CAPP
CANADIAN ASSOCIATION
OF PETROLEUM PRODUCERS

June 28, 2007

Mr. Richard Bird
President
Enbridge Pipelines Inc.
3000, 425 – 1st Street S.W.
Calgary, Alberta T2P 3L8

Dear Mr. Bird:

Re: Enbridge Pipelines' Alberta Clipper Expansion Project

This letter confirms that pursuant to Paragraph 2 of the Alberta Clipper Canada Settlement dated June 28, 2007 between Enbridge Pipelines Inc. (EPI) and the Canadian Association of Petroleum Producers (the "Alberta Clipper Canada Settlement"),the Canadian Association of Petroleum Producers supports the Alberta Clipper Canada Settlement and the development of a new 36" pipeline from Hardisty to Superior, with the necessary ancillary facilities, known as the Alberta Clipper Expansion Project. This will add an initial 450,000 barrels per day capacity, is targeted to be in-service by July 1, 2010 and allows expansions up to 800,000 barrels per day. Alberta Clipper will be integrated with, and form part of, the existing Enbridge Mainline system in Canada and the EEP Lakehead system in the US. The terms for the Canadian section of the Alberta Clipper Expansion Project are more fully described in the Alberta Clipper Canada Settlement.

Sincerely,

Greg Stringham
Vice President, Markets and Fiscal Policy

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Dated: June 28, 2007

Alberta Clipper Canada Settlement

This settlement sets forth certain terms concerning the Canadian segment of the proposed expansion of the Mainline System in Canada and EELP System in the U.S., which expansion is referred to as “Alberta Clipper”, which involves construction of a new pipeline to transport heavy crude petroleum from Hardisty, Alberta to Superior, Wisconsin.

For purposes of this settlement:

“Alberta Clipper Canada” means the Canadian segment of Alberta Clipper.

"Alberta Clipper Canada Component" means the portion of the Mainline System costs that is attributable to the CRR for Alberta Clipper Canada and, if applicable, the NCRR for Alberta Clipper Canada, in accordance with Paragraphs 4 and 5 hereof.

“Alberta Clipper U.S.” means the U.S. segment of Alberta Clipper.

"Alberta Clipper U.S. Term Sheet" means the Alberta Clipper U.S. Term Sheet dated June 28, 2007 concerning Alberta Clipper U.S.

“Allowance for Funds Used During Construction” or “AFUDC” means the allowance referenced in Paragraph 4(b)(ii) hereof.

“Allowance for Working Capital” means the allowance described in Paragraph 4(b)(iii) hereof.

“Capital Costs” means all costs incurred by EPI in seeking and obtaining regulatory approval for and in the development, design, procurement, installation, construction and commissioning of Alberta Clipper Canada.

“CAPP” means the Canadian Association of Petroleum Producers.

“Controllable Costs” means the Capital Costs of constructing Alberta Clipper Canada, excluding the Non-Controllable Costs.

“Cost of Debt” means the cost of debt described in Paragraph 4(e) hereof.

“CRR” has the meaning set forth in Paragraph 3(a) hereof.

"Dollars" or "$" means Canadian dollars.

“EELP” means Enbridge Energy, Limited Partnership.

“EELP System” means the crude oil and liquid petroleum pipeline that extends from the international border near Neche, North Dakota to the international border near Marysville, Michigan with an extension across the Niagara River into the Buffalo, New York area, owned by EELP and regulated by the U.S. Federal Energy Regulatory Commission, as such pipeline may be expanded or modified from time to time.

“Enbridge” means EPI and EELP collectively.

“EPI” means Enbridge Pipelines Inc.

“GAAP” means Canadian generally accepted accounting principles.

“GDPP” means the average annual Gross Domestic Product Implicit Price Index published by Statistics Canada in March (Catalogue No. 13-001-XPB “National Income and Expenditure”), including any amendments or replacements thereto.

"In-Service Date" means the date upon which Alberta Clipper Canada is able to accept oil.

“Long Lived Assets” means assets contained in the following Oil Pipeline Uniform Accounting Regulations asset categories as utilized by EPI and approved by the NEB: 152.00 - Rights of Way; 153.02 - Pipelines; 156.02 - Steel Buildings; 156.03 - Other Buildings; 159.00 - Station Oil Lines/Tank Lines/Manifolds; 161.01 Oil Tanks.

“Mainline System” means the crude oil and liquid petroleum pipeline that extends from Edmonton Alberta to the U.S. border near Gretna, Manitoba and includes Alberta Clipper Canada as well as all of the EPI NEB regulated pipeline operations including all facilities and operations associated with the Terrace Expansion (but not including Line 8 or Line 9), as such system may be expanded or modified from time to time.

“NEB” means the Canadian National Energy Board.

“Non-Controllable Costs” means the Capital Costs for which estimates are set forth in Part 1 of Schedule B attached to this settlement.

“NCRR” has the meaning set forth in Paragraph 3(b) hereof.

“Parties” means CAPP and EPI collectively; “Party” means either CAPP or EPI.

“ROE” has the meaning set forth in Paragraph 4(d) hereof.

"2005 Incentive Tolling Settlement" means the negotiated toll settlement dated December 19, 2005 between EPI and CAPP and approved by the NEB for the years 2005-2009.

"2010 Incentive Tolling Settlement" means a negotiated toll settlement to be negotiated after the date hereof between EPI and CAPP on the key terms of an incentive tolling settlement and that would be the successor to the 2005 Incentive Tolling Settlement.

