of the price submissions exceeds a +/- 2% range but falls within a +/- 5% range to the average, the Carrier will request written confirmation from the Shipper(s) that their price fairly represents their market average price for the month and, once received, the balance(s) will be settled using the submitted prices.

(3) Otherwise balancing will be carried out on a Crude Type by Crude Type basis between the involved Shipper and the Carrier based on one of the methods in b) below.

iii) In the case where 3 to 4 price submissions have been received or remain after the Second Phase of the Automatic Balancing Price calculation, the Carrier shall manually calculate a simple average of the price submissions.

(1) Any Shipper whose price submission falls within a +/- 2% range to the simple average will have their position settled using their own price. Provided that at least 3 of the price submissions fall within a +/- 2% range to the simple average, the 4th Shipper will have their balance settled based on the simple average.

(2) If any of the price submissions exceeds a +/- 2% range but falls within a +/- 5% range to the average, the Carrier will request written confirmation from the Shipper(s) that their price fairly represents their market average price for the month and, once received, the balance(s) will be settled using the submitted prices.

(3) Otherwise balancing will be carried out on a Crude Type by Crude Type basis between the involved Shipper and the Carrier based on one of the methods in b) below.

b) For Crude Types for which less than 5 Shippers have provided weighted average prices or for which less than 3 Shipper supplied prices remain after the Second Phase of the Automatic Balancing Price calculation, balancing will be carried out on a Crude Type by Crude Type basis between the involved Shippers and the Carrier based on one of the following:

i) a formula agreed upon with involved Shippers;
ii) an agreed upon benchmark to a posted price +/- an agreed upon amount;
iii) a modified average price (for example using pricing from 3 Shippers); or
iv) individually negotiated pricing.

c) For Crude Types included in Schedule B to this Practice, the Automatic Balancing Price shall be individually negotiated between the Shipper and the Carrier and the price shall be determined based on one of the following:

i) For Crude Types for which at least 3 price submissions have been received the Carrier will manually calculate a simple average. Shippers whose weighted average price falls within a +/- 2% range to the simple average will have their positions settled using their own price.
ii) For Crude Types for which only 2 Shippers have provided weighted average prices the Carrier shall manually calculate a simple average. If both price submissions fall within a +/- 2% range to the simple average the shipper positions will be settled using their own price.

iii) In all other cases the Carrier will rely on the Producer of the commodity to either confirm the price submissions received from the shippers or provide written approval for the Carrier to use the Producer's price for the commodity. In the event that the Producer fails to comply with either of these requirements, the Carrier will apply one of the methods outlined in section 10.b). Should a Shipper and the Carrier be unable to agree on a price pursuant to one of those methods, the Carrier will temporarily suspend this Practice in respect of that Shipper's specific Crude Type, for review in the subsequent month.

11. Settlement

a) Draft Shipper Balance Over/Short Position Reports will be posted to "SWIFTLINK" by Working Day 7;

b) Shippers may bring changes to draft Shipper Balance Over/Short Position Reports to the attention of Enbridge Oil Accounting/Carrier's Inventory/Supply Control up until the Shipper Balance Over/Short Position Reports are finalized and invoices issued;

c) Settlement for Automatic Balancing based on final Shipper Balance Over/Short Position Reports will take place on the 25th day of the month following that being balanced.

e.g. Settlement for Automatic Balancing based on final Shipper Balance Over/Short Position Reports for the month of September will take place on the 25th of October.

12. Annual Third Party Review

a) The Carrier will arrange for an annual, independent third party review of this Practice generally and the Automatic Balancing Price determinations specifically. The reviewer will be subject to a Confidentiality Agreement specifically relating to Shipper pricing information and will be commissioned to provide a written report that will be distributed to all Shippers involved in this Practice for the review year.

b) No information that is specific to a Shipper shall be included in the third party's written report.

c) The cost of the annual third party review will be shared 50/50 between the Carrier and all Shippers.

13. The Carrier will keep all pricing provided by Shippers strictly confidential. Similarly, calculated averages will not be published or provided to Shippers other than in circumstances as specifically set out above.

14. Working Group Review

a) In addition to the review by an independent third party as outlined above, Enbridge will invite an annual review of the Practice by the Working Group to ensure that the anticipated goal of reducing inventory balance exposure for the Carrier and Shippers is being achieved fairly, efficiently and effectively. Enbridge will invite the review via SWIFTLINK by September 30 each year.

b) Continuation of the Practice with or without amendments will be considered as part of the Working Group review.

15. During the term of the Practice, a Shipper or the Carrier may raise specific concerns with the Practice. These concerns will be handled in accordance with the resolution process set out in Schedule C.

16. During the term of the Practice, the Working Group may make recommendations for amendments to the Practice in response to concerns raised pursuant to section 15 or on its own initiative. In addition, the Working Group may recommend suspension or discontinuation of the Practice. Amendments, suspension or discontinuation of the Practice will become effective on the date that will be specified in a letter to all Shippers giving notice of the amendments, suspension or discontinuation of the Practice.

17. If the Working Group has not finalized amendments or revisions to the Practice or determined that the Practice shall be suspended or discontinued, the Practice will continue to be implemented in accordance with the terms of this Practice until such time as the amendments and revisions are approved and notice is given to all Shippers.