

# Enbridge North Dakota



*Williston Basin Petroleum Conference  
Pipeline Capacity and Enbridge Pipelines  
(North Dakota) Expansion Proposal  
May 8, 2006*

# Agenda



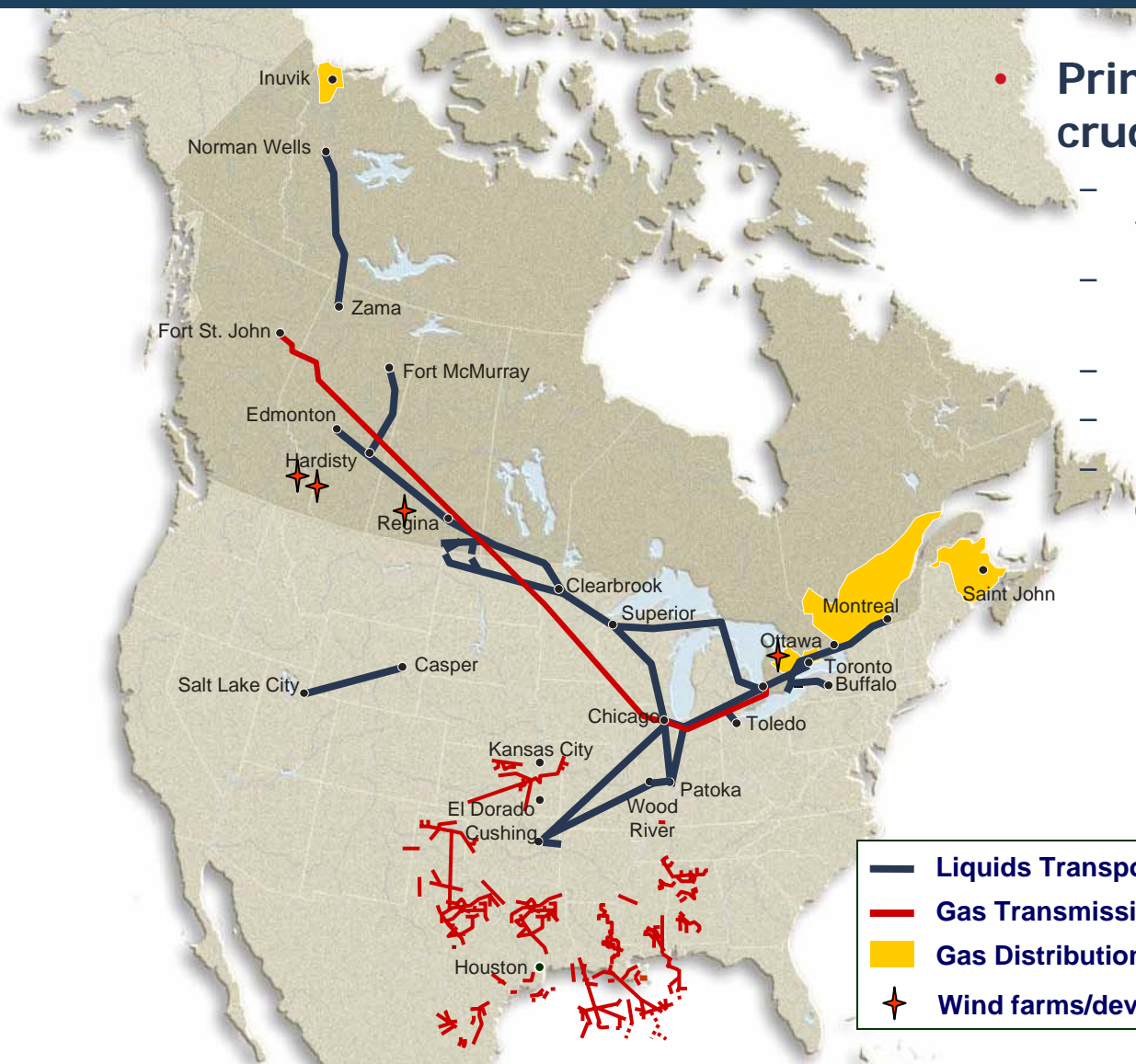
- 1. Background and Outlook**
- 2. Expansion Proposals**
- 3. Shipper Support Terms**
- 4. Summary**

# Enbridge Overview



- **Primarily natural gas and crude oil pipelines**

- >2 million barrels of liquids transported each day
- >1.7 million distribution customers in eastern Canada
- Investments in wind energy
- 14,000 miles of pipeline in U.S.
- ~5 billion cubic feet/day of natural gas



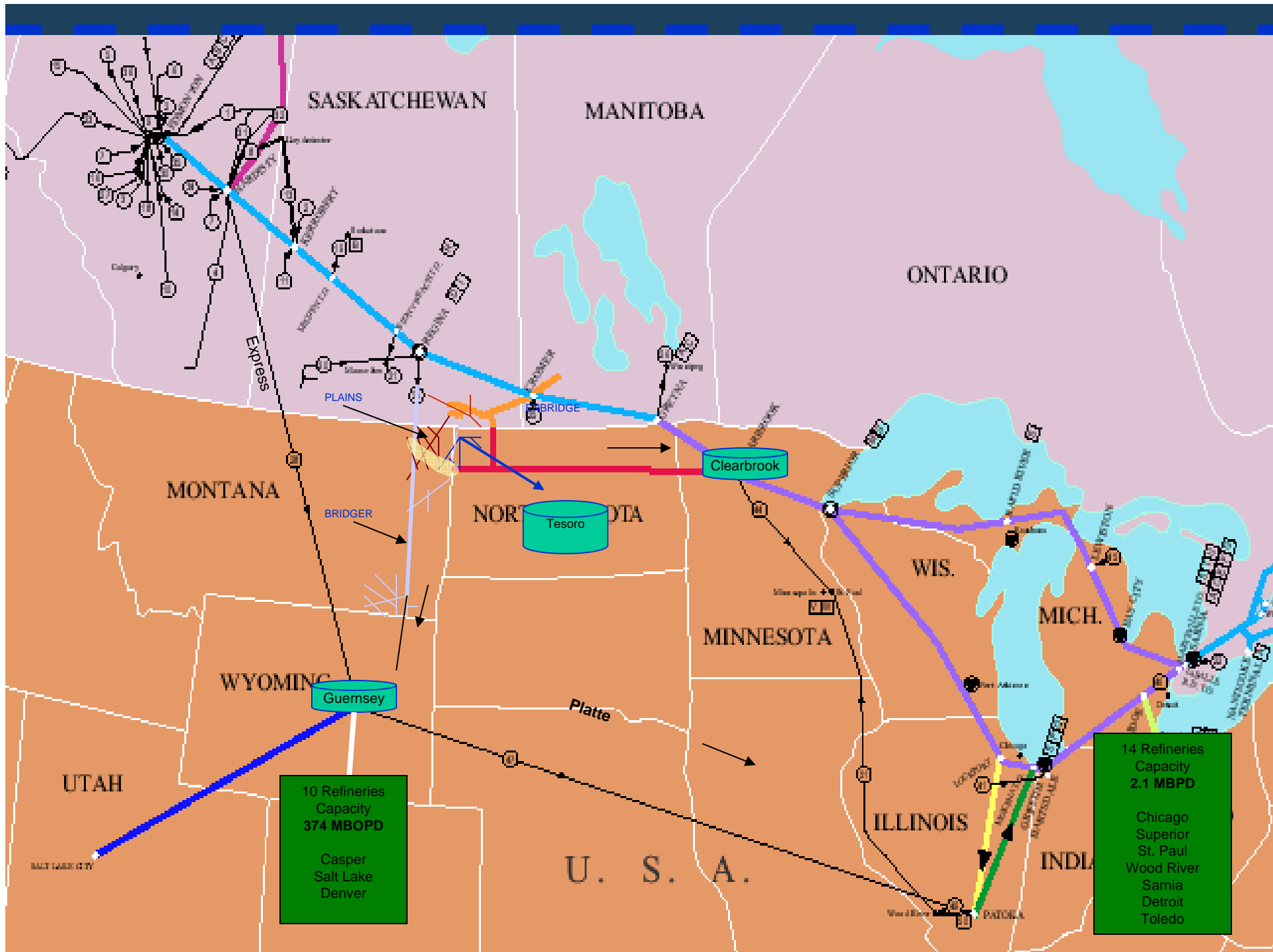
- Liquids Transportation
- Gas Transmission
- Gas Distribution
- ★ Wind farms/developments

