

## **2011 ITS – Schedule E**

# **Terrace Toll Agreement Statement of Principles**

*Terrace Toll Agreement  
Statement of Principles*

*Enbridge Pipelines Inc. (Enbridge) and the Canadian Association of Petroleum Producers (CAPP) have agreed that they wish to implement a negotiated toll structure for the Terrace expansion project.*

*The Statement of Principles which follows sets forth the principles which the parties intend to govern the establishment of tolls for all phases of the Terrace expansion.*

*Enbridge and CAPP have entered into the negotiated settlement in respect of Terrace with an appreciation that the Incentive Toll Settlement (ITS) entered into and approved in 1995 is the subject of renegotiations in respect of extending the term of the ITS beyond 1999. CAPP and Enbridge have entered into the Terrace toll agreement on the understanding that the ITS will be renegotiated consistent with the ITS, and will exclude the matters set out in Article 8 of the ITS.*

*The following Schedules are appended to and form a part of these Principles of Settlement:*

- "A" Description of Terrace Facilities*
- "B" Adjustments to the 5 Cents Per Barrel Increment*
- "C" Adjustments for LPL Phase III Trigger*
- "D" Fluid Properties Of Liquid Hydrocarbons in Enbridge System: Terrace Phase I*
- "E" Forecast Deliveries at Base Capacity (259,100 m<sup>3</sup>/day)*
- "F" Forecast Property Taxes*
- "G" Arbitration Process*
- "H" Power Calculation*
- "I" Forecast Operating Costs*

- 1 Negotiated tolls for the Enbridge/LPL Terrace program will recover costs associated with all facilities associated with all phases of Terrace Expansion Program. The Terrace Expansion Program is expected to be a phased capacity addition program intended to add capacity in the years 1999 and following.
- 2 The Terrace facilities, the expected capacity increases associated with the facilities, and the in-service timing are appended as Schedule A. Enbridge and LPL commit to deliver the additional annual capacity on or before the dates set out in these Principles. The dates upon which the facilities are expected to come into service are:
  - i) January 15, 1999 first in-service of Phase I facilities, providing 15,100 m<sup>3</sup>/d of incremental capacity from a base system capacity (which is defined as including SEP II and SEP III 350 Centistoke facilities) of 259,100 m<sup>3</sup>/d. The incremental capacity to be provided includes incremental heavy crude oil capacity on the 24 inch line.
  - ii) September 30, 1999 second tranche of Phase I capacity in-service, totaling 26,500 m<sup>3</sup>/d of incremental capacity from the base.

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- iii) Hardisty to Kerrobert extension in service September 30, 2000 [Phase II] providing 33,400 m<sup>3</sup>/d of incremental capacity from the base.
- iv) Clearbrook to Superior extension and associated pumping in service September 30, 2001 [Phase III] providing 56,900 m<sup>3</sup>/d of incremental capacity from the base.
- v) Mokena to Griffith extension, Line 14 stations in service, Line 14 heater in service between 2002 and 2007 [Future Terrace Phase(s)].

Under the Terrace design, it is anticipated that all Enbridge Western Canadian pipelines will operate with an annual capacity at ninety percent of design capacity. Throughput losses due to regular internal inspections are reflected in the ten percent operating margin. Historically, the reduction in throughput capacity in months of internal inspections has been 10 percent on a system basis and 20 percent for heavy crude. Additional throughput losses have been experienced in the 1990-1996 period due to increased internal inspection activities. As a consequence of the Terrace design, the extraordinary throughput losses associated with increased internal inspections of approximately 1,600 m<sup>3</sup>/day are expected to be eliminated.

- 3 The in service commitments made by Enbridge/LPL are subject to CAPP providing written notice to Enbridge/LPL requesting construction in advance of the proposed in-service dates. The notice periods in respect of Phase II, III, and Future Terrace Phases described above are 18 months, 24 months and 36 months respectively; provided that notice given prior to March 31, 1999 in respect of Phase II may be deemed by Enbridge/LPL to have been given on March 31, 1999. Upon Enbridge giving notice to CAPP of a requirement by Enbridge/LPL to undertake material commitments in order to meet in-service dates, CAPP will confirm its continuing service request prior to Enbridge/LPL being required to make those commitments.
- 4 For the purpose of determining "in service" the date which shall be used for Enbridge is the date upon which the last leave to open order is granted by the National Energy Board for the completion of pipeline facilities in Phase I (excluding pump stations) and for LPL, the availability of the facilities for service.
- 5 The delivery by Enbridge/LPL of the capacities associated with Phase I is subject to shipper approval for commingling crude in the 24 inch line to be transported in laminar flow.
- 6 Cost recovery on the Terrace facilities and related operating costs will be effected by application of a fixed toll increment applicable to all base (259,100 m<sup>3</sup>/d) and Terrace volume transported on the Enbridge/LPL systems.

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- 7 The toll increment shall be five cents (Cdn) per barrel for light crude transportation from the Edmonton, Alberta receipt point to the Griffith, Indiana delivery point and shall be adjusted on a distance basis and for commodity credits or surcharges, consistent with Enbridge and LPL's then existing toll design.
- 8 The fixed toll increment charge will become effective upon the in-service of the first of the Terrace facilities, as "in service" is defined in paragraph 4, and shall terminate December 31, 2013.
- 9 The fixed toll increment shall be allocated between Enbridge and LPL as determined by Enbridge and LPL, provided that no less than one cent shall ever be allocated to either of the Enbridge or LPL systems. The exchange rate which shall apply to the LPL component of the fixed toll increment for all purposes in these Principles unless otherwise stated shall be the average exchange rate for the period commencing October 1, 1998 and ending December 31, 1998 as published in the Bank of Canada Review, Statistical Supplement.
- 10 The fixed toll increment shall be subject to a transportation revenue variance (TRV) in Enbridge which operates in the same fashion as the then-existing TRV in Enbridge. In the event there is no TRV mechanism in place for IPL, the fixed toll increment shall be subject to a TRV which operates in the same fashion as the TRV operated in Enbridge in 1997.
- 11 The base toll upon which the fixed increment will be added assumes the filling of the Enbridge/LPL systems at the quoted SEP II capacity of 259,100 m<sup>3</sup>/day, in accordance with the receipt and delivery schedule attached as Schedule E.
- 12 Enbridge and LPL will assume one hundred percent of operating cost variance risk, excluding changes to property tax expense which exceeds or falls below the forecast by twenty percent or more. The forecast operating costs are appended as Schedule I, and the audit rights in respect of those costs are set out in Paragraph 25. The forecast property taxes are attached as Schedule F. Property tax variances exceeding twenty percent from forecast shall result in an increase or decrease to the fixed toll increment by way of a surcharge or surcredit in accordance with Schedule B.
- 13 Enbridge and LPL will assume five percent of the capital cost variance risk and fifty percent of the capital cost variance risk thereafter on quoted target costs, as inflated, set out below. Capital cost variance for Terrace will be calculated on a cumulative basis and variances will be carried from one phase to the next. Target costs for the purpose of capital cost variance for facilities to be constructed after 1999 will be inflated from December 31, 1997 using the Canadian and US Gross Domestic Product deflators Published by Statistics Canada (Publication Number D15162) and the Bureau of Economic Analysis (U.S. Department of Commerce Publication Number PID GDP) for facilities in Enbridge and LPL respectively.