Certain other terms are defined elsewhere in this settlement. In addition, the word "including" means "including without limitation," and the word "hereof" refers to this settlement as a whole.

1. Project Scope

The project scope of Alberta Clipper Canada is described in Schedule A attached to this settlement. The project will include all necessary infrastructure to manage the transportation of 450,000 barrels per day of heavy capacity on Alberta Clipper Canada under ordinary operating conditions and all terminal and related facilities (not including receipt tankage) to facilitate such transportation.

2. Term

(a) The term of this settlement (the "Term") will commence on the date of a duly authorized letter of support from CAPP fully endorsing this settlement and will continue until the fifteenth anniversary of the In-Service Date of Alberta Clipper Canada.

(b) 24 months prior to the expiration of the Term, the Parties will begin negotiating a new agreement that will become effective upon expiry of this settlement. If the Parties do not reach a new agreement at least 6 months prior to expiry of this settlement, the terms of the new agreement shall be subject to the dispute resolution provisions set forth in Paragraph 15 hereof.

3. Revenue Requirement

Alberta Clipper Canada's revenue requirement shall consist of:

(a) a capital revenue requirement ("CRR"), including a return on rate base as more particularly set out in Paragraph 4; and

(b) a non-capital revenue requirement ("NCRR") as set out in Paragraph 5 below.

4. Capital Revenue Requirement

The CRR will be recovered on a rolled-in basis in the Mainline System costs and will be calculated by EPI based on the principles set forth in this Paragraph 4.

(a) Capital Structure

The capital structure will be a deemed capital structure consisting of 55 % debt and 45 % equity.

(b) Rate Base

The rate base of Alberta Clipper Canada will (except as provided in Paragraphs 7 and 9 below) comprise all Capital Costs, the Allowance for Funds Used During Construction, and the Allowance for Working Capital, less accumulated depreciation, subject to the provisions of Paragraph 10 below.

The capital structure specified in Paragraph 4(a) will be applied to the rate base for calculation of the ROE and Cost of Debt.

(i) Capital Costs

Except as provided in Paragraph 7 below, all reasonable Capital Costs will be capitalized and included in the rate base.

(ii) Allowance for Funds Used During Construction ("AFUDC")

Subject to Paragraph 7 below, AFUDC will be calculated on a monthly basis by multiplying the cost of the construction work in progress, including any existing AFUDC balance, by a rate equal to EPI's weighted average cost of capital using the capital structure specified in Paragraph 4(a), 1/12th of the annual ROE specified in Paragraph 4(d), and 1/12th of EPI's annual weighted average cost of debt, including short term debt, borrowed under EPI's commercial paper program or drawn under EPI's bank credit facilities, specifically attributed to Albert Clipper Canada cost of construction work in progress.

An example of the calculation of AFUDC using illustrative numbers is set forth in Schedule C attached hereto.

(iii) Allowance for Working Capital

An amount equal to one twelfth (1/12) of the sum of: (1) the annual operating, maintenance and administrative expenses described in Paragraph 5(a) hereof, plus (2) the annual power costs described in Paragraph 5(b) hereof will be included in the rate base as an allowance for working capital. This amount will be escalated annually on each anniversary of the In-Service Date by 75% of GDPP.

(c) **Depreciation**

All items included in the rate base, except for the Allowance for Working Capital, will be subject to depreciation. Depreciation for items associated with Alberta Clipper Canada that are not Long Lived Assets will be in accordance with NEB's approved depreciation rates. Depreciation for Long Lived Assets associated with Alberta Clipper Canada will be based on an initial expected economic life of 30 years (3 1/3 % per annum). In the event that, during the Term, any periodic depreciation studies of Long Lived Assets are, subject to any approval or comment rights of CAPP under the 2010 Incentive Tolling Settlement, submitted by EPI to the NEB, which (a) extend the economic planning horizon beyond 2040, and (b) are accepted by the NEB, then the depreciation of Long Lived Assets will be based on that new expected economic life. In the event that, during the Term, any periodic depreciation studies of items that are not Long Lived Assets are, subject to any approval or comment rights of CAPP under the 2010 Incentive Tolling Settlement, submitted by EPI to the NEB, which are accepted by the NEB, then the depreciation of such assets will be based on the expected economic life approved by the NEB.

(d) **Return on Equity**

The annual return on equity ("ROE") for Alberta Clipper Canada will be equal to the NEB multi-pipeline rate plus a 225 basis point adjustment. If the NEB ceases to publish a multi-pipeline rate during the Term, the Parties will meet to agree on a new benchmark to which will be applied the 225 basis point adjustment (or such other basis point adjustment as shall result in an ROE that is reasonably equivalent to the NEB multi-pipeline rate plus 225 basis points). If such agreement is not forthcoming within 90 days, then the amount of the ROE shall be subject to the dispute resolution provisions set forth in Paragraph 15 hereof.

(e) **Cost of Debt**

The Cost of Debt will be the weighted average cost of long-term debt incurred by EPI arising from debt securities issuances for Alberta Clipper Canada. EPI will, acting reasonably, seek to issue the Alberta Clipper Canada long-term debt at points of time either shortly before or shortly after the In-Service Date of Alberta Clipper Canada in order to take advantage of suitable market conditions. EPI will issue debt in notional sizes and maturities that seek to minimize refinancing risks while managing total interest cost. EPI debt securities issuances will be specifically attributed to Alberta Clipper Canada, in whole or in part, to match the aggregate debt component of the Alberta Clipper Canada rate base. EPI will identify such debt as attributable to Alberta Clipper Canada, and will notify CAPP within fifteen business days after the receipt of proceeds of such debt.

