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Contains Confidential Business Information

June 16, 2014

Confidential Business Information has been Redacted.

VIA E-MAIL & FEDEX

Ms. Mary D. Hassell
Office of Environmental Quality
and Transboundary Issues
U.S. Department of State
OES/ENV Room 2657
2201 C Street, NW
Washington, DC 20520

Re: Supplemental Information in Support of Enbridge Energy, Limited Partnership's November 20, 2012 Application for a Presidential Permit

Dear Ms. Hassell:

This letter is written in further support of Enbridge Energy, Limited Partnership's ("Enbridge") November 20, 2012 application ("Application") which requests that the U.S. Department of State ("Department") issue a new Presidential Permit to authorize Enbridge to operate the "border segment"[1] of its existing Line 67 crude oil pipeline up to its full design capacity (the "Line 67 Project").[2] Enbridge's Application also described the related actions of: (i) increasing pump capacity along Line 67 in two phases; and (ii) the Superior Terminal expansion.

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[1] The "border segment" refers to that segment of Line 67 that extends from the U.S.-Canada border to the first mainline valve located in the United States, a distance of approximately three miles.

[2] As the Application explains, the full design capacity for Line 67 is 880,000 barrels per day ("bpd") for heavy crude. This figure, however, will vary based on the type of product transported. For example, the full design capacity of Line 67 would be greater than 880,000 bpd were light crudes transported on the line, which could be case in the future.

Enbridge hereby provides supplemental information to inform the Department of Enbridge's plans to meet anticipated shipper demand on Line 67 through a further related action so that the Department may take such information into account in the preparation of the Supplemental Environmental Impact Statement ("SEIS") for the Line 67 Project.

As indicated in Enbridge's Application, and as explained at our June 3, 2014 meeting, shipper needs dictate that the annual average capacity of Line 67 in the United States be increased up to 570,000 bpd by mid-2014 (referred to as "Phase I"), and up to 800,000 bpd by mid-2015 (referred to as "Phase II"). As we explained, the unforeseen Line 67 Project permitting delay at the Department of over a year has led Enbridge to recently assess options for achieving this additional capacity both at the border, albeit not on Line 67, and on the portion of Line 67 south of the border segment, consistent with Enbridge's obligations as a common carrier pipeline operator and its existing Presidential Permits.

Enbridge's reassessment has taken place against a background in which any failure on the part of Enbridge to provide the requested capacity will cause shippers and refiners to suffer adverse impacts, including increased apportionment and higher transportation costs, which in turn, may lead to higher domestic oil prices. Notably, an Administrative Law Judge ("ALJ") for the Minnesota Public Utilities Commission ("MPUC") issued a Decision[3] on June 12, 2014, concluding that the current capacity of Line 67 is "not sufficient to meet current and expected peak demand for crude oil shipments, [and] [u]nder such circumstances it is likely that the apportionment of nominated shipments of crude will occur with greater frequency and severity on Line 67 if additional capacity is not available." ALJ Recommendation, at ¶ 116. The ALJ concluded that without a near-term capacity increase on Line 67, Enbridge will not be able to provide sufficient capacity to meet shipper demand, thereby requiring shippers and refiners to transport oil via railway or trucks, which are considered to be less reliable modes of transportation and which may cause increased environmental impacts in the form of air and noise pollution. *See id*., at ¶¶ 156-57, 163. Use of these alternative modes of transportation, as opposed to Line 67, will also lead to increased oil costs for consumers. *See id*., at ¶¶ 169-70. The ALJ, thus, recommended that the MPUC approve Enbridge's request for issuance of a Certificate of Need to increase the annual average capacity of Line 67 to 800,000 bpd. The MPUC is expected to issue a final decision by August or September.

To avoid adverse impacts to shippers of the sort described by the ALJ, Enbridge has decided to optimize its existing Mainline System to provide the flexibility and efficiency that it would need to transport increased volumes of crude oil from Canada into the United States within the terms of its existing Presidential Permits, as explained below.

I. Planned Interconnections Between Lines 67 and 3; Use of Pump Upgrades

Enbridge intends utilize the Phase I and Phase II upgrades to its Line 67 pump facilities in Minnesota (the "Pump Upgrades") to increase the flow of oil on the non-border segment of Line 67 south of the border segment before the new Presidential Permit for the increased border

[3] A copy of the ALJ Recommendation has been enclosed for your reference as Exhibit A.

segment volume is issued by Department. As we discussed, Enbridge will accomplish this by constructing interconnections between Line 67 and its adjacent Line 3 to provide Enbridge with the capability to allow increased volumes of crude oil to: (1) move on Line 67 in Canada; (2) be transferred to Line 3 at Enbridge's Gretna, Manitoba station at a point approximately 1.5 miles north of the U.S.-Canada border; (3) cross the U.S.-Canada border on the Line 3 border segment; and (4) then be transferred back to Line 67 approximately 16 miles south of the U.S.-Canada border for further delivery to Superior, WI. A total of four interconnections will be constructed between Lines 3 and 67 as part of this project: two interconnections will be constructed between Line 67 and Line 3 at the Gretna station in Canada to allow crude oil to move between the lines north of the border crossing; and two interconnections will be constructed between Line 67 and Line 3 in the United States to allow crude oil to move between the lines at a point in North Dakota about 16 miles south of the border, which is south of the first U.S. mainline valve for each line. A diagram of the proposed interconnections, which was previously shared with you, is attached as Exhibit A.