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Enbridge Cdn \$	LPL US\$	
\$575mm	\$117mm	Jan. 1999 Phase I
\$35mm	\$17 mm	Sept. 1999 Phase I
\$227mm	\$178mm	Phases II & III 2000 and 2001
	\$70mm	Other Phases 2002-2007

- 14 In the event CAPP does not provide notice to Enbridge on or before July 1, 2001 requesting Enbridge/LPL to proceed with both Phases II and III, costs for the Terrace project, including revenue variance between the application of the fixed toll increment and the cost of service model, will be calculated, and prospective tolls will be collected on a cost of service basis. In respect of LPL, the Terrace related costs will be collected via a cost of service surcharge layered onto the indexed base. Capital and operating cost sharing risk will revert to cost of service recovery.
- 15 In the event of a reversion to a cost of service model in accordance with the preceding paragraphs, and in the event the parties are unable to agree upon the appropriate cost of service parameters which shall be applied, the parties agree that the matters of capital structure, return on equity and tax allowance in respect of the LPL portion of the Terrace investment will be resolved through an arbitration process, the details of which are set forth in Schedule G. The cost of service parameters which will apply in respect of the Enbridge portion of the Terrace investment will be determined under then-existing Incentive Toll arrangement if agreed to by the parties or the then prevailing NEB methodology.
- 16 Until such time as both Phases II and III are placed into service, Phase I will be considered to be a Non Routine Adjustment (NRA) in both Enbridge and LPL as NRA is defined and treated in the 1995 Enbridge Incentive Toll Settlement. However, tolls will continued to be charged at the five cent negotiated rate subject to the TRV in Enbridge. Any revenue variance will be amortized and collected over the remaining term of the Principles (effective January 1, 2002) plus carrying costs based on the year average Bank of Canada rate plus 50 basis points if Phases II and III are not committed to by July 1, 2001.

- 17 a) Subject to the following paragraphs, Enbridge/LPL have committed to deliver the agreed capacity set out in Schedule A. If quoted forecast capacities are not achieved as scheduled, Enbridge/LPL will be subject to a capacity shortfall penalty whereby for each 5,500 m<sup>3</sup> per day capacity shortfall Enbridge/LPL will refund to shippers an amount equal to one cent per barrel (Cdn) via a toll reduction to be made in the following year. The penalty will be calculated over the period set out in subparagraph 17 e) and will be applied in fractions pro rata for capacity shortfalls which are proportions of 5,500 m<sup>3</sup> per day.
- b) In order to determine if the capacity shortfall penalty will be in effect, CAPP has the right to request in writing that all or a portion of the Terrace facilities be placed on test. Enbridge will provide written notification to CAPP within 60 days upon completion of each Phase. CAPP will have the right at any time within the following 9 months to request that Enbridge undertake a test. Enbridge will be required to conduct the test within 2 months of receipt of notice from CAPP that it wishes to have a test undertaken or other date as mutually agreed upon.
- c) Subject to the force majeure exception in subparagraph 17 d), the test will consist of flowing tests of any of Lines 2,3 and 4, tested individually over a 72 hour period. Over the 72 hour period the line(s) subject to test must achieve 105.5% of the annual capacity in aggregate, adjusted for seasonal temperatures. If the quoted forecast capacities cannot be achieved for the test period and it has been determined that the capacities are not achievable the penalty shall be levied on Enbridge/LPL.
- d) If during a test period, an event of force majeure occurs and is disruptive to the test, for the duration of the event, the test results will not be relied upon to determine the success of the test. An event of force majeure shall be an event not within the control of Enbridge/LPL and which by the exercise of due diligence it is not able to avoid or overcome, limited to: acts of God, fires, flooding, earthquakes, or other extreme weather conditions.
- e) In the event Enbridge/LPL does not complete the test successfully, the penalty shall be calculated commencing the first month after the scheduled completion of the relevant Phase of the Terrace program in which Enbridge/LPL announces apportionment and shall remain in effect until such time as the quoted capacity is made available, as evidenced by a successful re test. In the event the test is successful, but Enbridge/LPL have announced apportionment in the period between giving notice that the relevant Phase is completed and undertaking the test, the penalty shall be applied for those interim months in which apportionment was announced.

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- f) Enbridge and CAPP will work together to plan for the test such that an adequate supply is available, pump schedules determined and third party delivery facilities are arranged to allow the 72 hour test to occur. To the extent commodities are not made available to Enbridge/LPL in sufficient quantities to permit it to achieve the quoted capacities during the duration of the test, Enbridge/LPL shall not be liable to pay the capacity penalty. The parties may agree to reduce the duration of the test should sufficient commodity supply be unavailable for the full 72 hour test period
  - g) Upon 60 days notice to CAPP Enbridge/LPL have the right to re-test any or all of the lines which were the subject of an unsuccessful test at any time after such test; provided that, if commodities are not made available to Enbridge/LPL in sufficient quantities to permit it to undertake the test, the penalty shall be suspended, pending the outcome of the re-test.
- 18 In the event the quoted capacities are not achieved in respect of Phase I as a result of the failure to obtain timely regulatory approvals from necessary agencies including the US Corps of Engineers, the capacity penalty shall not be levied for so long as the capacity shortfall exists due to that cause. Enbridge and LPL commit to use best efforts to obtain all necessary approvals in a timely fashion.
- 19 The fixed toll increment of five cents shall be adjusted upward or downward as the case may be, and the increment or decrement may be allocated as between Enbridge and LPL in the discretion of Enbridge and LPL in accordance with Schedule B for the following:
- i) Agreed upon scope changes to the project;
  - ii) Agreed upon timing changes to the project where such timing change has a cost impact;
  - iii) Capital cost variance;
  - iv) Construction cost variance due to agreed upon circumstances which are extraordinary and not within the control of Enbridge/LPL as more particularly described in Article 20;
  - v) Property tax variances in excess of twenty percent from forecast;
  - vi) In respect of Phases other than Phase I, bond rate variation by more than two percentage points from 1998 levels; and
  - vii) Multi-pipeline return on equity variation by more than two percentage points from 1998 level

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- 20 For the purposes of Article 19 iv) circumstances which are extraordinary and not within the control of Enbridge/LPL are causes which by the exercise of due diligence Enbridge/LPL have not been able to avoid or overcome, including: acts of God, acts of public enemies, wars, insurrections, riots, epidemics, landslides, earthquakes, fires, storms, floods, washouts, abnormal weather conditions affecting construction, orders, restraints or prohibitions by any competent court or Government, government department, agency or tribunal having jurisdiction over Enbridge or LPL or over parties supplying labour, material or items necessary for the Terrace expansion.
- 21 Subsequent to LPL completing Phase III, in the event annual actual average pumpings ex-Clearbrook are less than 215,000m<sup>3</sup> per day, 220,000m<sup>3</sup> per day and 225,000m<sup>3</sup> per day from in-service to year-end 2002, 2003, and 2004 through 2013 inclusive, respectively, an adjustment to the fixed toll increment allocated to LPL shall be made in accordance with Schedule C.
- 22 Energy costs attributable to Terrace will be calculated using a base power cost for an agreed upon delivery forecast assuming pre-Terrace at a capacity of 259,100 m<sup>3</sup>/day. The calculation of the power allowance for the purpose of calculating the TRV will be based on the difference in the total forecast fuel and power requirements and the actual fuel and power, using the average annual cost of fuel and power for the TRV year. Illustrative samples of the power and TRV calculations and the delivery forecasts for the 259,100m<sup>3</sup>/d base and the year 1999 are appended in Schedule H..
- 23 The implementation of the toll method contemplated in these Principles is subject to National Energy Board and Federal Energy Regulatory Commission approval of the settlement for Enbridge and LPL respectively.
- 24 The parties acknowledge that the calculation of the fixed toll increment assumes the Terrace facilities are depreciated on a straight line basis using a truncation date of 2024.
- 25 CAPP and Enbridge/LPL agree that the operating costs allocable to the Terrace program shall be direct incremental costs of the program for the cost classified in Schedule I. Upon completion of each Phase of the Terrace program, Enbridge/LPL shall provide to CAPP an enumeration of the facilities installed and the costs thereof. Maintenance and direct operating costs associated with the enumerated facilities shall be tracked and charged separately over the term of the Statement of Principles. Any variances from Schedule I costs shall be for Enbridge's account. CAPP has the right to audit Enbridge/LPL records and accounts to ensure Enbridge's and LPL's treatment of costs are in accordance with the Terrace Statement of Principles. Audits will be conducted by a firm of independent Chartered Accountants. An audit shall be conducted not more than once every two years and no later than the immediate twenty-four month period beyond the expiry of the Terrace Toll Agreement. All fees, costs and expenses of

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the external auditors with respect to the Terrace Toll Agreement audit will be paid by CAPP, on behalf of industry. CAPP may elect to have the external audit fees and expenses paid through Enbridge as a non-routine adjustment under Clause 7 of the Incentive Toll Settlement.