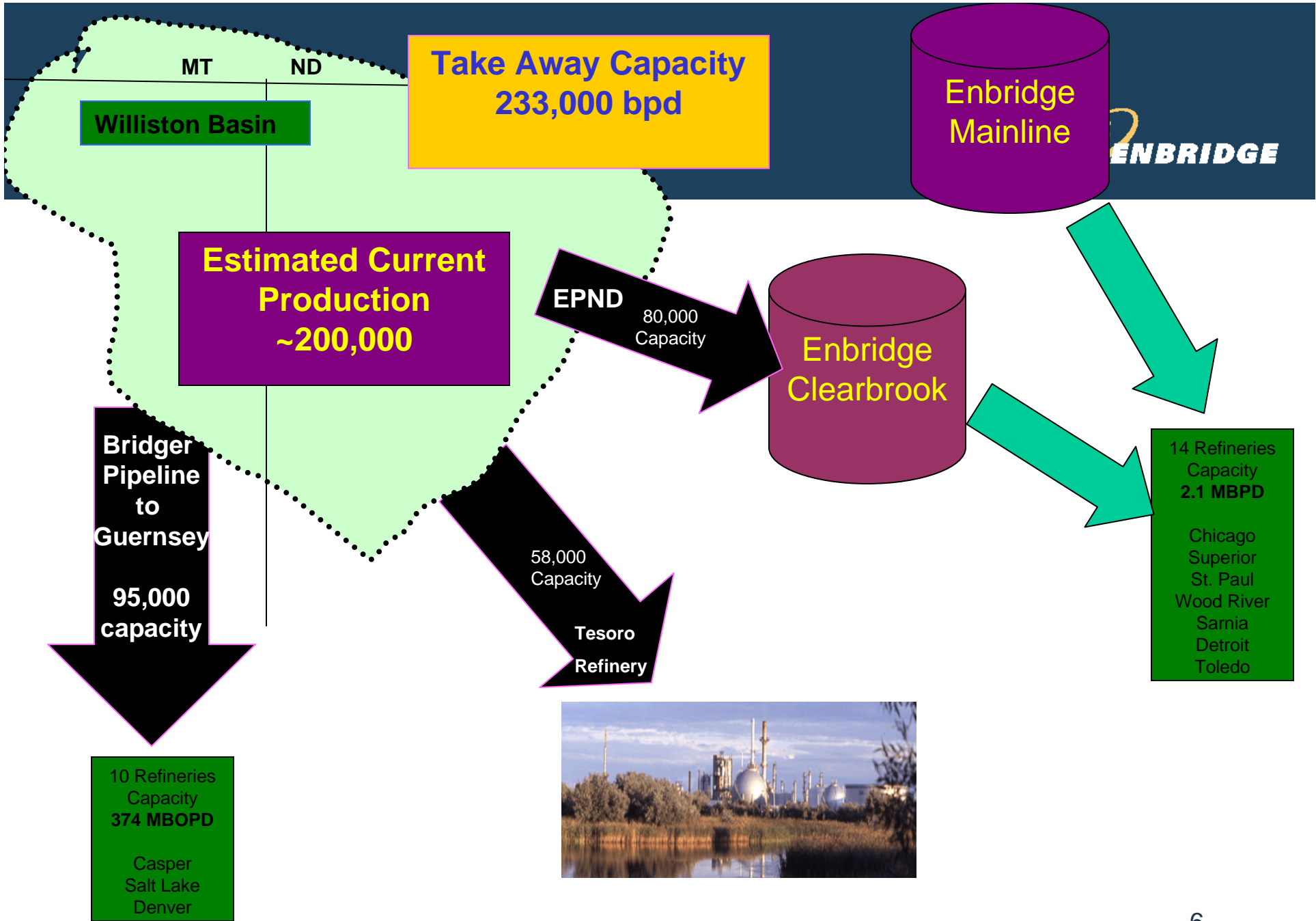


# The North Dakota Pipeline Situation



- **Crude Oil Production In Williston Basin Has Increased Dramatically**
- **Guernsey Hub Oversupplied**
- **Oversupply & Discounting Has Led To Increased Demand For Transportation Into Other Markets**
- **Enbridge North Dakota Prorated 5 Out Of Last 12 Months**



