

To: Cold Lake Pipeline Shippers  
Date: December 21, 2011  
Re: Cold Lake Pipeline Transfer fees

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Inter Pipeline Fund's (IPF's) primary focus is to provide pipeline transportation services for the Cold Lake Pipeline Shippers who own field production according to their market requirements. In 2005 IPF established a transfer fee on Cold Lake with the intention of addressing the increasing number of non-Founder in-line Shipper to Shipper transfers and unbalanced Notices of Shipment (NOS). The number of non-Founder Shippers and amount of transfers caused a substantial amount of incremental work, reporting and responsibilities for IPF's schedulers and accountants. Since the transfer fees seemed to have little or no effect on the quality, timeliness or number of transfers, a penalty for non-compliance was introduced in August, 2006.

IPF continues to see a substantial increase in unbalanced NOS, and new non-Founders wanting access to trade on Cold lake Pipeline. Since the original letter was sent out, the number of non-Founder Shippers has increased 78% and the average transfers per month has increased by 204%.

In recent months, apportionment, external operational issues and extremely high inventories on trunklines have significantly reduced takeaway capacity causing higher carry over volumes each month. Scheduled deliveries onto trunklines that have been pre-approved during business hours cannot be relied upon since pump schedule may change after regular business hours with little or no advance notice and preventing the scheduled volumes from being delivered that day. Any cutback from the trunklines means lost capacity and risk of high inventories at La Corey which in turn may impact receipt rates from the producing facilities. To manage these events, IPF's scheduler must determine the crude producer by following the transfers back to source in order to accurately and fairly reduce receipts if necessary. The amount of non-producing Shippers on the system makes this process very time consuming and laborious. Unbalanced NOS compounds the process even further.

To address the issued described above, IPF will hereby increase the transfer fees effective January 1<sup>st</sup> 2012. The details of the increase are as follows:

- The Base Transfer fee will increase to \$500 per transfer.
- If any of the forecasting procedures noted above and in the letter of August 16, 2006, are not adhered to by a Shipper, a first offense penalty of \$500 will be charged in addition to the base fee, bringing the total fee to \$1,000 per transfer for a period of six months (Probation Period). If the Shipper remains compliant throughout the Probation Period, the fee will revert to the base fee of \$500 per transfer at the end of the Probation Period.
- If the same shipper submits non-compliant NOS's within the Probation Period, an additional fee of \$500 per transfer will be charged, bringing the total fee to \$1,500 per transfer. The Shipper must be compliant for a Probation Period of six months after the last offence for the fee to be reduced back to the base fee of \$500 per transfer.
- If a Shipper has a third offence of non-compliant NOS's during the Probation Period, their **Shipper status on the Cold Lake Pipeline will be suspended for a period of six months**. After the six month suspension, the Shipper *may* have their Shipper status reinstated on the Cold Lake pipeline, provided that they can verify to IPF's satisfaction that proper NOS procedures will be followed. Failure to do so will result in the permanent termination of their Shipper status on the Cold Lake pipeline, to be determined at IPF's sole discretion. If the Shipper is allowed to resume transfer activities on the pipeline, they will be charged a fee of \$1,500 per transfer for a period of six months, after which if they remain compliant, their fee will be lowered to the base fee of \$500 per transfer.



The above fee structure is intended to ensure those Shippers that are diligent in ensuring their NOS's are in order are not penalized, while making those Shippers that are contributing to the additional administrative burden accountable for their actions. It is IPF's hope that the punitive elements of the above actions are not required, and that all Shippers will follow proper NOS procedures.

Sincerely,  
**Inter Pipeline Fund**  
By its General Partner, Pipeline Management Inc.

A handwritten signature in blue ink that reads "Lis Carney".

Lis Carney  
Supervisor, Oil Movements