Imperial Oil

Imperial Oil
Products and Chemicals Division

Fifth Avenue Place, 237-4th Avenue S.W.
P.O. Box 2480 Station M
Calgary, Alberta
T2P 3M9

David K. Barrett
Manager
Crude Oil Supply Marketing and Pipelines

Customer Service & Distribution
Refining & Supply Department
Tel: (403) 237-3016
Fax: (403) 237-4378

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Michele Perret
Regulatory Affairs
Enbridge Pipelines Inc.
3000 425 1st St. S.W.
Calgary, Alberta
T2P 3L8

308736

Dear Ms. Perret:

Re: Enbridge Pipelines Inc. ("Enbridge" Application to Increase NGL Maximum Vapour Pressure
NEB File 4825-E101-12
Information Request 1

Imperial Oil Limited ("Imperial") has received a copy of Enbridge's responses to the NEB's Information Request 1 and, as a shipper of refined products, has the following concerns:

1.1 (b) For the vast majority of product there are no costs if the product is degraded by less than 4 degrees Celsius. However, about 5 percent of the refined product is diesel light which may be impacted during certain times of the year if the degradation is less than 4 degrees. Diesel light is shipped well within the batch and therefore is at substantially lower risk of being impacted.

1.2 Imperial does not consider the methodology to be appropriate. Imperial is unwilling to have the test continue, if one batch was significantly off spec and may be downgraded to crude. Parties should meet immediately to determine the cause, with reversion back to 1100 kPa from the date of the failure until the cause is understood. If even one batch is off spec there may be already another batch in the line that may also arrive off spec. Imperial and the other refined product shippers have considerable exposure if diesel arrives off spec during the test (see statement in 1.5 below). Imperial thinks that Enbridge should immediately revert back to 1100 kPa spec for the NGLs. However, some NGL, for delivery to Enbridge, is already in caverns and may be blended to 1250 kPa.

IOL considers the methodology proposed by Enbridge constitutes considerable risk for the Imperial for no potential benefit. Imperial is prepared to accept risks under normal operating conditions but sees no reason why refined product shippers should be the only parties negatively affected by this test. It is unfortunate that Enbridge is not prepared to share some of the potential financial consequences of the test.

1.4 (a) Imperial interprets 6 consecutive batches to mean that each one of the six consecutive batches must each arrive on spec.

1.4 (c) It is not clear that this only references the conditions in Enbridge's answer to question 1.4(a). It should be clear that Enbridge's responses to question 1.4 are the only criteria to determine success for each of the 6 batches.

1.4 (d) Unless the success criteria are fully met, as mentioned in 1.4(c), the test should stop, NGLs revert to 1100 kPa and Enbridge must convene a meeting. The test should only be reactivated after parties have agreed on a method to rectify the problem(s).

1.4 (e) Imperial considers the response inappropriate. Enbridge doesn't have discretion to continue to test, especially since there may be substantial costs to Imperial and other refined product shippers. The parties should meet as suggested in Imperial's response to 1.2 above.

1.5 (a) NGL shippers are the only beneficiaries of this project, but refined product shippers are exposed to all the costs. Imperial can provide a cost range in the event of a failure of the test. In the best case Imperial would be able to blend the off spec batch with other on spec batches with only a small cost. However, if more than one batch arrived off spec this may not be possible. In the worst case, the batch would have to be downgraded to crude at a current cost of $40/m3. Diesel batches are normally 5000 m3and could result in a cost to industry of 200 K$ per batch. This is not the only economic impact.

(b) If a batch arrives and has to be downgraded to crude there may be insufficient diesel stocks to satisfy the Winnipeg market. This would require trucking of product from Edmonton at a cost of $45/m3 (net of Enbridge tariff), assuming that enough trucks were available making a total extra cost of $85/m3. There would not be enough trucks and drivers to maintain long-term product supply to Winnipeg. As previously mentioned there will be another batch in the line that may also be off spec. Additionally NGLs may not be able to revert immediately to 1100 kPa thereby putting more diesel batches at risk significantly increasing refined product shippers financial exposure.

1.6 (a) Changes to the system as defined by Enbridge are suitable to Imperial for the test period only. Enbridge has assured refined product shippers that these are only temporary changes. Imperial doesn't agree to operate long-term with measures as outlined by Enbridge.

1.6 (b)(c)(d) Enbridge's response refers to 'Under normal operating conditions'. Imperial is prepared to accept the long-term risk of degradation etc as part of the normal operating conditions once the test has been successful. However, during the test condition Imperial sees no reason why it and other refined product shippers should accept the full cost of an incident while receiving none of the benefits of the planned service changes. It would be appropriate for Enbridge to assume some of the risks if the test fails.

1.6 (e) Imperial considers that the change of 150 kPa cannot be accurately modeled in the laboratory. The proposed test will determine potential consequences. It is this exposure

to degradation of product during the test period that Imperial thinks should not be the responsibility of the refined product shippers.

1.7 No capital is required for the test; however, capital is required for the permanent solution. Imperial believes that a long-term solution is required before the RVP can be increased permanently. An increase to the RVP will directionally cause more difficulties. Before permanent conversion to the higher RVP occurs Imperial requests that the long-term facilities need to be agreed between Enbridge, and the refined product shippers.

I look forward to a suitable resolution.

Yours truly,

David Armstrong
Senior Business Advisor
Pipeline Development

. cc Michel Mantha - National Energy Board