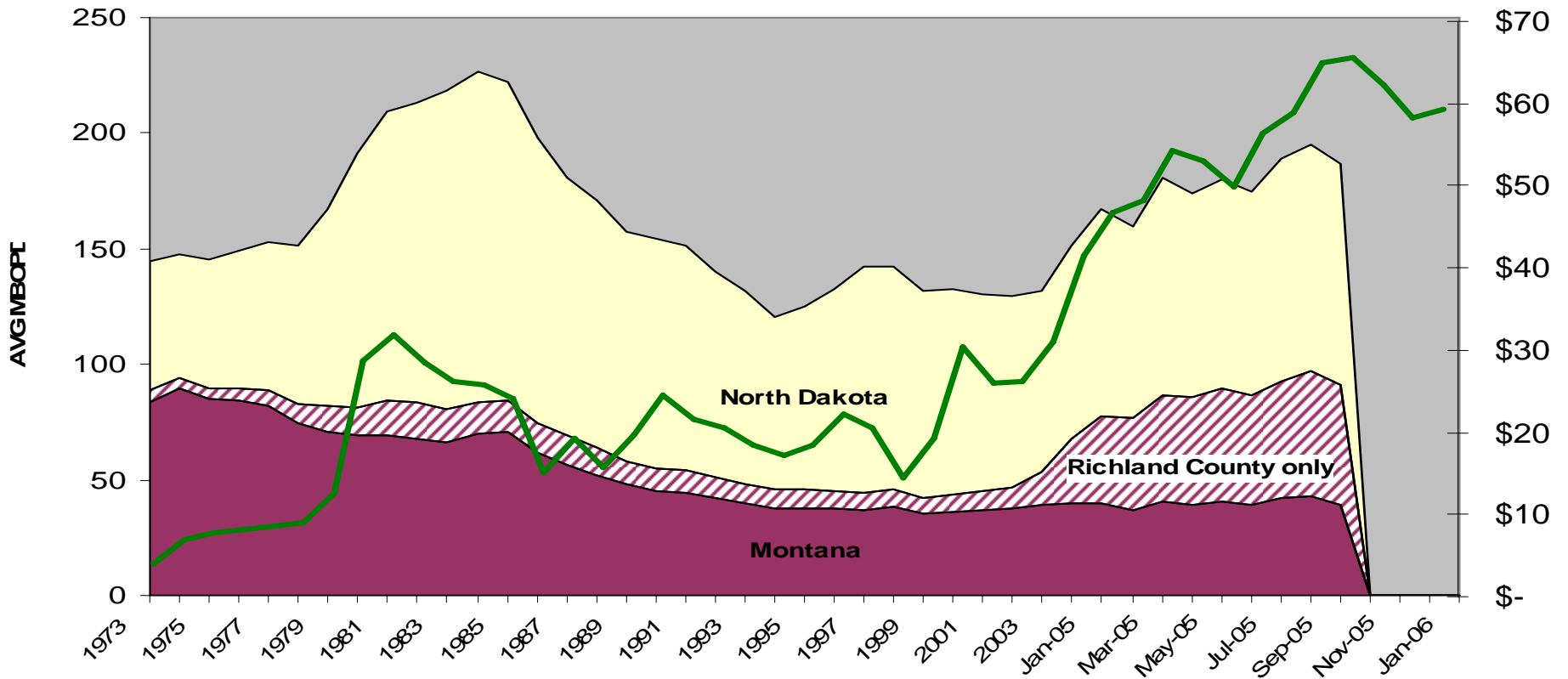


# Background



## Williston Production Summary

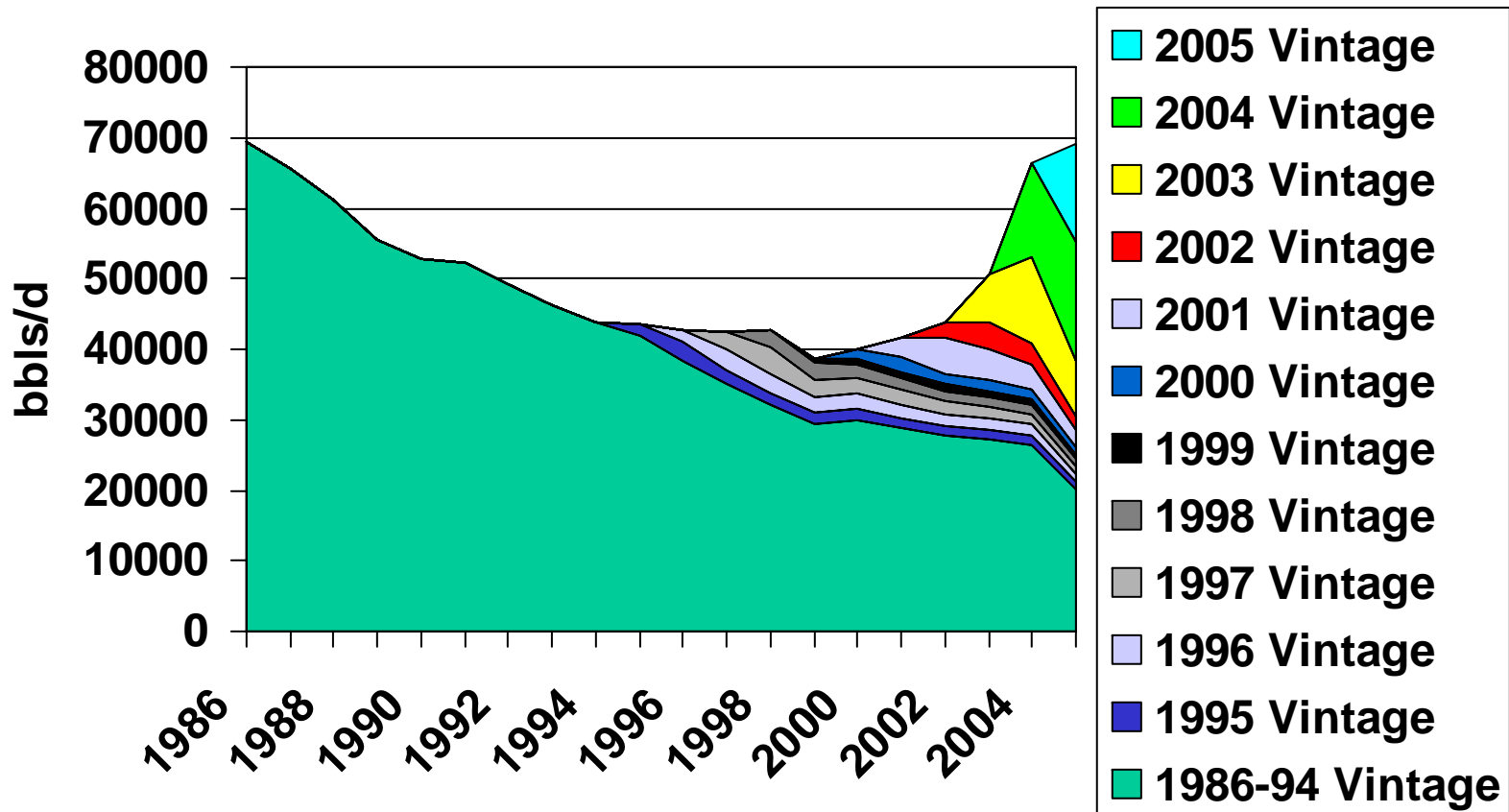
## Oil Price



Source: Montana and North Dakota Oil Production: I.H.S. Energy

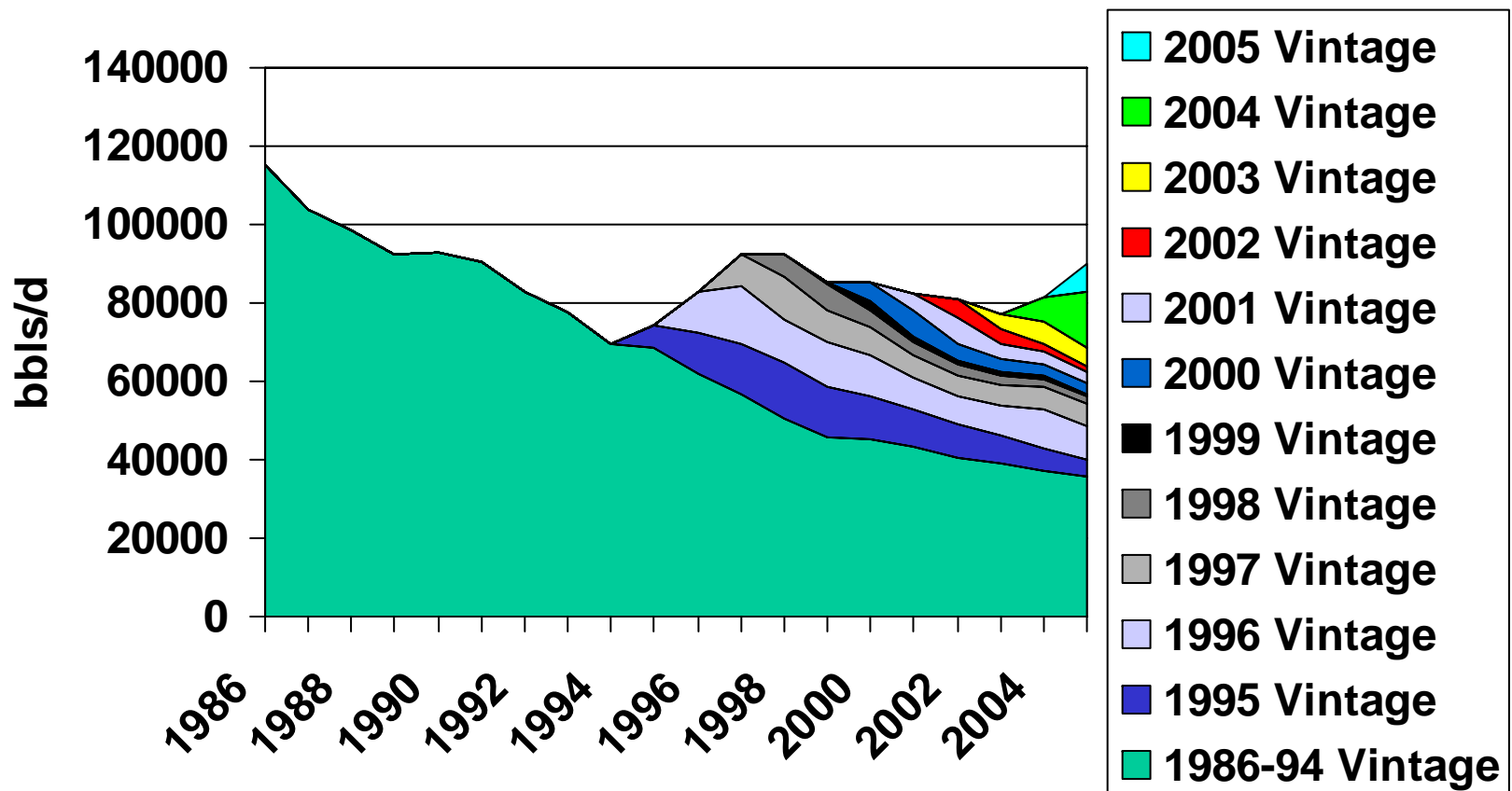
Oil Price History: Energy Information Administration - January 2006 Monthly Energy Review - WTI Spot 7