To the extent any Alberta Clipper Canada long-term debt matures during the Term, the interest cost of the then-issued refinancing debt will be incorporated into the Cost of Debt. EPI will actively manage the issuance of the appropriate amount of debt associated with Alberta Clipper Canada in a commercially reasonable manner throughout the Term.

The Cost of Debt shall not be determined on a project financing basis.

(f) **Income Tax Allowance**

An income tax allowance based on the applicable earnings amount, statutory income tax rates, the flow-through methodology for accounting for income taxes and the applicable permanent and timing differences, appropriately adjusted to a before tax amount, on an actual or forecast basis, as applicable, all in a manner consistent with that previously approved by the NEB as amended from time to time.

(g) **Accounting Changes**

In the event of any change in GAAP or the application thereof to EPI that affects the accounting for Alberta Clipper Canada, including the accounting for income taxes on a flow-through basis, modifications to appropriately incorporate the impact, as agreed by the Parties, of any such change will be made to the determination of the CRR.

5. Non-Capital Revenue Requirement

The NCRR for Alberta Clipper Canada shall include the expenses set out in Paragraphs 5 (a) through (c) below (collectively, "Operating Expenses") as well as those capital costs set out in Paragraphs 5 (d) and (e). All of these cost components will be included in the 2010 Incentive Tolling Settlement in the manner described below. If no 2010 Tolling Settlement is agreed to prior to the In-Service Date of Alberta Clipper Canada or if the Parties cannot otherwise agree on the amounts of any of the components to be included, EPI will, in good faith, estimate (or, in the case of Section 5(a), will use its existing methodology to calculate) the amount of any or all of the components of the NCRR (the "NCRR Estimate") to be rolled into the Mainline System costs. If CAPP disputes any of the components of the NCRR Estimate, such dispute shall be subject to the dispute resolution provisions set forth in Paragraph 15 hereof.

(a) **General Operating, Maintenance and Administrative Expenses**

Annual operating, maintenance and administrative expenses for Alberta Clipper Canada, including property taxes and pipeline integrity operating expenses.

General and administrative expenses will be included according to the methodology set forth in the 2010 Incentive Tolling Settlement or, if no 2010 Incentive Tolling Settlement is agreed, will be included according to the methodology used by EPI as of the date of this settlement, as amended from time to time by EPI.

(b) **Power Costs**

(i) Power consumed by Alberta Clipper Canada will be charged on a flow-through basis, and will be subject to any power sharing mechanism incorporated as part of the 2010 Incentive Tolling Settlement.

(ii) In order to establish the base for any power cost sharing mechanism incorporated as part of the 2010 Incentive Tolling Settlement, EPI's initial estimate of the power consumption for the first 12 months of operation of Alberta Clipper Canada is attached as Schedule D to this settlement. This estimated base will be adjusted after the first 12 months to reflect the actual power costs for the first 12 months of operation of Alberta Clipper Canada.

(c) **Other (Operating Expense) Recoverables**

Operating Expenses resulting from legislation, regulations, orders, directions or non-mandatory guidelines by any government authority which result in changes to health, safety, environmental, security, anti-terrorism and taxation (other than property tax and income tax) requirements, practices or procedures for EPI will be included in the NCRR; provided that the inclusion in the NCRR of Operating Expenses resulting from compliance with non-mandatory guidelines shall be subject to agreement with CAPP.

(d) **Pipeline Integrity Capital Costs**

Pipeline integrity related capital costs for Alberta Clipper Canada will be included in the 2010 Incentive Tolling Settlement and recovered in accordance with the terms thereof.

(e) **Maintenance Capital Costs**

Maintenance related capital costs for Alberta Clipper Canada will be included in the 2010 Incentive Tolling Settlement and recovered in accordance with the terms thereof.

An illustrative, non-binding schedule of Operating Expenses for the first year of service of Alberta Clipper Canada is attached as Schedule E to this settlement.

6. Revenue Requirement Adjustment

As contemplated in Paragraph 4, the CRR will be recovered on a rolled-in basis in the Mainline System costs. As contemplated in Paragraph 5, the amount of any NCRR Estimate will be recovered on a rolled-in basis in the Mainline System costs pending resolution of any disputes related thereto. EPI will, prior to the In-Service Date, include the Alberta Clipper Canada Component in its filings based on the first year's projected costs and Mainline System throughput volumes. Thereafter, on April 1 of each succeeding year, EPI will adjust the Alberta Clipper Canada Component to reflect (i) any over-collections or under-collections resulting from actual Mainline System throughput volumes in the immediately preceding year being more or less than projected throughput volumes for such year, (ii) any over-collections or under-collections resulting from actual costs in the immediately preceding year being less or more than projected costs for such year, and (iii) projected costs and Mainline System throughput volumes for the then-current year. Such true-ups will reflect carrying charges at the rate provided for in the 2010 Incentive Tolling Settlement. If no 2010 Tolling Settlement is agreed, the carrying charges will be at a rate equal to the average of the 12 monthly bank rates for the prior year published as Series V122530 by the Bank of Canada on its website, or any successor thereto.