In the event Enbridge seeks to recover additional revenue from shippers for additional facilities CAPP has the right to undertake an engineering audit of the facilities within six months of Enbridge notifying CAPP that such facilities are available for service. Enbridge agrees to retain, and make available for audit purposes the original Terrace hydraulic studies

**Schedule A**  
**Description of Terrace Facilities**

**Phase I Facilities**

Proposed Facilities	Items Considered to be Scope Changes to Terrace	Not in Terrace Scope
<p>Pipe</p> <ul style="list-style-type: none"> <li>• 619 km of 914 mm line pipe between Kerrobert and Gretna stations in 15 sections in Enbridge along with associated valving, tie-in piping and scraper facilities</li> <li>• 100 miles of 36 inch line pipe in 4 sections between Gretna and Clearbrook stations in LPL along with associated valving and tie-in piping</li> <li>• additional wall thickness beyond the SEP</li> <li>• II design on discharge of five existing stations above 3.28 inches and valving at intermediate station sites for future stations</li> </ul>	<ul style="list-style-type: none"> <li>• Changes totaling more than 5 miles of pipe combined in Enbridge &amp; LPL</li> <li>• Changes in pipe diameter</li> </ul>	

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<p><b>Pump Stations</b></p> <ul style="list-style-type: none"> <li>• Sufficient pumping equipment and power to provide 26,500 m<sup>3</sup>/d of incremental capacity assuming that the 24" pipeline between Kerrobert and Clearbrook operates in laminar flow and that crudes are pumped in the 24" pipeline in sufficient quantities for the line to operate at 25,000 m<sup>3</sup>/d at its bottleneck point. Facilities will provide 370,000 BHP pumping power to pump at annual capacity rate between Edmonton and Superior in Q4 1999. No more than 2 pipelines in Enbridge and LPL will handle heavy and Bow River commodities.</li> </ul>	<p>Additional pumping power or DRA to achieve capacities greater than 285,600 m<sup>3</sup>/d in total as follows:</p> <ul style="list-style-type: none"> <li>• Line 1 18"/20"/26" 49,500 m<sup>3</sup>/day</li> <li>• Line 3 21"/34" 66,000 m<sup>3</sup>/day</li> <li>• Line 3 24"/26"/34" 81,200 m<sup>3</sup>/day</li> <li>• Line 2 24" heavy line 25,000 m<sup>3</sup>/day</li> <li>• Line 4 36"/48" heavy line 102,100 m<sup>3</sup>/day</li> <li>• Line 13 16"/18"/20" 27,800 m<sup>3</sup>/day</li> </ul> <p>or as otherwise agreed to with industry</p> <p>Annual capacities noted are 90% of design capacity for all pipeline capacities noted.</p> <p>Changes in deliveries that negatively impact Lakehead's ability to inject crude into Lines 2 and 4 at Clearbrook in Phase I</p>	<p>Capacity increases on Lines not affected by Terrace including in Western Canada:</p> <ul style="list-style-type: none"> <li>• Changes resulting from the SEP II facilities as filed with the NEB and as agreed to with industry which impact quoted Line capacities</li> <li>• Changes in facilities required to accommodate crude characteristics other than as referenced in Schedule D.</li> </ul>
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Breakout and Terminalling Facilities	Additional breakout tankage	Additional tankage, receipt, delivery, terminalling or connecting facilities at any location in Canada or USA
<ul style="list-style-type: none"><li>• 2 breakout tanks at Superior</li></ul>		<ul style="list-style-type: none"><li>• Requested commodity segregation over and above that provided in January 1999 which results in the need for additional tankage, metering, or terminalling facilities</li><li>• Changes in facilities required to accommodate crude characteristics other than referenced in Schedule D.</li></ul>

Phase II Facilities

Proposed Facilities	Items Considered to be Scope Changes to Terrace	Not in Terrace Scope
<p><b>Pipe</b> 123 km of 914 mm line pipe in 3 sections between Hardisty and Kerrobert pump stations in Enbridge with associated valving and tie-in facilities</p>	<p>Changes totaling more than 5 miles of pipe Changes in pipe diameter</p>	
<p><b>Pump Stations</b> Sufficient pumping equipment and power to provide 6,900 m<sup>3</sup>/d of incremental capacity beyond Phase I facilities, assuming that the 24" pipeline between Hardisty and Clearbrook operates in laminar flow and that crudes are pumped in the 24" pipeline in sufficient quantities to operate at 27,000 m<sup>3</sup>/d at its bottleneck point.  Facilities will provide 384,000 BHP in pumping power to pump at annual capacity rate between Edmonton and Superior in Q4 2000. No more than 2 pipelines in Enbridge and LPL will handle heavy and Bow River commodities.</p>	<p>Additional pumping power or DRA to achieve capacities greater than 292,500 m<sup>3</sup>/d in total determined as follows:</p> <ul style="list-style-type: none"> <li>• Line 1 18"/20"/26" 49,500 m<sup>3</sup>/day</li> <li>• Line 3 24"/34" 66,000 m<sup>3</sup>/day</li> <li>• Line 3 24"/26"/34" 81,200 m<sup>3</sup>/day</li> <li>• Line 2 24" heavy line 27,000 m<sup>3</sup>/day</li> <li>• Line 4 36"/48" heavy line 107,000 m<sup>3</sup>/day</li> <li>• Line 13 16"/18"/20" 27,800 m<sup>3</sup>/day</li> </ul> <p>or capacities as otherwise agreed to by Enbridge/LPL and industry Annual capacities noted are 90% of design capacity for all pipeline capacities noted.</p>	<ul style="list-style-type: none"> <li>• Additional pumping power or DRA to achieve capacities greater than that quoted in Phase I facilities:</li> <li>• Changes in facilities required to accommodate crude characteristics other than referenced in Schedule D.</li> </ul>

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Breakout and Terminalling Facilities	Breakout tankage	additional tankage, receipt, delivery, terminalling or connecting facilities at any location in Canada or USA Requested commodity segregation which results in additional tankage, metering, or terminalling facilities over and above and not provided in January 1999.
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Phase III Facilities

Proposed Facilities	Items Considered to be Scope Changes to Terrace	Not in Terrace Scope
<p><b>Pipe</b> 120 miles of 36 inch line pipe in 5 sections between Clearbrook and Superior pump stations with associated valving and tie-in facilities</p> <p><b>Pump Stations</b> Sufficient power to provide 23,500 m<sup>3</sup>/d of incremental capacity above Terrace Phase II facilities. Facilities will provide 409,000 BHP in pumping power to pump at annual capacity rate between Edmonton and Superior in Q4 2001. No more than 2 pipelines in Enbridge and LPL will handle heavy and Bow River commodities.</p>	<p>Changes totaling more than 5 miles of pipe</p> <p>Changes in pipe diameter</p>	<p>Additional pumping power or DRA to achieve capacities greater than 315,200 m<sup>3</sup>/d in total as determined as follows:</p> <ul style="list-style-type: none"> <li>• Line 1 18"/20"/25" 41,400 m<sup>3</sup>/day</li> <li>• Line 3 24"/34" 54,000 m<sup>3</sup>/day</li> <li>• Line 3 24"/26"/34" 65,000 m<sup>3</sup>/day</li> <li>• Line 2 heavy line 74,000 m<sup>3</sup>/day</li> <li>• Line 4 heavy line 107,800 m<sup>3</sup>/day</li> <li>• Line 13 16"/18"/20" 27,800 m<sup>3</sup>/day</li> </ul> <p>or as otherwise agreed to with industry</p> <p>Annual capacities noted are 90% of design capacity for all pipelines noted.</p> <ul style="list-style-type: none"> <li>• Changes in facilities required to accommodate crude characteristics other than referenced in Schedule D.</li> </ul>

Breakout and Terminalling Facilities		
<ul style="list-style-type: none"><li>• 2 breakout tanks at Superior</li></ul>	<ul style="list-style-type: none"><li>• additional breakout tankage</li></ul>	<ul style="list-style-type: none"><li>• additional tankage, receipt, delivery, terminalling or connecting facilities at any location in Canada or USA</li><li>• Requested commodity segregation which results in additional tankage, metering, or terminalling facilities</li></ul>