# Historical Crude Production By Vintage (bpd) – Eastern Montana





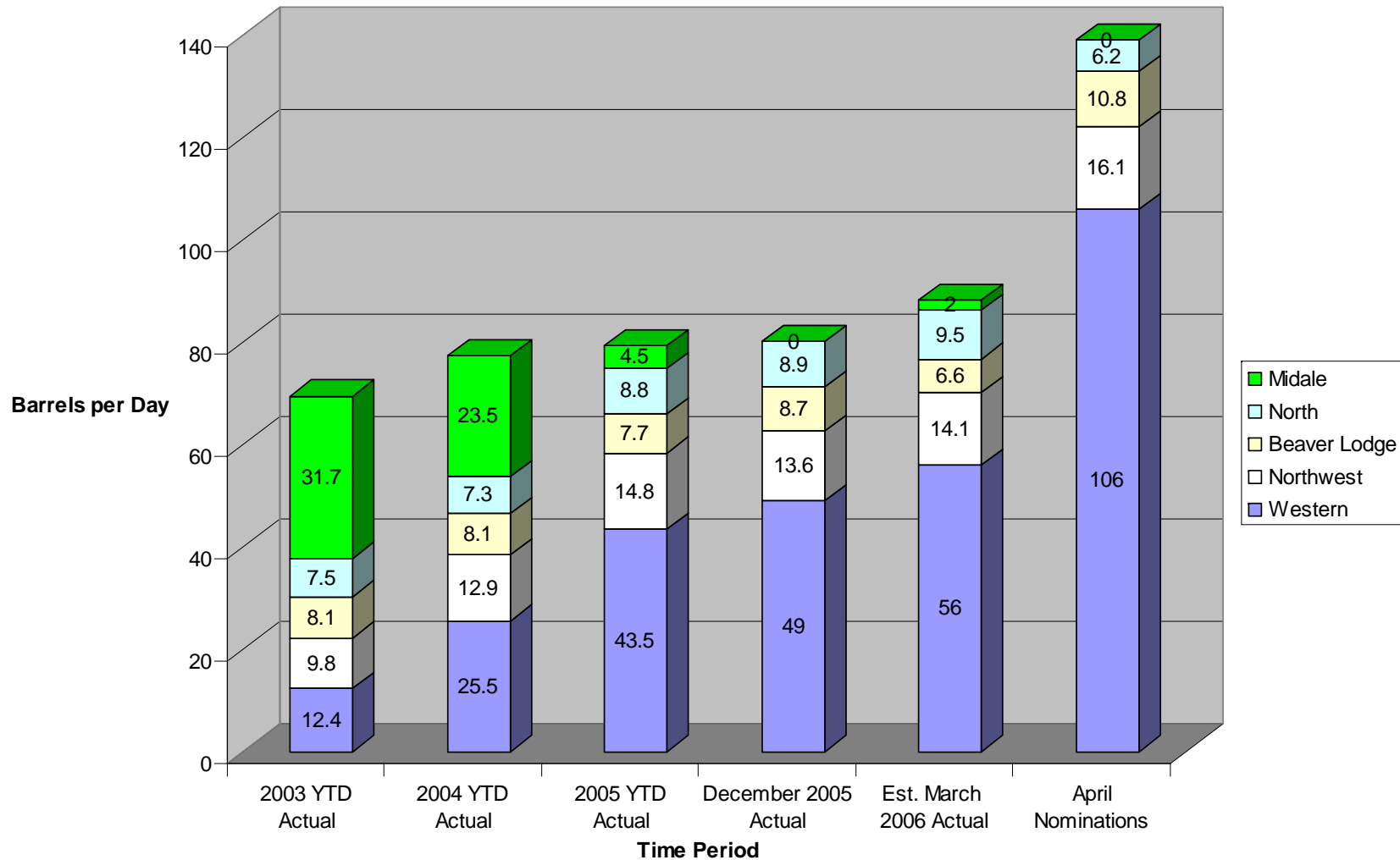
# Historical Production By Vintage (bpd) – Western North Dakota