EPI will perform a final true-up of actual to projected costs and throughput volumes within three months after the expiration of the Term. If the final true-up discloses a difference between the projected costs and throughput volumes and the actual data, such difference (negative or positive) shall be recovered or credited on throughput volumes over the following twelve month-period. The mechanism set forth in this Paragraph 6 for the adjustment of the Alberta Clipper Canada Component will be included in the 2010 Incentive Tolling Settlement.

Illustrations of the annual adjustment of the Alberta Clipper Canada Component are set forth in <u>Schedule F</u> attached to this settlement.

7. Capital Cost Risk Sharing

(a) <u>Schedule B</u> attached to this settlement sets forth the results of a probabilistic analysis of the Controllable Costs and Non-Controllable Costs, based on the May, 2007 estimate, to determine the P10, P55, and P90 amounts to be utilized in this Paragraph 7.

(b) The full amount of actual Non-Controllable Costs for Alberta Clipper Canada (including AFUDC thereon), will be included in the Alberta Clipper Canada rate base.

The Capital Costs included in the Alberta Clipper Canada rate base for actual Controllable Costs will be calculated as provided below.

(i) If actual Controllable Costs for Alberta Clipper Canada (such costs, "<u>ACC</u>") incurred in construction are equal to or greater than the P90 amount set forth in Part 2 of Schedule B, the amount to be included for Controllable Costs shall equal:

- P55 + (0.75 x (P90 – P55)) + (0.50 x (ACC – P90))

(ii) If ACC incurred in construction are less than the P90 amount but greater than the P55 amount set forth in Part 2 of Schedule B, the amount to be included for Controllable Costs shall equal:

- P55 + 0.75 x (ACC – P55)

(iii) If ACC incurred in construction are less than the P55 amount but greater than the P10 amount set forth in Part 2 of Schedule B, the amount to be included for Controllable Costs shall equal:

- ACC + 0.25 x (P55 – ACC)

(iv) If ACC incurred in construction are equal to or less than the P10 amount set forth in Part 2 of Schedule B, the amount to be included for Controllable Costs shall equal:

- ACC + (0.25 x (P55 – P10)) + (0.50 x (P10 – ACC))

No AFUDC will be included in the Alberta Clipper Canada rate base on the amount of ACC that is excluded from such rate base through the application of the foregoing risk sharing mechanisms.

Illustrations of the foregoing risk sharing mechanism are set forth in Schedule G attached to this settlement.

8. Rules and Regulations

Alberta Clipper Canada will be subject to the Rules and Regulations Tariffs of EPI for the Mainline System, as amended from time to time.

9. In-Service Date

(a) The targeted In-Service Date of Alberta Clipper Canada is July 1, 2010 (the "Targeted Date"). EPI will use commercially reasonable efforts to achieve the Targeted Date. As of the date of this settlement, subject to timely receipt of all necessary governmental authorizations, orders, certificates, licenses, permits and approvals, EPI proposes to commence construction of Alberta Clipper Canada in August, 2008. If commencement of construction of Alberta Clipper Canada is delayed beyond August, 2008 (or any replacement date selected by EPI for the commencement of construction), or if the actual In-Service Date is delayed to a date that is later than the Targeted Date set forth above, in either case, as a result of any Unavoidable Event or Regulatory Delay, then, the Targeted Date shall be deferred by one day for each day of such delay.

For the purposes of this settlement:

"Unavoidable Event" shall mean: (1) compliance with acts, orders, regulations, or requests of any governmental authority or any person purporting to act therefore; (2) insurrections, wars, rebellion, riots, strikes, or labor disruptions; (3) action of the elements not reasonably preventable or accidental disruption; (4) breakdown of production or transportation facilities that is not reasonably preventable; (5) any event that is an "Unavoidable Event" as defined in the Alberta Clipper U.S. Term Sheet; and (6) any other cause, whether or not of the same class or kind, reasonably beyond EPI's control.

"Regulatory Delay" shall mean any problems or delays in obtaining governmental or regulatory authorizations, orders, certificates, licenses, permits and approvals required or desirable in connection with the construction of Alberta Clipper.

(b) For any day after the Targeted Date that Alberta Clipper Canada is not available to accept oil, an amount equal to (i) $14 million, multiplied by (ii) 12, divided by (iii) 365 will be deducted from the Capital Costs included in Alberta Clipper Canada's rate base.

10. Initial Capacity Verification Process

(a) The capacity provided by Alberta Clipper may be tested to confirm the actual operating capacity after the project is completed. Any such test will be performed by EPI at the time or times requested in writing by CAPP, except that no such test shall be performed at any time when either Alberta Clipper Canada or Alberta Clipper U.S. is subject to an Unavoidable Event. Subject to the immediately preceding sentence, EPI will be required to conduct the test within 2 months of receiving the notice from CAPP unless another date is mutually agreed upon.

(b) The capacity test parameters will be consistent with the Terrace agreement (a 72 hour test targeting operating capacity, and EPI has the option to retest).

(c) Subject to Unavoidable Event exceptions, over the 72 hour period the line must achieve 105.5% of annual capacity of 450,000 barrels per day, adjusted for seasonal temperatures, consistent with the test parameters set forth in the Terrace agreement (the "Target Capacity").

(d) If the Target Capacity cannot be achieved for the test period (other than by reason of an Unavoidable Event), then, until capacity of Alberta Clipper is restored to at least the Target Capacity, Alberta Clipper Canada's rate base will be reduced by a fraction, the numerator of which is the amount by which capacity is less than the Target Capacity and the denominator of which is the Target Capacity.