**Future Phases of Terrace Facilities**

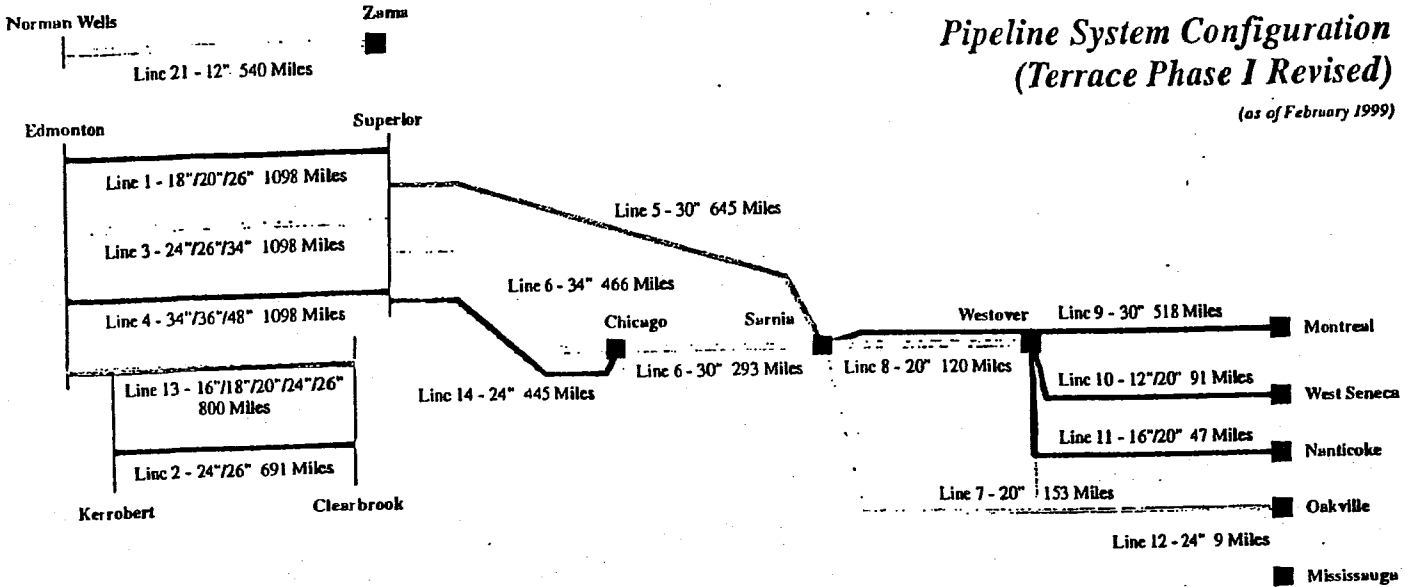
Proposed Facilities	Items Considered to be Scope Changes to Terrace	Not in Terrace Scope
Pipe \$US 27 million in pipeline facilities between Mokena and Griffith by the end of 2002 if needed	<ul style="list-style-type: none"> <li>Any additional pipeline extensions or connections over \$US 27 million</li> </ul>	
Pump Stations \$US 40 million in station additions and modifications on Line 14 by the end of 2003 if needed	<ul style="list-style-type: none"> <li>Any incremental pump unit additions after the intermediate stations are installed over \$US 40 million</li> </ul>	
Crude Oil Heater \$US 3 MM in heating facilities to increase Line 14 capacity by the end of 2007 if needed	<ul style="list-style-type: none"> <li>Any other heating facilities over \$US 3 million</li> </ul>	
Total Costs	Total costs in excess of \$US 70 million	

A pipeline system schematic is shown on the following page.

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Pipeline System Configuration  
(Terrace Phase I Revised)

(as of February 1999)



Line 21

Light Crudes

Line 1	Line 2	Line 3	Line 4	Line 5	Line 6	Line 7	Line 8	Line 9	Line 10
✓NGL ✓Light Crudes ✓Synthetics	✓Heavy Crudes	✓Light Crudes ✓Medium Crudes ✓Synthetics ✓Condensates	✓Heavy Crudes ✓Medium Crudes	✓NGL ✓Light Crudes ✓Synthetics ✓Condensate	✓Light Crudes ✓Medium Crudes ✓Heavy Crudes ✓Condensate	✓Light Crudes ✓Medium Crudes ✓Heavy Crudes ✓Synthetics	✓Refined Products	✓Light Crudes ✓Medium Crudes ✓Condensate	✓Light Crudes ✓Medium Crudes ✓Heavy Crudes ✓Condensate ✓Synthetics
Line 11	Line 12	Line 13	Line 14						
✓Light Crudes ✓Condensate ✓Synthetics	✓Light Crudes ✓Medium Crudes ✓Heavy Crudes ✓Synthetics	✓Synthetics ✓Refined Products	✓Light Crudes ✓Condensate ✓Synthetics ✓Medium Crudes ✓Heavy Crudes						



**Schedule B**

**Adjustments to the 5 Cents per Barrel Increment \***  
(Cdn Dollars)

	Adjusting Event	Adjustment	
		Phase I	Phase II
1	Aggregate Scope Changes resulting in Capital cost changes greater than +/- \$10 million from original estimate provided in Paragraph 13 of the Principles of Settlement	0.18 cents per barrel per \$10 million change in capital costs	0.14 cents per barrel per \$10 million change in capital costs
2	Capital Cost Variance outside +/- 5 % of estimate provided in Schedule A and construction cost variance agreed upon as falling under Paragraph 19 iv) of the Statement of Principles	0.09 cents per barrel per \$10 million change in capital costs	0.07 cents per barrel per \$10 million change in capital costs
3	Changes in Multi-pipeline cost of equity beyond current rate plus 200 basis points	For 1999-2007 and for 2008-2013 .3 cents per barrel and .15 cents per barrel respectively for each 25 basis point change in the multi-pipeline rate of return which exceeds the 1998 multi-pipeline rate of return plus or minus 200 basis points.	
4	Variances in Cost of Debt over 200 basis points above or below current Long Canada (5.28%) and US (5.65%) 10 year bonds	For Phases II and following, .1 cent per barrel change for every 50 basis point change in debt cost above the 200 basis point variance. The toll change for debt cost variances shall apply to Enbridge and LPL independently.	
5	Property Tax variances on Terrace Facilities greater than +/-20 % on estimate	Treated as a surcharge or surcredit to be recovered over a period of approximately one year and applied to all volumes until such time as the applicable property tax variance plus carrying costs at the year average Bank of Canada rate plus 50 basis points has been fully recovered or refunded.	
6	Capacity Penalty	1 cent decrease per barrel per 5,500 m3 per day below stated capacity until capacity is provided	1 cent decrease per barrel per 5,500 m3 per day below stated capacity until capacity is provided

\* All values in Schedule B will be applied in fractions pro rata and the exchange rate (where applicable) shall be that set out in Paragraph 9 of the Statement of Principles

**Schedule C**

**Adjustment for LPL Phase III Trigger \***  
Increment Increase in Year following pumpings below specified target  
(Cdn Currency)

Prior Year's Actual Average Pumpings Ex-Clearbrook	Toll Adjustment for Year		
	2002	2003	2004-2013
Greater than 225,000 m <sup>3</sup> /day	0 cents/barrel	0 cents/barrel	0 cents/barrel
220 000 m <sup>3</sup> /day to 224 999 m <sup>3</sup> /day	0 cents/barrel	0 cents/barrel	1 cents/barrel
215 000 m <sup>3</sup> /day to 219 999 m <sup>3</sup> /day	0 cents/barrel	1 cents/barrel	2 cents/barrel
210 000 m <sup>3</sup> /day to 214 999 m <sup>3</sup> /day	1 cents/barrel	2 cents/barrel	3 cents/barrel
205 000 m <sup>3</sup> /day to 209 000 m <sup>3</sup> /day	2 cents/barrel	3 cents/barrel	4 cents/barrel
200 000 m <sup>3</sup> /day to 204,999 m <sup>3</sup> /day	3 cents/barrel	4 cents/barrel	5 cents/barrel
<ul style="list-style-type: none"> <li>The toll adjustment set out in Schedule C will be collected via a surcharge, based on an exchange rate fixed on the previous 12 month average and all adjustments will be applied in fractions pro rata.</li> <li>For any year in which the Phase III facilities are in operation for a less than a full year, the actual average pumpings will be calculated on that portion of the year the facilities were available for service</li> </ul>			

**SCHEDULE D**

**Fluid Properties of Liquid Hydrocarbons in Enbridge System  
Terrace Phase I Expansion Program**

Commodity Type	Viscosity @ 15°C  (Centistokes)	Density @  15°C	Notes
Synthetic Crude	5.8	864	
NGL	0.26	555	
Condensate	1.1	732	
Gasoline	0.65	722	
Distillate	3.1	839	
Mixed Blend Sweet	6.8	883	
Light Sour	21	877	
Medium	56	902	
Heavy	350 <sup>1</sup>	940 <sup>1</sup>	
Bow River	225 <sup>1</sup>	925 <sup>1</sup>	Increased viscosity commences January 1999

<sup>1</sup> Viscosity and density at Line 3 and 4 reference temperature.