# EPND Throughput History



Enbridge Pipelines (North Dakota) LLC Receipts

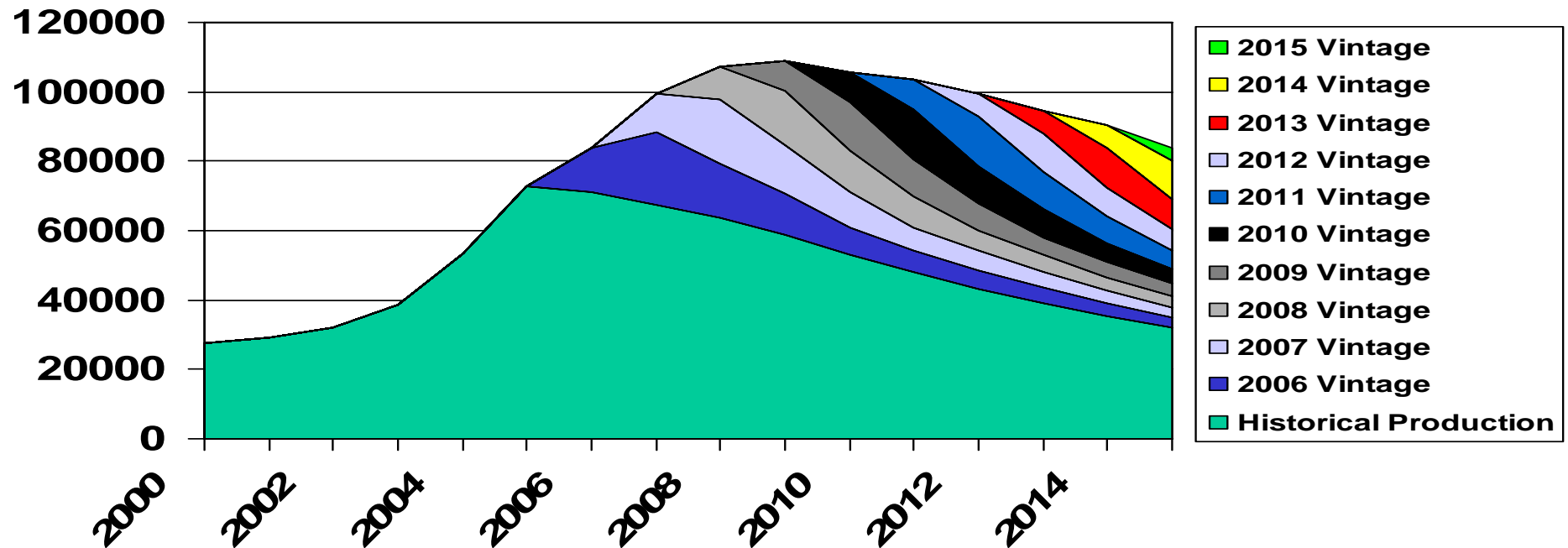


# Our Outlook



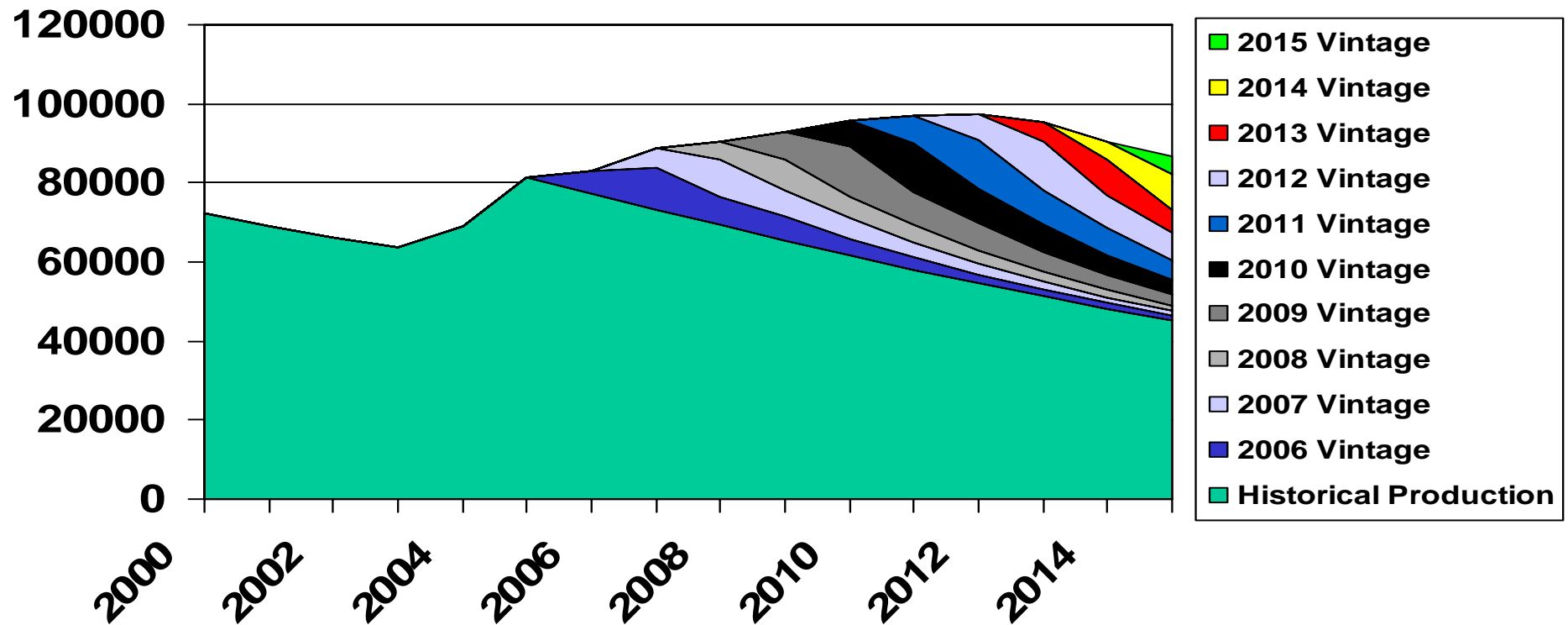
- **Crude oil prices are forecast to remain near current levels through 2007**
- **Williston basin production is forecast to increase, peaking in 2010 – 2012 if outlets are available**
- **Enbridge North Dakota Pipeline expansion to Clearbrook appears to be an attractive expansion alternative for producers and shippers**

# Our Outlook – Production Forecast Eastern Montana (bpd)



**30,000 bpd increase by the year 2009**

# Our Outlook – Production Forecast Western North Dakota (bpd)



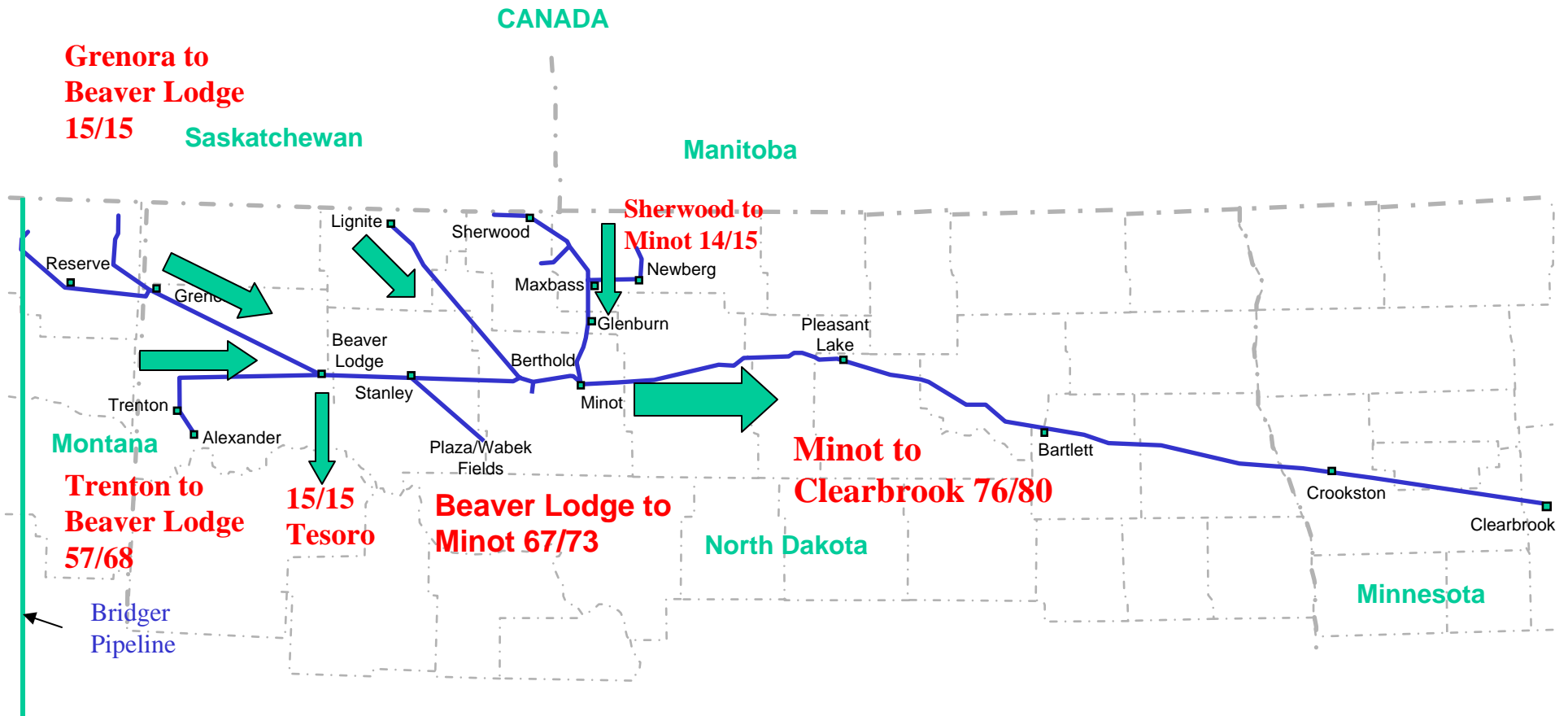
**20,000 bpd increase by the year 2012**