11. Audit and Review

(a) Audit/Review of Cost Allocation

Upon reasonable written notice to EPI by CAPP, but subject to EPI's confidentiality obligations to third parties, CAPP may elect to conduct the following review and audit, upon and subject to the terms set forth in this Paragraph 11:

(i) Prior to issuance of NEB's approval of Alberta Clipper Canada, a review of (y) EPI's proposed procedures to ensure that expenses of Alberta Clipper Canada will be appropriately coded and (z) EPI's proposed allocation of Capital Costs between Controllable Costs and Non-Controllable Costs. The review will include each segment as defined in EPI's costing documents; and

(ii) On or before the second anniversary of the In-Service Date of Alberta Clipper Canada, an audit of the Capital Costs of Alberta Clipper Canada. The range of such audit shall cover such data as shall be needed to reasonably confirm whether inclusion of Capital Costs has been appropriate and whether all Capital Costs components have been fairly allocated.

(b) CAPP Auditors

For purposes of performing the review and audit functions described in Paragraph 11(a) hereof, independent parties will be selected by CAPP, subject to EPI's approval, which approval shall not be unreasonably withheld (the "Auditors"). The review and audit shall each be conducted during normal business hours. EPI will provide the Auditors with reasonable access to EPI source data necessary for the conduct of the review and audit. The Auditors will maintain confidentiality and not disclose source data reasonably identified by EPI as confidential. Source data which is subject to any form of legal privilege will not be made available.

(c) Conduct of Review/Audit

With respect to the review and audit described in Paragraph 11(a), each of the Auditors will:

(i) execute and deliver a confidentiality agreement with EPI prior to commencing the review and another confidentiality agreement prior to commencing the audit. Each such confidentiality agreement shall be in form and substance acceptable to EPI;

(ii) subject to (iii) below, have access to historical EPI source data regarding Capital Cost expenditures; and

(iii) have access to EPI auditors' working papers, where EPI is able, through its use of reasonable commercial efforts, to cause the disclosure of such working papers to CAPP.

(d) No Further Reviews or Audits

Upon completion of the review described in Paragraph 11(a)(i) and audit described in Paragraph 11(a)(ii), and upon resolution of any issues arising as a result of such review and/or audit, no further review or audit shall be conducted by CAPP pursuant to this Paragraph 11.

The CAPP review will be deemed to be complete no later than one year following the execution of the confidentiality agreement required by EPI for the review unless otherwise agreed to by CAPP and EPI. The CAPP audit will be deemed to be complete no later than one year following the execution of the confidentiality agreement required by EPI for the audit unless otherwise agreed to by CAPP and EPI.

12. Upstreaming

Any New Enbridge Pipeline that is underpinned by long term transportation contracts will not use any Mainline System facilities without the prior approval of CAPP, but will otherwise have no impact on this settlement. Adjustments to this settlement in connection with any New Enbridge Pipeline that is not underpinned by long term transportation contracts will be negotiated between EPI and CAPP prior to the construction of such project. For the purposes of this Paragraph 12, a "New Enbridge Pipeline" means a pipeline for transportation of volumes of heavy crude out of the Western Canada Sedimentary Basin in which Enbridge Inc., EELP or an entity that is owned by Enbridge Inc. or EELP has at least a 50% ownership interest and that is constructed after the date of this settlement.

13. Other (Capital Cost) Recoverables

Capital costs resulting from legislation, regulations, orders or directions or non-mandatory guidelines by any government authority which result in changes to EPI's health, safety, environmental, security, anti-terrorism and taxation (other than property tax and income tax) requirements, practices or procedures shall be recovered by EPI through a non-routine adjustment mechanism included in the 2010 Incentive Tolling Settlement. If no 2010 Incentive Tolling Settlement including such a mechanism is agreed to, such costs will instead be rolled into the Mainline System costs; provided that rolling into the Mainline System costs of any capital costs resulting from compliance with non-mandatory guidelines shall be subject to agreement with CAPP.

14. Tankage

Receipt tankage requirements for Alberta Clipper Canada will be addressed by the CAPP Tankage Committee and will be subject to subsequent agreement between CAPP and EPI.

15. Dispute Resolution

(a) In the event of a dispute arising out of or relating to this settlement (a "Dispute"), the Party wishing to initiate dispute resolution shall give written notice (the "Dispute Notice") to the other Party of the Dispute and outline in reasonable detail the relevant information concerning the Dispute. Within 14 days following receipt of the Dispute Notice, the Parties will each appoint representatives to meet to discuss and attempt to resolve the Dispute. Such representatives shall be individuals that are technically qualified to appreciate and assess the Dispute and have authority to negotiate the Dispute. If the Dispute is not settled within 90 days of receipt of the Dispute Notice, the negotiations will be deemed to have failed.

(b) If the Dispute is not resolved pursuant to the process in (a) above, the Dispute may be referred to the NEB by either Party, for binding resolution on an expedited basis.

(c) For the avoidance of doubt, it is expressly agreed that the reference in certain paragraphs of this settlement to dispute resolution pursuant to this Paragraph 15 is included so that there is a fallback if no 2010 Incentive Tolling Settlement is agreed upon by the Parties. All provisions of this settlement are, however, subject to the dispute resolution provisions of this Paragraph 15, whether or not such provisions expressly reference these provisions.

16. Condition to Implementation

Implementation of this settlement will be subject to (i) approval by the NEB of this settlement, and (ii) approval by the FERC of the Alberta Clipper U.S. Term Sheet.