SCHEDULE E

RECEIPT / DELIVERY FORECAST

Forecast Deliveries at Base Capacity  
259,100m<sup>3</sup>/day

ENBRIDGE PIPELINES INC.

Forecast Deliveries at Base Capacity (259 100 m<sup>3</sup>/d)  
m<sup>3</sup>/d

<u>Line No.</u> (a)	<u>Delivery Location</u> (b)	<u>Commodity Source</u> (c)	<u>Commodity Type</u> (d)	<u>Service Category (1)</u> (e)	<u>Year Average</u> (f)
1	Edmonton	Edmonton	Cnd	1	3,000
2	Hardisty	Edmonton	Cnd	1	9,800
3		Edmonton	Lgt	1	4,400
4		Edmonton	Hvy	1	<u>5,900</u>
5	Subtotal				20,100
6	Kerrobert	Edmonton	Cnd	1	5,000
7	Milden	Edmonton	Dst	2	1,100
8		Edmonton	Gsl	2	<u>1,500</u>
9	Subtotal				2,600
10	Regina	Edmonton	Dst	2	1,700
11		Edmonton	Gsl	2	1,300
12		Edmonton	Cnd	1	300
13		Edmonton	Lgt	1	2,400
14		Edmonton	Nap	1	500
15		Edmonton	Hvy	4	700
16		Kerrobert	Hvy	1	<u>5,100</u>
17	Subtotal				12,000
18	Gretna	Edmonton	Dst	2	2,400
19		Edmonton	Dst	3	1,700
20		Edmonton	Gsl	2	2,900
21		Edmonton	Gsl	3	1,500
22		Regina	Dst	2	400
23		Regina	Gsl	2	<u>500</u>
24	Subtotal				9,400

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25 U. S. Points	Edmonton	Cnd	1	100
26	Edmonton	Lgt	1	55,400
27	Edmonton	Med	1	1,700
28	Edmonton	Hvy	1	9,300
29	Edmonton	NGL	2	600
30	Hardisty	Lgt	1	8,100
31	Hardisty	Med	2	13,600
32	Hardisty	Hvy	1	15,800
33	Hardisty	Hvy	2	28,100
34	Kerrobot	Lgt	2	1,300
35	Kerrobot	Hvy	1	11,800
36	Kerrobot	Hvy	2	4,400
37	Kerrobot	NGL	2	4,900
38	Regina	Lgt	1	0
39	Regina	Hvy	1	6,700
40	Cromer	Lgt	1	9,500
41	Cromer	Med	1	2,100
42	Cromer	NGL	2	500
43 Subtotal				173,900
44 Sarnia	Edmonton	Lgt	1	16,200
45	Edmonton	Hvy	1	3,300
46	Edmonton	Cnd	1	0
47	Edmonton	NGL	2	11,600
48	Hardisty	Lgt	1	800
49	Hardisty	Hvy	2	2,900
50	Kerrobot	NGL	2	7,900
51	Regina	Lgt	1	600
52	Cromer	Lgt	1	4,500
53	Cromer	Med	1	4,100
54	U. S. Points	USL	2	700
55	Montreal	Cnd	2	1,600
56	Montreal	Lgt	2	13,600
57 Subtotal				67,800
58 Toronto	Edmonton	Lgt	1	0
59	Hardisty	Med	2	2,500
60	Hardisty	Hvy	2	800
61	Kerrobot	Hvy	1	500
62	Toronto	Med	2	500
63	Montreal	Lgt	2	10,300
64 Subtotal				14,600
65 Nanticoke	Edmonton	Lgt	1	500
66	Hardisty	Med	1	0
67	Hardisty	Lgt	1	1,800
68	Hardisty	Hvy	2	1,300
69	Regina	Lgt	1	0
70	Montreal	Lgt	2	12,700
71 Subtotal				16,300
72 Buffalo	Edmonton	Lgt	1	4,700

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73	Edmonton	Hvy	1	300
74	Hardisty	Lgt	1	0
75	Hardisty	Med	2	1,400
76	Hardisty	Hvy	2	2,200
77	Kerrobert	Hvy	1	1,300
78	Cromer	Lgt	1	400
79	Cromer	Med	1	800
80	U.S. Points	Med	1	0
81	U.S. Points	USL	2	0
82	Sarnia	Cnd	1	<u>300</u>
83	Subtotal			11,400

84 TOTAL DELIVERIES - Enbridge 336,100

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85	Subtotal	Cnd		20,100
86		Lgt		147,200
87		Med		26,700
88		Hvy		100,400
89		NGL		25,500
90		Other		16,200

91 TOTAL DELIVERIES - Enbridge 336,100

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92	less Deliveries Upstream of Capacity Points *			36,400
93	less Receipts Downstream of Capacity Points *			40,600

94 Total Pumpings at Capacity Points \* 259,100

\* Capacity Points are Cromer for Line 1 and Line 2, Regina for Line 3 and Hardisty for Line 13. Capacities are 49 500 m3/d on Line 1, 79 500 m3/d on Line 2, 99 100 m3/d on Line 3 and 31 000 m3/d on Line 13.

**Legend**

Dst - Distillate	Med - Medium Crude Oil
Gsl - Gasoline	Hvy - Heavy Crude Oil
Nap - Naptha	NGL - Natural Gas Liquids
Cnd - Condensate	USL - U.S. & Offshore Light Crude Oil
Lgt - Light Crude Oil	m3/d - Cubic meters per day

**Note (1) Service Category:**

- (a) Use of receipt and delivery tankage is identified as follows:
- 1 - Uses receipt tankage but not delivery tankage.
  - 2 - Uses neither receipt nor delivery tankage.
  - 3 - Uses delivery tankage but not receipt tankage.
  - 4 - Uses both receipt and delivery tankage.

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**(b) No receipt terminalling charge will be assessed on commodities received by Enbridge at the International Boundary near Sarnia, Ontario and no delivery terminalling charge will be assessed on the commodities delivered by Enbridge at the International Boundaries near Gretna, Manitoba and Chippewa, Ontario.**

**SCHEDULE F**  
**FORECAST**  
**PROPERTY TAXES**  
**(000)**

	1999	2000	2001	2002	2003	2004	2005	2006	2007
LPL SUS	1908	2307	1996	5984	6508	7112	7332	7323	6901
Enbridge	2758	3069	3372	3932	4010	4090	4172	4256	4341
SC									
	2008	2009	2010	2011	2012	2013	2014		
LPL SUS	6705	6925	7029	7134	7241	7350	7460		
Enbridge	4428	4516	4607	4699	4793	4888	4986		
SC									

**SCHEDULE G**  
**Arbitration Procedure**

1. **Referral to Arbitration; Rules.** In the event of any dispute, controversy or claim (a "Dispute") arising out of setting the parameters for or relating to the reversion to cost of service toll approach set forth in the Principles of Settlement such Dispute shall be referred to arbitration in accordance with the provisions of this Schedule. The arbitration shall be conducted under the *Arbitration Act* (Alberta) and any amendments thereto except to the extent that the *Arbitration Act* is inconsistent with or in conflict with any terms of this Schedule, in which event such terms of this Schedule shall prevail. Any other statute which applies to a Dispute shall apply only to the extent that it is not inconsistent with this Schedule.
  