# Key Regulatory Points



- **EPND is Regulated by:**
  - Federal Energy Regulatory Commission
  - Department of Transportation (Office of Pipeline Safety)
  - North Dakota Public Service Commission
- **EPND is a Common Carrier**
  - A commercial enterprise that holds itself out to the public as offering to transport freight or passengers for a fee. A common carrier is generally required by law to transport freight or passengers or freight, without refusal, if the approved fare or charge is paid.
- **Current Apportionment Policy**
  - Based on historical pro-ration to Clearbrook
  - Shipper gets allocated space on each pipeline segment

# Pipeline Capacity by Segment Current Situation (Mbpd winter/summer)



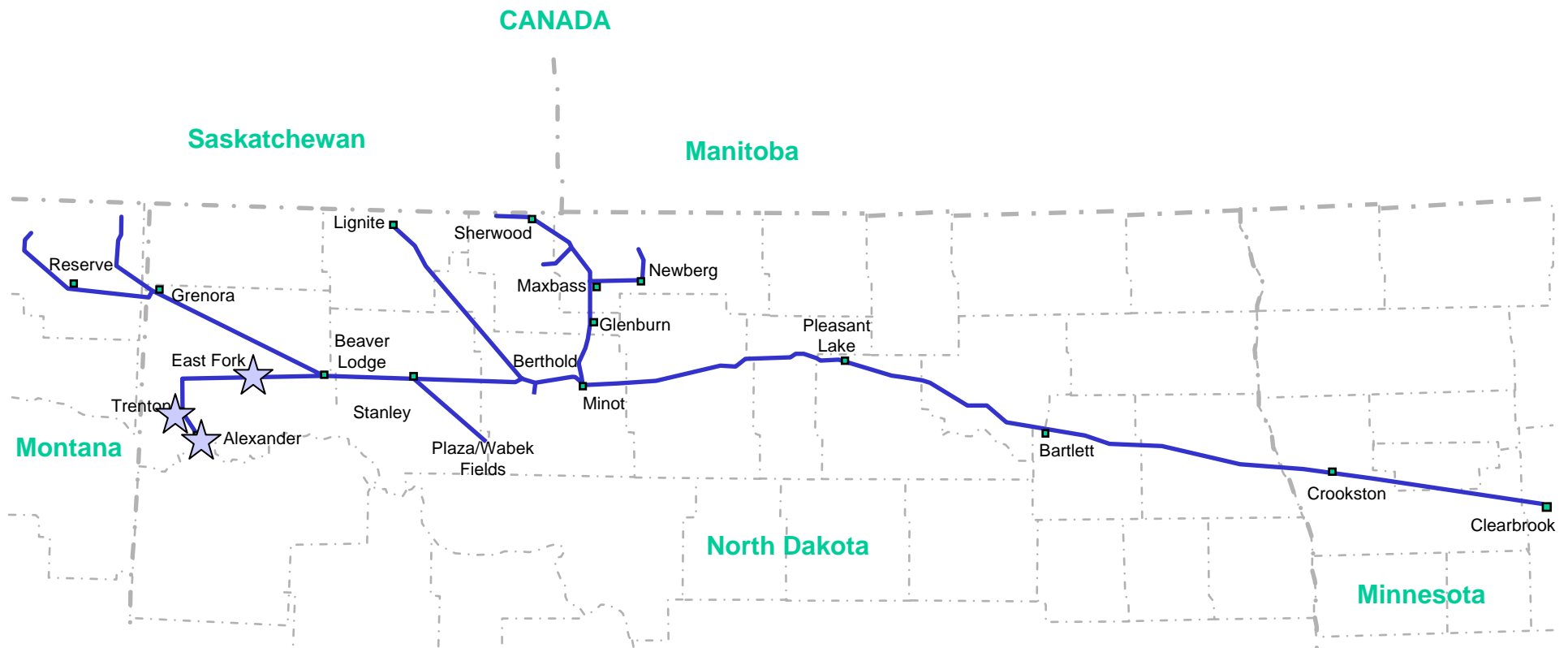
# Things Done to Date for Increased Capacity



- **Have backed out 30,000 – 35,000 barrels per day of Midale crude since 2003 to open up space for increased sweet barrels**
- **In 2005 completed \$4.0 million capacity upgrade of Alexander to Beaver Lodge line segment**
- **Have added drag reducing agent at multiple stations (DRA added from Minot to Clearbrook for May 1, initial estimates is that capacities should increase by 5,000 bpd – 7,000 bpd).**
- **Have completed necessary integrity in-line inspections to prepare for future expansions**
- **Have completed initial engineering and hydraulic study for future expansion alternatives**



# EPND – 2005 Expansion



**2005 Trenton, Alexander Station upgrade and the addition of a new East Fork Station. \$4.0 million expansion added approximately 18,000-20,000 barrels per day of capacity from Alexander, Trenton to Beaver Lodge**

**2005 Ran crack tool from Minot to Clearbrook and made initial repairs (\$2.2 million)**

**2004 – 2005 Ran MFL corrosion tool from Beaver Lodge to Clearbrook and completed repairs (\$1.2 million)**

# Mainline Segment Expansion



- Repairs & Hydrotest: \$6 million adding 7,500 bbls/day by fall of 2006
- Beaver Lodge Upgrade & 2 New Stations: \$8 million adding 8,500 bbls/day by Feb, 2007
- Four New Station/Minot & Clearbrook Upgrades: \$19 million adding 14,000 bbls/day by July 2007
- Achieves 30,000 bbls/day incremental capacity, with upside potential of 45,000 bpd in summer months
- All options dependent upon successful hydrotest
- Timing repairs May – June, Hydrotest July – September