17. Interpretation

The Parties have concluded the Alberta Clipper Canada settlement on a negotiated basis based on all of the components reflected herein. The Parties have agreed that no individual components(s) of this settlement is to be construed as representing the position of either Party. No element of this settlement is to be considered acceptable to either Party in isolation from all other aspects of this settlement. The Parties' intent is that this settlement is to be viewed as a whole and that there should be no prejudice to the positions of either Party in the future when the Term expires.

Schedule A

Project Scope for Alberta Clipper Canada

Project Description

New 36 inch pipeline from Hardisty, AB to Superior WI with initial annual capacity of 450,000 bpd, which capacity is incremental to the capacity of the Mainline System, and which is designed for an ultimate annual capacity of 800,000 bpd, assuming 100% heavy crude service.

Canadian Overview

- Approximately 1,074 kilometers of new 36-inch diameter pipeline from Hardisty, Alberta to the Canada-United States border near Gretna, Manitoba
- 8 new pump stations at existing station locations
- 1 new pump station located in Rowatt, south of Regina Saskatchewan
- Pump stations shall be designed such that flow of 450 kbpd can be maintained with the loss of a single pump unit.
- The Reynolds Number of Alberta Clipper Canada will be 3300.

Terminal Scope

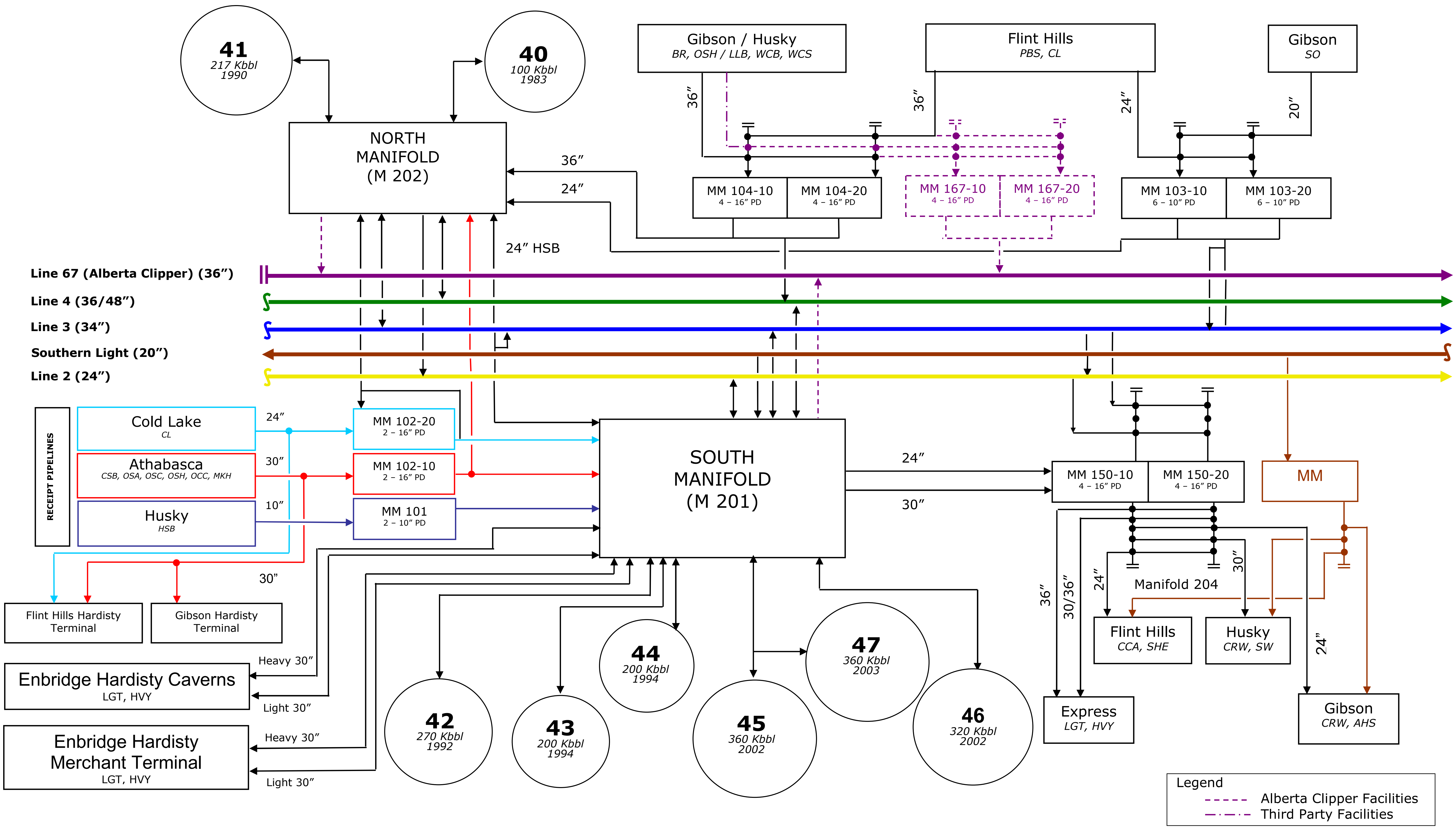
Hardisty

- 2 meter manifolds with 4-16-inch PD meters
- 30-inch prover
- 30-inch transfer line from Manifolds 104, 167, 201, and 202 to Alberta Clipper Canada. This will create manifold connections capable of meeting 111% of the annual capacity of Alberta Clipper Canada with connectivity to:
  - Husky terminal
  - Gibson terminal
  - Flint Hills terminal
  - Hardisty Caverns Complex
  - Enbridge Tank Terminal
- No requirement for breakout tankage