2. **The Arbitrators.** The Party or Parties commencing the Arbitration proceedings ("Claimant") may at any time serve a notice on the other Party or Parties ("Respondent") to the Dispute of its intention to arbitrate. Within ten (10) days (all references to "days" in this Schedule G are to business days) of Respondent's receipt of a Notice of Arbitration (as defined in subparagraph 3(a)), the Claimant and Respondent shall meet and attempt to appoint a single arbitrator. Should all of the Parties to the Dispute ("Arbitrating Parties") be unable to agree upon a single arbitrator, then either Arbitrating Party may select its own arbitrator and may serve notice upon the other Arbitrating Party to select an arbitrator. Upon receipt of such notice, the other Arbitrating Party shall have ten (10) days in which to appoint an arbitrator. The two arbitrators thus selected shall appoint a third arbitrator within ten (10) days of the appointment of the second arbitrator, and the three arbitrators shall constitute a board of arbitrators which shall determine the matter in dispute. If either Arbitrating Party shall fail to name an arbitrator within ten (10) days of receipt of a notice to do so, the second arbitrator shall be appointed by any Justice of the Court of Queen's Bench of Alberta (the "Specified Court"). If the two arbitrators shall fail to appoint the third arbitrator, then upon written application by any Arbitrating Party such third arbitrator shall be appointed by any Justice of the Specified Court. For the purposes of selection of arbitrators, the Claimants shall be treated as one Arbitrating Party, and the Respondents shall be treated as one Arbitrating Party.
  
3. **Commencement of Arbitration Procedures.**
  - (a) The Party commencing arbitration proceedings (the "Claimant") shall serve upon the other party (the "Respondent") a notice of arbitration (the "Notice of Arbitration"). No more than five (5) days after the selection of the Arbitrator, the Claimant shall serve the Notice of Arbitration upon the Arbitrator. Arbitration proceedings are deemed to commence on the date on which the Notice of Arbitration is served upon the Respondent.
  
  - (b) Notice of Arbitration shall include the following, set out in plain, concise and summary language:

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- (i) a demand that the Dispute be referred to arbitration;
- (ii) the names and addresses of the Arbitrating Parties;
- (iii) a reference to the provisions of the Agreement out of or in relation to which the Dispute arises;
- (iv) the general nature of the claim;
- (v) a statement of the facts supporting the claim;
- (vi) the points at issue;
- (vii) the name and address of the Claimant's counsel;
- (viii) the relief or remedy sought; and
- (ix) a proposal as to the identity of the Arbitrator and three alternative proposals;

Within fifteen (15) days of service of the Notice of Arbitration, the Respondent shall also make a proposal of the type provided for in Section 3(b)(ix) above.

- (c) Within thirty (30) days of receiving the Notice of Arbitration or such longer period of time as the Arbitrating Parties may agree or the Arbitrator may permit the Respondent shall serve its response (the "Response") in writing upon the Claimant. Within five (5) days of the selection of the Arbitrator, the Respondent shall serve its Response upon the Arbitrator.
- (d) A Response shall reply in plain, concise and summary language to the particulars in subparagraphs 3(b)(v), 3(b)(vi) and 3(b)(viii) above and shall specify information of the type provided for in subparagraph 3(b)(vii) above.
- (e) The documents filed pursuant to this paragraph 3 shall be referred to as the "Written Evidence" and may only be supplemented with leave of the Arbitrator.
- (f) Both the Claimant and the Respondent shall each fully disclose and completely append to its Notice of Arbitration Response a summary of all material facts and evidence upon which it intends to rely, including the following:
  - (i) a copy of the agreements and all amendments thereto out of which the Dispute arises including the Agreement and all Schedules thereto;
  - (ii) a list of all relevant documents, including adverse documents, identified by the parties thereto, the date and subject matter thereof;
  - (iii) copies of any expert reports intended to be relied upon; and
  - (iv) a list of any and all witnesses intended to be relied upon, including names, addresses, employment, a summary of the material testimony

of each such witness and, where appropriate, the qualifications of the witnesses.

4. **Failure to deliver a Response.** If an Arbitrating Party does not deliver a response within five days of a written notice by the Arbitrator to do so and the Arbitrator determines that there is no sufficient explanation for such failure to deliver, the Arbitrator may make such an Award as is considered appropriate in the circumstances, including an Award terminating the arbitration.

5. **Challenges of Arbitrator.**

- (a) An Arbitrating Party who intends to challenge the Arbitrator shall send a written statement of the reasons for the challenge to the other Arbitrating Parties and to the Arbitrator.
- (b) Any challenge of the Arbitrator shall be based upon the actual or potential bias of the Arbitrator, the Arbitrator's conflict of interest or other ground that is related to the impartiality of the Arbitrator. The challenge shall be made to the Specified Court.
- (c) Where the mandate of an Arbitrator terminates for any reason, a substitute Arbitrator shall be appointed pursuant to the rules and procedures set forth in paragraph 2 above.

6. **Preliminary Conference.** No later than seven (10) days after the last item of Written Evidence has been filed, the Arbitrating Parties and their counsel shall meet, either in person or by telephone conference call with the Arbitrator for a preliminary conference that determines the issues upon which the Arbitrating Parties are truly in disagreement, the granting of any interim orders of relief that may have been applied for in the Written Evidence and the scheduling of the balance of the arbitration including any oral hearing. The Arbitrating Parties shall use their best efforts to reach agreement on as many matters as possible in order to reduce the amount of time required to resolve the matters in dispute. The Arbitrating Parties shall also provide the Arbitrator with an agreed statement of facts and an agreed list of exhibits to be filed within ten (10) days after the conclusion of the conference provided in this paragraph 6, to the extent that the Arbitrating Parties have been able to agree upon such matters.

7. **Evidence Gathering.**

- (a) Where an Arbitrating Party on notice to the Arbitrator and the Arbitrating Parties alleges that relevant evidence is or may be in the possession of another Arbitrating Party, and can satisfy the Arbitrator that there is a conflict, disagreement or uncertainty on important evidentiary matters, such Arbitrating Party may demand (a "Demand") that the Arbitrator require the other Arbitrating Parties to do any or all of the following:

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- (i) respond in writing to information requests under oath or affirmation;
  - (ii) produce further documents (including documents that are either adverse in interest to the producing party or confidential) but not documents in respect of which such Arbitrating Party may validly claim privilege or confidentiality pursuant to paragraph 14 below); and
  - (iii) produce witnesses including experts for attendance at a pre-hearing oral examination under oath or affirmation.
- (b) Where an Arbitrating Party on notice to the Arbitrator and the other Arbitrating Parties alleges that a third party has relevant and important evidence, the Arbitrator may demand production of that evidence in such form and on such terms as the Arbitrator may prescribe which shall fairly protect the interests of the Arbitrating Parties.
- (c) All procedures commenced pursuant to subparagraphs 7(a) and (b) shall be completed within thirty (30) days of the initial Demand.
- (d) Any evidence obtained by an Arbitrating Party adverse in interest in response to a Demand or request under this paragraph 7 may be submitted to and relied upon by the Arbitrator as *prima facie* proof of the truth of its contents, unless the opposing party raises a reasonable doubt about the reliability of such evidence, in which case the Arbitrator may determine the admissibility, relevance and materiality of such evidence.
- (e) Only if there is a conflict in the expert reports or in the evidence on an important matter in the Dispute may the Arbitrator retain a neutral, independent and impartial expert (the "Expert") qualified in the subject matter provided the Arbitrating Parties agree to such an appointment. The Expert shall be appointed after the Arbitrator has had due regard to the submissions of the Arbitrating Parties on the selection of, qualifications of, and issues to be submitted to the Expert. The Arbitrating Parties shall receive all documents submitted to the Arbitrator by the Expert, and shall have an opportunity to examine, and to offer written or oral rebuttal of any evidence presented to the Arbitrator by the Expert. Costs associated with the Expert are payable by the Arbitrating Parties, and the Arbitrating Parties shall be entitled to stipulate that the Expert's fees shall not exceed an amount agreed to by the Arbitrating Parties.
- (f) The Arbitrator may determine the admissibility, relevancy and materiality of any evidence. Unless otherwise provided in this Schedule, the Arbitrator's decision on all procedural matters is final and binding upon the Arbitrating Parties.