# Estimated Surcharge Components Mainline Segment



- Based on Cost of Service Modeling
- Assumptions

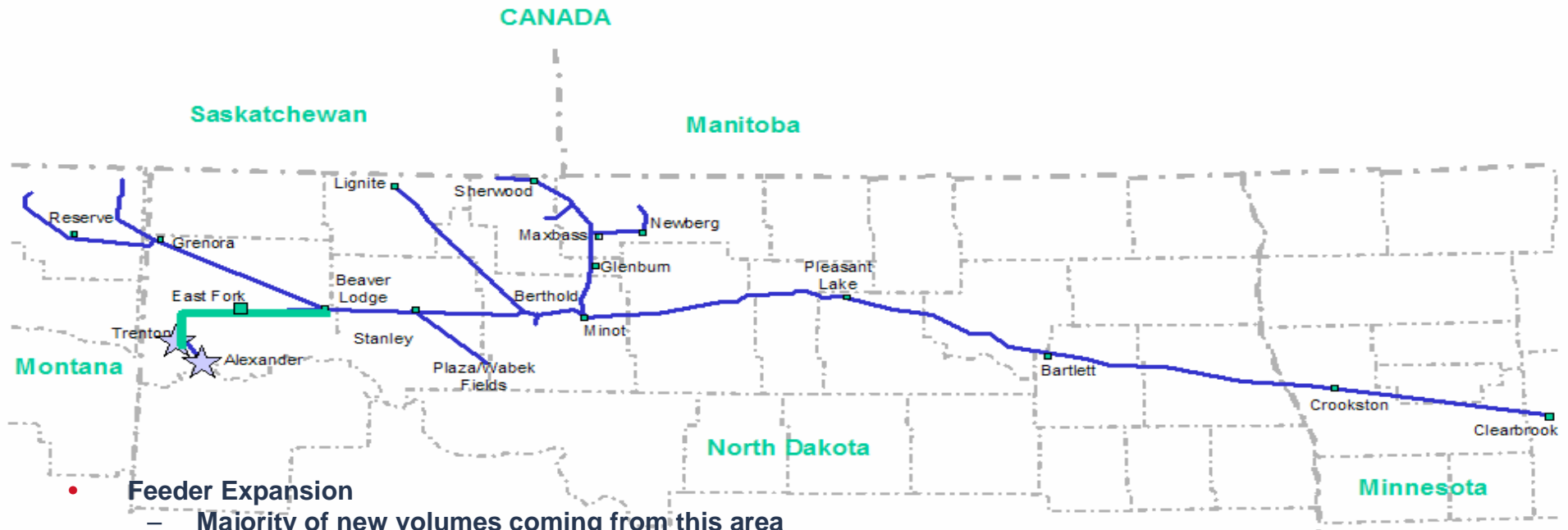
- Capital Cost \$26.4 Million
- Term 5 Years (20% Depreciation per year)

- Components

	<u>Year 1</u>	<u>Year 5</u>
– Depreciation	\$5.3	\$5.3
– Equity Return 13% Nominal (55% Equity)	\$1.4	\$0.8
– Interest 7% (45% Debt)	\$0.8	\$0.2
– Tax Allowance	\$0.5	\$0.3
– Power	\$3.2	\$3.2
– Operating Costs	\$1.5	\$1.5
– AFUDC Depreciation	<u>\$0.1</u>	<u>\$0.1</u>
Projected Cost of Service Year 1	\$12.8	\$11.4
– Incremental Revenue (22,500 bbls/day * .80 average toll) =	\$6.6	\$6.6
– Surcharge Revenue (110,000 bbls/day * .156 surcharge Year 1) =	<u>\$6.2</u>	<u>\$4.8</u>
(110,000 bbls/day * .121 surcharge Year 5)		
– Total Revenue	\$12.8	\$11.4

- Numbers will be adjusted yearly for actuals (power cost biggest unknown)
- Numbers assume operating, capital, power costs are accurate and throughput fully utilized at 110,000 bbls/day for all 5 years

# Feeder Segment Expansion



- **Feeder Expansion**
  - Majority of new volumes coming from this area
  - Alexander Station upgrade (\$3.5 million estimated)
  - Trenton – Beaver Lodge 52 mile 10” looping (\$25 million estimated)
  - Trenton New Station (\$3.5 million estimated)
  - Trenton/Alexander Tankage (\$5 million estimated)
  - Increases volumes from Alexander from 40/35 bpd to 63 bpd without DRA, increases Trenton to Beaver Lodge line segment from 57/68 bpd to 93 bpd without DRA
- Surcharge would only apply to those volumes originating from Alexander and Trenton
- Capital cost \$37 million (Class 5 +40% -30% range), preliminary surcharge 35 cents per barrel over 5 years (37 cents first year)
- Presented to Shippers over last few weeks with Letters of Support going out this week

# Estimated Surcharge Components Feeder Segment



- Based on Cost of Service Modeling
- Assumptions
  - Capital Cost \$37 Million
  - Term 5 Years (20% Depreciation per year)
- Components
 

	<u>Year 1</u>	<u>Year 5</u>
– Depreciation	\$7.4	\$7.4
– Equity Return 13% Nominal (55% Equity)	\$2.0	\$1.2
– Interest 7% (45% Debt)	\$1.0	\$0.2
– Tax Allowance	\$0.8	\$0.5
– Power	\$0.5	\$0.5
– Operating Costs	\$0.5	\$0.5
– AFUDC Depreciation	<u>\$0.1</u>	<u>\$0.1</u>
Projected Cost of Service Year 1	\$12.3	\$10.4
– Surcharge Revenue (90,000 bbls/day * .376 surcharge Year 1) = (90,000 bbls/day * .316 surcharge Year 5)	<u>\$12.3</u>	<u>\$10.4</u>
- Numbers will be adjusted yearly for actuals (power cost biggest unknown)
- Numbers assume operating, capital, power costs are accurate and throughput fully utilized at 90,000 bbls/day for all 5 years

# Shipper Support / Surcharge





- **Enbridge Board Approval**
  - Approved April 27<sup>th</sup> contingent upon shipper support
- **Mainline Segment - \$32.4 MM Estimated**
  - Received support from 85% of shippers (11 out of 13 Shippers) and 94% support by current volume
  - Support letters from ND Governor & North Dakota Petroleum Council (110 producers, represents 78% of North Dakota volumes)
  - Support from various Montana producers
  - Shippers pay Base Toll + 15 cent surcharge on all Clearbrook receipts over 5 year period
- **Feeder Segment - \$37 MM Estimated**
  - Meetings held with Shippers over last few weeks
  - Shipper Support letters to be sent out this week
  - Surcharge of 35 cents/bbl on all Alexander/Trenton receipts (37 cents first year)
- **Other Aspects of Surcharges**
  - Surcharges are based on cost of service model
  - Surcharge adjusted yearly for: throughput, actual capital costs, operating and power costs
  - Surcharge not subject to indexing & expires after five years

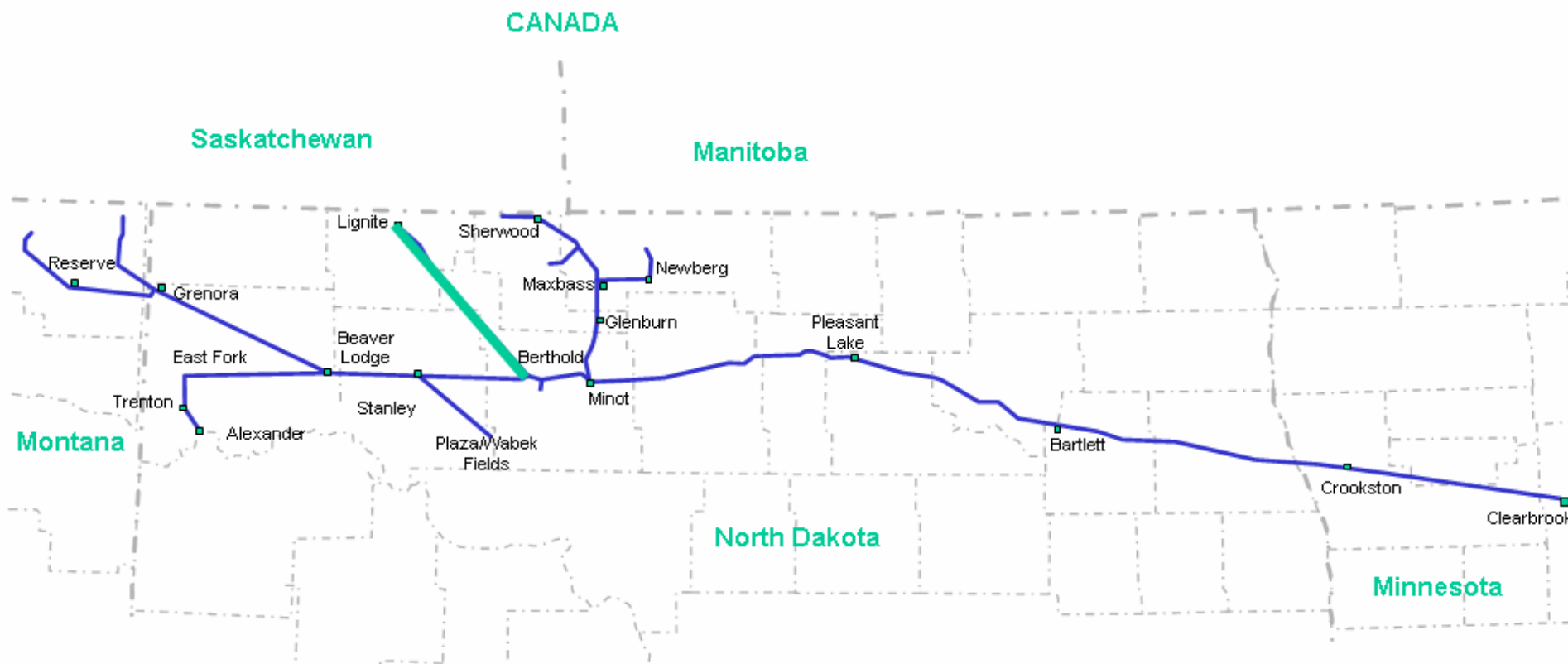
# Expansion Proposal (cont'd)