Other

- No other connections in Canada

Hardisty Terminal
Lines 2, 3, 4, 31 & Alberta Clipper (Line 67)
Alberta Clipper In Service Q3 2010



June 2007

Schedule B

Capital Costs For Alberta Clipper Canada

Part 1

Non Controllable Cost Estimate ($As Spent)		
P10	P55	P90
454.46	626.17	783.58

Part 2

Controllable Cost Estimate ($As Spent)		
P10	P55	P90
1133.64	1533.03	1905.52

Part 3

Total Cost Estimate ($As Spent)		
P10	P55	P90
1588.10	2159.20	2689.10

Note, the foregoing estimates are net of AFUDC.

Schedule C

Illustration of AFUDC

See attached spreadsheet

Albert Clipper Canada Allowance for Funds Used During Construction Illustrative Example Schedule C

Assumptions	
ROE	11.25%
COD	6.50%
Equity Thickness	45%
Debt Thickness	55%

		January	February	March	April	May	June	July	August	September	October	November	December
Construction Work in Progress (CWIP)													
Opening	Line 1 = Previous Line 3		1,000	1,900	3,100	3,900	7,400	11,900	16,400	24,600	29,100	32,300	33,300
Additions	Line 2 = Input	1,000	900	1,200	800	3,500	4,500	4,500	8,200	4,500	3,200	1,000	1,000
Closing	Line 3 = Line 1 + Line 2	1,000	1,900	3,100	3,900	7,400	11,900	16,400	24,600	29,100	32,300	33,300	34,300
Allowance for Equity Used During Construction (AEDC)													
Opening	Line 4 = Previous Line 6	-	2	8	19	34	58	99	159	247	362	494	636
Additions	Line 5 = (Line 1+ Line 2*0.5 + Line 4 + Line 7) * ROE/12 * Equity Thickness	2	6	11	15	24	41	60	88	115	132	142	147
Closing	Line 6 = Line 4 + Line 5	2	8	19	34	58	99	159	247	362	494	636	783
Allowance for Debt Used During Construction (AIDC)													
Opening	Line 7 = Previous Line 9	-	1	5	12	23	40	69	112	174	255	348	448
Additions	Line 8 = (Line 1+ Line 2*0.5 + Line 4 + Line 7) * COD/12 * Debt Thickness	1	4	7	11	17	29	43	62	81	93	100	104
Closing	Line 9 = Line 7 + Line 8	1	5	12	23	40	69	112	174	255	348	448	552
CumulativeAllowance for Funds Used During Construction (AFUDC)	Line 10 = Line 6 + Line 9	3	13	31	57	98	168	271	421	617	842	1,084	1,335

The numbers used in this calculation are for illustrative purposes only
All dollar figures are in $CDN '000's

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Schedule D

Estimated Power Quantity For Alberta Clipper Canada

Alberta Clipper operating at 450 kbpd with heavy line fill

Estimated Power Consumption, GigaWatt-hrs per year: 559.5 Gw-hr

Schedule E

Illustrative First Year's Operating Costs

Assumptions:

All costs are expressed in as spent, Canadian dollars
First full year of operation is 2010
Inflation assumed to be 2.5%

	Year 1 ($ MM)
Operating Expenses **settlement reference: Paragraph 5(a)**	12.58
Property Tax **settlement reference: Paragraph 5(a)**	7.06
Integrity Operating Costs **settlement reference: Paragraph 5(a)**	0.6
Integrity Capital Costs **settlement reference: Paragraph 5(d)**	0.35
Maintenance Capital Costs **settlement reference: Paragraph 5(e)**	0.10

Note, this Schedule is illustrative only and actual Operating Expenses may be less or more than as set forth in this Schedule E

Schedule F

Illustration of Alberta Clipper Canada Component Adjustment

See attached spreadsheet

Schedule F
Illustration of Component Adjustment: Over Collection

Assumptions:
The Overall Return on Rate Base changed due to the over-forecasting of Cost of Debt
The Income Tax Allowance changed due to the under-forecasting of the tax rate
All dollar figures are in $CDN '000's
Carrying Charge 5%

	Year 2 Over Collection					
	Year 2 Over Collection					
	Term Sheet Reference	Forecast RR	Actuals	Difference	Recognized in RR	Final RR
Volumes (bpd)		2,500,000	3,000,000			3,000,000
Overall Return on Rate Base	4(a) 4(b) 4(d) 4(e)	$205,000	$200,000	($5,000)	100%	$200,000
Income Tax Allowance	4(f)	$23,000	$24,000	$1,000	100%	$24,000
Operating Expenses						
Operating Expenses	5(a)	Will be included as part of the 2010 ITS				
Property Taxes		Will be included as part of the 2010 ITS				
Power Costs	5(b)	Will be included as part of the 2010 ITS				
Integrity	5(d) 5(e)	Will be included as part of the 2010 ITS				
Other Recoverables	5(c)	Will be included as part of the 2010 ITS				
Depreciation Expense	4(c)	$85,000	$85,000	$0	100%	$85,000
Total Revenue Requirement		**$313,000**				**$309,000**
True Up from Previous Year	6	$0				$0
Net Revenue Requirement		**$313,000**				**$309,000**
Actual Revenue Collected						$325,000
Difference	6					($16,000)
Carrying Charge						($800)
True Up Carried to Following Year						($16,800)