8. Hearings

- (a) Where there is a conflict, disagreement or uncertainty on evidentiary matters an Arbitrating Party may demand, or the Arbitrator upon its own initiative may order, a hearing at which oral evidence on the evidentiary matters so identified will be tendered with each other Arbitrating Party entitled to call rebuttal evidence (if previously disclosed to the other party) and to cross-examine. The Arbitrator must advise the Arbitrating Parties of the date, time and place of the arbitration hearing, and must decide such matters after consulting the Arbitrating Parties.
- (b) Any oral hearing shall be held *in camera* and unless otherwise agreed by all Arbitrating Parties, only their representatives, their counsel, the Arbitrator and those persons called as witnesses may attend. Each witness must be excluded from the hearing until that person is called to give evidence, unless all Arbitrating Parties agree that the witness need not be excluded.
- (c) A hearing shall proceed in the following manner:
  - (i) each Arbitrating Party may make an introductory statement;
  - (ii) each Arbitrating Party may present its evidence through a panel or panels of witnesses or otherwise as it sees fit;
  - (iii) the testimony of any and all witnesses shall be under oath, declaration or affirmation and the Arbitrator may administer such oaths, declarations and affirmations;
  - (iv) the order of presentation of evidence shall be: Claimant; Respondent and Claimant (rebuttal evidence only);
  - (v) surrebuttal evidence may be presented only with leave of the Arbitrator;
  - (vi) the order of examination of witnesses shall be: examination-in-chief by counsel for the Arbitrating Party presenting such evidence; cross-examination by counsel for each other Arbitrating Party; re-examination by the first Arbitrating Party's own counsel; and, if the Arbitrator chooses, examination by the Arbitrator; and
  - (vii) the Arbitrator may require any person to give evidence and attend an oral hearing and such orders are enforceable in the same manner as and have the same effect as a notice to attend in court proceedings, and shall be served in the same manner.
- (d) Following conclusion of the procedures specified in subparagraph 8(c) above, the Claimant shall present its oral argument, followed by the oral

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argument of the Respondent, the Claimant's replies and the Respondent's replies to the Claimant's replies. If the Arbitrator deems it advisable to do so, it may order the Arbitrating Parties to submit written briefs of argument, prior to and in addition to or in lieu of their oral arguments. In no event may such briefs exceed 10 pages.

9. **The Award.** Not later than 10 days following the conclusion of the hearing, the Arbitrator shall furnish to each Arbitrating Party a written statement of the Award. The Award shall be final and binding on the Arbitrating Parties as to the questions submitted to arbitration in the Notice of Arbitration. There shall be no appeal from or judicial review of the Award.
10. **Applicable Law.** The Arbitrator shall apply the laws of the Province of Alberta. All matters of procedure shall be resolved in accordance with the laws of the Province of Alberta.
11. **Claims Giving Rise to Other Proceedings.** Unless the Arbitrating Parties agree otherwise, the application of the arbitration provisions of this Schedule to the Dispute shall terminate if an Arbitrating Party advances or is required to respond to any other legitimate claim not covered by this Schedule, providing that such other claim arises out of substantially the same facts or subject matter as the Dispute governed by this Schedule and could reasonably give rise to contribution, indemnity, duplicative or inconsistent remedies or relief. The Arbitrator shall be empowered to determine whether any such claim falls within the contemplation of this paragraph 11.
12. **Non-Arbitrable Matters.** Any matter expressed in the Agreement to be a matter for agreement by the Arbitrating Parties shall not constitute a Dispute to be referred to or settled by arbitration proceedings pursuant to this Schedule or otherwise.
13. **Attornment; Enforcement.** The Arbitrating Parties hereby submit to the exclusive jurisdiction of the Specified Court in any action, suit or proceedings with respect to the enforcement of the provisions of this Schedule and the non-exclusive jurisdiction of the Specified Court with respect to the enforcement of any Award.. For greater certainty, the Parties confirm that the agreement to submit matters to arbitration is intended solely to bind the parties hereto and is not intended in any way to fetter or restrict the exercise of jurisdiction of any regulatory authority having jurisdiction over the matters which are subject to arbitration. The Arbitrating Parties agree to take any and all action as may be necessary to designate and maintain such designation of agents for service of notices under this Schedule for the duration of the Agreement and to promptly advise the other Parties in writing of any unavoidable change of agent or address of agent along with the identity and address of its new agent as required.

14. Confidentiality of Information.

- (a) Each Arbitrating Party and the Arbitrator shall retain in confidence the reasons for decision for the Award, all documents and other materials and all information obtained from any of the Arbitrating Parties in the arbitration and, further, shall not use the same, or allow the same to be used, for any purpose collateral to the arbitration. The Arbitrating Parties shall be responsible for ensuring that their officers, employees, witnesses, representatives and consultants comply with the obligation of confidentiality herein.
- (b) No Arbitrating Party shall refuse to produce any relevant documents on grounds of confidentiality alone, provided that a party may withhold documents if the conditions set forth in Section 16.1 of the *National Energy Board Act* apply, or if the rules of privilege applied by the laws of the Province of Alberta would result in such document being privileged in legal proceedings conducted in the Province of Alberta.

15. Costs. Each Arbitrating Party shall bear its own costs associated with the Arbitration and shall bear 50 percent of all third party costs

16. Place of Arbitration. The arbitration shall be conducted in Calgary, Alberta, Canada.

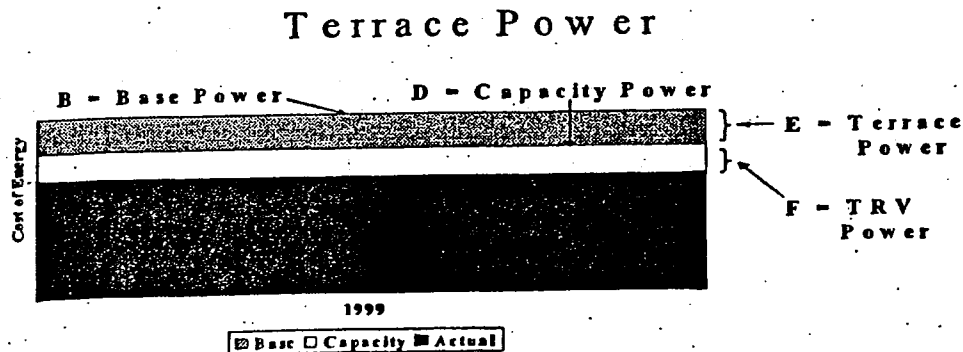
### SCHEDULE H Power Calculation

Following is an explanatory of the allocation of power costs and benefits to the Terrace Project and the calculation of the TRV power.

#### Procedure for Allocation of Power Cost/Benefits to Terrace and TRV

- A. Calculate the energy requirements to transport the post SEP II base capacity at 259,100 m<sup>3</sup>/d using the crude slate and receipt and delivery schedule found in Schedule E
- B. Multiply the power requirements determined in (A) by the previous year's average unit cost of energy plus fuel and DRA.
- C. Forecast the energy requirements annually to transport the post Terrace volumes at annual capacity using the forecast of crude type mix for each year as found in the example for 1999 in Table H below
- D. Multiply the power requirements determined in (C) by the previous year's average unit cost of energy plus fuel and DRA.
- E. The Difference between Power at base capacity (B) less the power associated with the current forecast at annual capacity (D) will be deemed Terrace Power attributable to Enbridge. In the example shown below, Terrace Power is shown as \$122 million - \$98 million = \$24 million.
- F. The difference between the Actual Power Cost and the Terrace Power at capacity determined in (D) will represent the TRV power allowance, which will be deducted from the TRV revenue.

Below is a graphical illustration of the treatment of power costs.



