
FEDERAL ENERGY REGULATORY COMMISSION



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NEWS RELEASE

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COMMISSION RULES ON RATES PROPOSED FOR RECONFIGURED OIL PIPELINE TRANSPORTATION PROJECT

The Federal Energy Regulatory Commission today approved a petroleum pipeline rate for a proposal to restart and reconfigure an idle pipeline system to transport Canadian oil supplies to refineries in Oklahoma, Kansas, and Texas.

The Spearhead Pipeline Project, proposed by Enbridge Energy Company, would reverse the flow of a recently acquired, idle pipeline system to provide transportation of the Canadian crude oil to markets southeast of the Cushing, Oklahoma to Chicago, Illinois line. The project previously had provided transportation in a northeastern direction from the Cushing to Chicago markets.

By reversing the flow, the project will offer more domestic refiners access to crude oil that will be extracted from Canada's western tar sand reserves using new technology. The reconfigured pipeline is expected to transport 125,000 barrels of crude per day and provide a more varied grade mix of crude with physical characteristics that will be available for the first time to refineries in Kansas, Texas and Oklahoma.

The Commission states the project will benefit the public by offsetting dwindling U.S. oil supplies and will increase refiners' security of supply. In addition, the conversion of a currently idle system will benefit the environment because the project will use the same route, thus reducing adverse impact that would result from the construction of a brand new pipeline.

In a declaratory order, the Commission approved the project's proposed initial rates for committed/subscribed volumes. The Commission ruled the rates lawful because Enbridge demonstrated that its open season, or opportunity to bid on capacity, was conducted fairly and in a transparent, non-discriminatory manner.

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Further, Enbridge's proposal offers different rates to committed and uncommitted (unsubscribed capacity) shippers who are not similarly situated with one another. The Commission concluded the proposed rates are similar to a discounted term rate it approved for another oil pipeline, Express Pipeline Partnership, in a 1996 ruling. There, as in the Enbridge decision, the Commission found the proposed rate structure was not unduly discriminatory or demonstrated undue preference.

Citing insufficient data to support its use as an initial rate, the Commission denied the company's proposed \$1.50 per barrel rate for uncommitted shippers based on the company's cost of service, but said it would approve the rate as an alternate, "agreed-to" rate, one upon which non-affiliated parties agree and no protests are filed against the initial rate for uncommitted volumes. The Commission noted that the non-affiliated Canadian producers support the rates and no protests have been filed.

The Commission's order does not address Enbridge's proposal to implement a surcharge applicable to Canadian shippers, noting the decision lies within the jurisdiction of Canada's National Energy Board. In addition, the Commission expressed no opinion on the effect or legality of the Transportation Service Agreements signed by shippers to commit to capacity on the new pipeline.

The Spearhead Pipeline Project is expected to cost an estimated \$160 million and is projected to be completed and in operation by January 1, 2006. The project would transport light and heavy crude oil from a connection with the Lakehead Pipeline System in Griffith, Indiana to an inlet of the Enbridge Ozark Terminal in Cushing.

Enbridge estimates that the Spearhead project represents a savings of an estimated \$179 million over constructing a new pipeline traversing the same route.