Line Segment	Current Line Capacity Bpd (Summer/Winter)	Current Nominations Bpd	Expanded Line Capacity Bpd (Summer/Winter)	Trenton to BL Loop Expanded Capacity (Summer/Winter)	Possible Grenora Pump Upgrade (Summer/Winter)
Alexander to Trenton	40/35	-	40/35	63 without DRA	40/35
Trenton to Beaver Lodge	68/57	97	68/57	93 without DRA	68/57
Grenora to Beaver Lodge	15/15	18	18/18	18/18	40/36 Possible with pump upgrade
Receipts Beaver Lodge/Stanley	-	8			
Deliveries at Beaver Lodge	15/15	4	15/15 (Can increase)	15/15	15/15
Beaver Lodge to Minot	73/67	119	107/100 (Possibly more with DRA)	107/100 (Possibly more with DRA)	107/100 (Possibly more with DRA)
Sherwood, Glenburn, Maxbass, to Minot	18	10	18	18	18
Midale Deliveries			0	0	0
Minot to Clearbrook	80/76	129	125/110	125/110	120/110


**Expansion Proposal**

**Still under consideration**

# Portal Link Reversal (Possible Consideration)



- Possibility to reverse Portal Link if volumes grow beyond our expansion proposal
- Are currently still evaluating costs and capacity availability

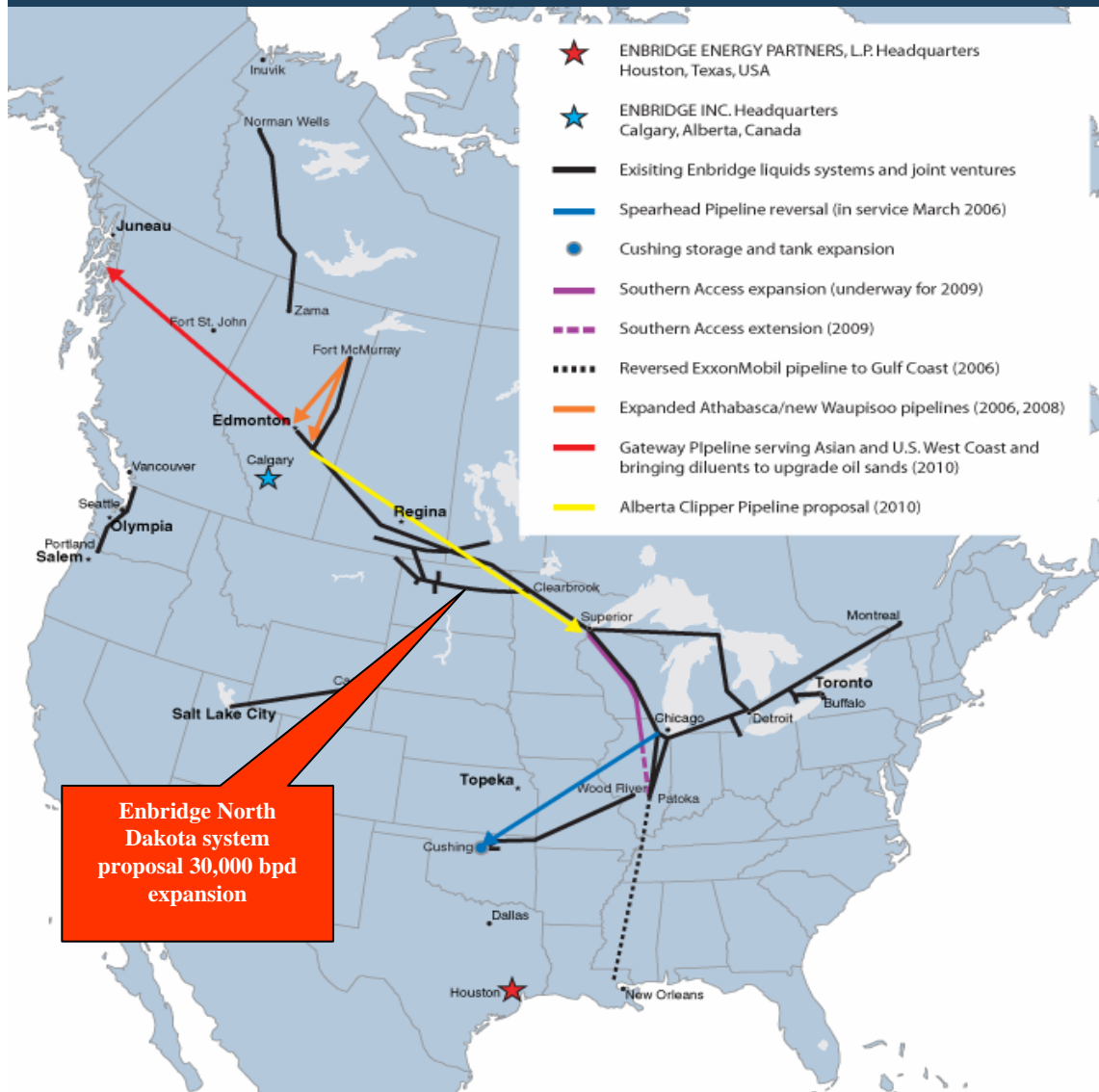


# Shipper Support Terms



- **Shippers execute Letters of Support for expansion and surcharge**
- **Surcharges go into effect when projects are completed**
- **Surcharges will be adjusted yearly and true up will occur for actual capital costs, incremental volumes, power and operating costs**
- **Surcharges not subject to indexing, but will be adjusted annually based on actual costs and throughput**
- **Surcharges expire after five years**

# Additional Solutions



- Enbridge proposals in North America exceed \$8 billion in new liquid petroleum pipeline construction projects
- The crude pipeline expansions are driven by need to connect refinery markets with growing supply of crude from northern tier and vast Canadian oil sands
- Diffusing growing supply of Alberta oil sands production to various refinery markets in U.S. avoids oversupply in any region and resulting discounting of this supply and local production
- New liquid pipelines undergo myriad of local, state and federal permitting with no one lead agency

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