**Power Calculation Example**

Line No.	Description	GWh	\$97 Avg	\$ Total millions
A,B	<b>Energy Requirements for Base Capacity (259 100 m3/d):</b>			
	1 Power	2800	40.55	114
	2 Fuel			1
	3 DRA			<u>6</u>
	4 Total Energy Requirements for Base Capacity			122
C,D	<b>Energy Requirements at Capacity (259 100 m3/d) January 1999</b>			
	5 Power	233	40.55	9
	6 Fuel			0
	7 DRA			<u>1</u>
	8 Total Energy Requirements at Capacity Jan 1999			10
C,D	<b>Energy Requirements at Capacity (274 200 m3/d) February - September 1999</b>			
	9 Power	1459	40.55	59
	10 Fuel			1
	11 DRA			<u>3</u>
	12 Total Energy Requirements at Capacity Feb - Sept 1999			63
C,D	<b>Energy Requirements at Capacity (285 600 m3/d) October - December 1999</b>			
	13 Power	583	40.55	24
	14 Fuel			0
	15 DRA			<u>1</u>
	16 Total Energy Requirements at Capacity Oct - Dec 1999			25
C,D	<b>Total Energy Requirements for 1999 Capacity</b>			
	17 Power	2275	40.55	92
	18 Fuel			1
	19 DRA			<u>5</u>
	20 Total Energy Requirements for 1999 at Capacity			98

\* The energy requirements shown in the table above are for the partial year period with its corresponding aggregate system capacity forecast for that period.

ENBRIDGE PIPELINES INC.

Table H

Forecast Deliveries for 1999 at Capacity  
m3/d

Line No. (a)	Delivery Location (b)	Commodity Source (c)	Commodity Type (d)	Service Category (1) (e)	Year Average (f)
1	Edmonton	Edmonton	Cnd	1	1,200
2	Hardisty	Edmonton	Cnd	1	10,400
3		Edmonton	Lgt	1	8,400
4		Edmonton	Hvy	1	1,000
5	Subtotal				19,800
6	Kerrobert	Edmonton	Cnd	1	4,900
7	Milden	Edmonton	Dst	2	1,000
8		Edmonton	Gsl	2	1,400
9	Subtotal				2,400
10	Regina	Edmonton	Dst	2	1,700
11		Edmonton	Gsl	2	1,400
12		Edmonton	Cnd	1	300
13		Edmonton	Lgt	1	800
14		Edmonton	Nap	1	500
15		Edmonton	Hvy	4	600
16		Kerrobert	Hvy	1	5,000
17	Subtotal				10,300
18	Gretna	Edmonton	Dst	2	2,300
19		Edmonton	Dst	3	1,700
20		Edmonton	Gsl	2	2,900
21		Edmonton	Gsl	3	1,500
22		Regina	Dst	2	400
23		Regina	Gsl	2	500
24	Subtotal				9,300
25	U. S. Points	Edmonton	Cnd	1	2,400
26		Edmonton	Lgt	1	57,300
27		Edmonton	Med	1	2,300
28		Edmonton	Hvy	1	33,300
29		Edmonton	NGL	2	600
30		Hardisty	Lgt	1	1,800
31		Hardisty	Med	2	14,500
32		Hardisty	Hvy	1	7,200
33		Hardisty	Hvy	2	38,700
34		Kerrobert	Lgt	2	1,500
35		Kerrobert	Hvy	1	5,600
36		Kerrobert	Hvy	2	5,500
37		Kerrobert	NGL	2	4,900
38		Regina	Lgt	1	900
39		Regina	Hvy	1	7,100
40		Cromer	Lgt	1	11,900

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41	Cromer	Med	1	1,500	
42	Cromer	NGL	2	<u>500</u>	
43	Subtotal			197,500	
44	Sarnia	Edmonton	Lgt	1	16,000
45		Edmonton	Hvy	1	5,900
46		Edmonton	Cnd	1	700
47		Edmonton	NGL	2	11,500
48		Hardisty	Lgt	1	900
49		Hardisty	Hvy	2	0
50		Kerrobot	NGL	2	7,600
51		Regina	Lgt	1	900
52		Cromer	Lgt	1	3,600
53		Cromer	Med	1	3,900
54		U. S. Points	USL	2	1,100
55		Montreal	Cnd	2	1,300
56		Montreal	Lgt	2	<u>13,900</u>
57	Subtotal			67,300	
58	Toronto	Edmonton	Lgt	1	300
59		Hardisty	Med	2	1,600
60		Hardisty	Hvy	2	300
61		Kerrobot	Hvy	1	500
62		Toronto	Med	2	500
63		Montreal	Lgt	2	<u>10,300</u>
64	Subtotal			13,500	
65	Nanticoke	Edmonton	Lgt	1	0
66		Hardisty	Med	1	300
67		Hardisty	Lgt	1	1,500
68		Hardisty	Hvy	2	1,000
69		Regina	Lgt	1	400
70		Montreal	Lgt	2	<u>12,700</u>
71	Subtotal			15,900	
72	Buffalo	Edmonton	Lgt	1	2,700
73		Edmonton	Hvy	1	300
74		Hardisty	Lgt	1	1,400
75		Hardisty	Med	2	2,000
76		Hardisty	Hvy	2	2,000
77		Kerrobot	Hvy	1	1,300
78		Cromer	Lgt	1	400
79		Cromer	Med	1	0
80		U.S. Points	Med	1	800
81		U.S. Points	USL	2	200
82		Sarnia	Cnd	1	<u>300</u>
83	Subtotal			11,400	
84	TOTAL DELIVERIES - Enbridge				<u>353,500</u>
85	Subtotal		Cnd		21,500
86			Lgt		147,600
87			Med		27,400
88			Hvy		115,300
89			NGL		25,100
90			Other		16,600

**Statement of Principles  
October 21, 1998**

**91 TOTAL DELIVERIES - Enbridge**

**353,500**

**Legend**

**Dst - Distillate  
Gsl - Gasoline  
Nap - Naptha  
Cnd - Condensate  
Lgt - Light Crude Oil**

**Med - Medium Crude Oil  
Hvy - Heavy Crude Oil  
NGL - Natural Gas Liquids  
USL - U.S. & Offshore Light Crude Oil  
m3/d - Cubic meters per day**

**Note (1) Service Category:**

**(a) Use of receipt and delivery tankage is identified as follows:**

- 1 - Uses receipt tankage but not delivery tankage.**
- 2 - Uses neither receipt nor delivery tankage.**
- 3 - Uses delivery tankage but not receipt tankage.**
- 4 - Uses both receipt and delivery tankage.**

**(b) No receipt terminalling charge will be assessed on commodities received by Enbridge at the International Boundary near Sarnia, Ontario and no delivery terminalling charge will be assessed on the commodities delivered by Enbridge at the International Boundaries near Gretna, Manitoba and Chippewa, Ontario.**

**Enbridge and CAPP agree that twelve months after the completion of Terrace, Phase I Enbridge will conduct a recalibration of the model used to calculate power consumption based on the actual twelvemonth operating experience.**

**In the event the recalibration demonstrates a forecast to actual variance which exceeds two percent, Enbridge/LPL will reset both the base power consumption and the forecast Terrace power consumption pro rata to reflect the results of the recalibration, and shall refund or collect the revenue variance associated with the recalibration via a surcharge or surcredit to be collected or refunded in the subsequent year..**

**SCHEDULE I**  
**Operating Costs**

**Schedule I**

	ENBRIDGE C\$			
	Phase I	Phase II	Phase III	2009
Personnel	0	930	930	930
Pump Maintenance	0	230	330	330
Mainline Maintenance	0	90	110	110
Mainline Inhibitor	1 320	330	330	330
In-Line Inspection				2 450
Tank Maintenance				
Insurance	70	100	100	100
<b>Total</b>	<b>1 390</b>	<b>1 680</b>	<b>1 800</b>	<b>4 250</b>
Inflation @ 2%	56	103	148	1 140
<b>Revised Estimate</b>	<b>1 446</b>	<b>1 783</b>	<b>1 948</b>	<b>5 390</b>

	LPL US\$ 000			
	Phase I	Phase II	Phase III	2009
Personnel	0	0	250	250
Pump Maintenance	100	100	170	170
Mainline Maintenance	30	30	100	100
Mainline Inhibitor	225	225	225	225
In-Line Inspection				204
Tank Maintenance	30	30	130	130
Insurance	21	21	70	70
<b>Total</b>	<b>406</b>	<b>406</b>	<b>945</b>	<b>1 149</b>
Inflation @ 1.5%	12	19	58	225
<b>Total Estimate</b>	<b>418</b>	<b>425</b>	<b>1 003</b>	<b>1 374</b>