Conclusion:
Actual Revenue collected in Year 2 was 325,000 while the net revenue requirement in Year 2 was 309,000
In Year 3, the net revenue requirement will be reduced by a total of 16,800; 16,000 in accordance with the over collection in Year 2, and 800 in accordance with the 5% carrying charge

Illustration of Component Adjustment: Under Collection

Assumptions:
The Overall Return on Rate Base changed due to the over-forecasting of Cost of Debt
The Income Tax Allowance changed due to the under-forecasting of the tax rate
All dollar figures are in $CDN '000's
Carrying Charge 5%

	Year 2 Under Collection					
	Year 2					
		Forecast RR	Actuals	Difference	Recognized in RR	Final RR
Volumes		3,000,000	2,500,000			2,500,000
Overall Return on Rate Base	4(a) 4(b) 4(d) 4(e)	$200,000	$205,000	$5,000	100%	$205,000
Income Tax Allowance	4(f)	$24,000	$23,000	($1,000)	100%	$23,000
Operating Expenses						
Operating Expenses	5(a)	Will be included as part of the 2010 ITS				
Property Taxes		Will be included as part of the 2010 ITS				
Power Costs	5(b)	Will be included as part of the 2010 ITS				
Integrity	5(d) 5(e)	Will be included as part of the 2010 ITS				
Other Recoverables	5(c)	Will be included as part of the 2010 ITS				
Depreciation Expense	4(c)	$85,000	$85,000	$0	100%	$85,000
Total Revenue Requirement		**$309,000**				**$313,000**
True Up from Previous Year	6	$0				$0
Net Revenue Requirement		**$309,000**				**$313,000**
Actual Revenue Collected						$300,000
Difference	6					$13,000
Carrying Charge						$650
True Up Carried to Following Year						$13,650

Conclusion:
Actual Revenue collected in Year 2 was 300,000 while the net revenue requirement in Year 2 was 313,000
In Year 3, the net revenue requirement will be increased by a total of 13,650; 13,000 in accordance with the under collection in Year 2, and 650 in accordance with the 5% carrying charge

Schedule G

Alberta Clipper Canada - Application of Capital Cost Risk Sharing

Scenario 1 - Actual Costs 20% higher than estimate in all categories

1. Cost Estimate ($MM As spent, w/o AFUDC)

	P10	P55	P90
Controllable	1133.64	1533.03	1905.52

2. Actual Costs ($MM, As spent, w/o AFUDC)

Total (w/o AFUDC)	2591.04
Non Controllable	750.99
Controllable	1840.05
AFUDC	295.00
Total (w AFUDC)	2886.04

3. Application of Risk Sharing Mechanism to Controllable Costs

Non controllable costs not subject to risk sharing ($MM w/o AFUDC) 750.99

Controllable costs subject to risk sharing ($MM w/o AFUDC) 1840.05

Formula applied to controllable costs (controllable costs > P55 and < P90)

P55 + 0.75 (Actual - P55) = Controllable Costs included in rate base

1533.03 + 0.75 (1840.05 - 1533.03) = 1763.30

Percent of controllable costs included in ratebase: 95.83%

4. Allocation of Actual AFUDC ($MM)

AFUDC allocated to Controllable costs (subject to risk sharing):	209.50
AFUDC allocated to Non controllable costs	85.50
Total Actual AFUDC	295.00

Amount of AFUDC subject to risk sharing included in rate base

Percent included in rate base	95.83%
$ amount ($MM) included in rate base	200.76

5. Total Capital Costs Included In Rate Base ($MM)

Controllable Capital Cost	1763.30
Controllable Cost AFUDC	200.76
Non Controllable Capital Cost	750.99
Non Controllable AFUDC	85.50
TOTAL	2800.55

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Alberta Clipper Canada - Application of Capital Cost Risk Sharing

Scenario 2 - Actual Costs 20% lower than estimate in all categories

1. Cost Estimate ($MM, As spent, w/o AFUDC)

	P10	P55	P90
Controllable	1133.64	1533.03	1905.52

2. Actual Costs ($MM, As spent, w/o AFUDC)

Total (w/o AFUDC)	1799.33
Non Controllable	522.32
Controllable	1277.01
AFUDC	214.55
Total (w AFUDC)	2013.88

3. Application of Risk Sharing Mechanism to Controllable Costs

Non controllable costs not subject to risk sharing ($MM w/o AFUDC) 522.32

Controllable costs subject to risk sharing ($MM w/o AFUDC) 1277.01

Risk Sharing formula applied to controllable costs (controllable costs > P10 and < P55)

Actual + 0.25 X (P55 - Actual) = Controllable Costs included in rate base

1277.01 + 0.25 (1533.03 - 1277.01) = 1341.02

Percent of controllable costs included in ratebase: 105.01%

4. Allocation of Actual AFUDC ($MM)

AFUDC allocated to Controllable costs (subject to risk sharing): 152.27
AFUDC allocated to Non controllable costs 62.28
Total Actual AFUDC 214.55

AFUDC subject to risk sharing included in rate base
Percent included in rate base 105.01%
$ amount ($MM) included in rate base 159.90

5. Total Capital Costs Included In Rate Base ($MM)

Controllable Capital Cost	1341.02
Controllable Cost AFUDC	159.90
Non Controllable Capital Cost	522.32
Non Controllable AFUDC	62.28
TOTAL	2085.52