Enbridge intends to initiate construction of the interconnections in both Canada and the United States in the coming weeks, and construction is expected to be completed by RE DA RE DA The construction and operation of the U.S. interconnections does not require any federal, state, and/or local approvals. The Canadian interconnections will be constructed within the boundaries of Enbridge's existing Gretna station. Canadian approvals, through a simplified notice process, have been obtained.

Enbridge has also obtained all necessary Canadian approvals to transport increased volumes of crude oil on Line 67 in Canada. Specifically, Enbridge obtained approval from the National Energy Board ("NEB") of Canada to construct the necessary pump stations and increase the capacity of Line 67 in Canada up to 800,000 bpd. Enbridge is currently constructing the pump upgrades in Canada to allow for an increase in the authorized capacity of the line in that country. Once construction of those pump upgrades is complete, which is expected in the coming weeks, Enbridge will have the operational flexibility to flow an increased amount of oil on Line 67 in Canada to the Line 3 border segment for transportation across the U.S.-Canada border.

Enbridge has also obtained all necessary U.S. approvals to transport an average annual capacity of 570,000 bpd on Line 67 south of the Line 3 interconnection and plans to do so REDACTED REDACTED. As the Department is aware, Enbridge obtained a Certificate of Need from the MPUC in August, 2013 to operate the Phase I Pump Upgrades to transport an annual average capacity of 570,000 bpd on Line 67 in Minnesota. Enbridge initiated construction of the Phase I Pump Upgrades last Fall, and such construction is expected to be completed in RE DA Once fully constructed, Enbridge will have the capability to operate the Phase I Pump Upgrades to increase the average annual capacity of Line 67 up to 570,000 bpd. However, unless and until the Department issues the requested Presidential Permit allowing Enbridge to transport more than 500,000 bpd across the border on Line 67, the interconnections will actually result in a decrease of 105,000 bpd of crude oil across the Line 67 border segment (from the current 495,000 bpd of heavy crude to 390,000 bpd of light crude), and an increase of 180,000 bpd of crude oil (from 390,000 bpd of light crude to 570,000 bpd of heavy crude) across the Line 3 border segment.

These cross-border volumes are compliant with the currently applicable Presidential Permits for both lines.

The interconnections will also provide Enbridge with the operational flexibility to transport crude oil in the range of 800,000 bpd of oil on Line 67 south of the Line 3 interconnection through the construction and operation of the Phase II Pump Upgrades. As the Department is aware from Enbridge's November 2012 Application, Enbridge intends to construct new pumping facilities at its existing Floodwood, Cass Lake, Donaldson, and Plummer pump station sites to provide the necessary pumping capacity to increase the annual average capacity of Line 67 up to 800,000 bpd. Enbridge applied to the MPUC for a Certificate of Need to operate the Phase II Pump Upgrades at this capacity level, and its application is still pending before the MPUC. As noted above, Enbridge anticipates that the MPUC will issue the Certificate later this Summer.

To construct the Phase II Pump Upgrades at the Floodwood, Plummer, and Donaldson pump station sites, Enbridge will be required to disturb a modest amount of wetlands or other waters of the United States, totaling 2.9 acres. Therefore, Enbridge must also obtain approval from the U.S. Army Corps of Engineers ("Corps"). Enbridge submitted an application to the Corps in November, 2013, which we understand the Corps intends to process under its Letter of Permission procedure. Enbridge's application is currently pending before the agency, REDACTED [redacted] REDACTED [redacted]. Once approval from the MPUC and the Corps is obtained, Enbridge will initiate construction of the Phase II Pump Upgrades, which is expected to take up to approximately 9 months. Upon completion, Enbridge will have the operational flexibility to operate the Phase II pumps to increase capacity of Line 67 south of the Line 3 interconnection in the range of 800,000 bpd, as may be necessary to meet shipper demand. That could happen as early as mid-2015. Again, however, unless and until a new Presidential Permit is issued for Line 67, the average annual capacity of oil transported across the border on that Line will remain below 500,000 bpd.

Enbridge intends to fully comply with applicable Pipeline and Hazardous Materials Administration ("PHMSA") requirements to increase the capacity of the Line 3 border segment, and to increase the capacity of Line 67 south of the Line 3 interconnection. This will include updating applicable emergency response plan procedures, to the extent necessary.

To the extent that Enbridge's Application, which predates the recently-approved interconnection plan described here, does not report that the Pump Upgrades will serve to provide Enbridge with the capability to transport increased volumes of oil, this letter supersedes that Application on this point. Further, an updated project description is attached as Exhibit C for your reference and use. In all other respects, Enbridge's November 20, 2012 Application remains unchanged.

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II. Precedent for Constructing Pipeline Interconnections

This plan to enhance the operational flexibility of Enbridge's existing pipeline system through interconnections between lines is consistent with current pipeline industry practice. Historically, Enbridge has constructed a number of interconnections between its adjacent lines to ensure shipper needs are met in the event of unforeseen events or contingencies, such as a power outages or maintenance, which may affect Enbridge's ability to use a line or a portion of a line. Enbridge is currently preparing information to provide to the Department regarding Enbridge's practice of optimizing its pipeline system through such interconnections, and will submit this information shortly.

For example, multiple interconnections exist between Enbridge Lines 2, 3, and 4 both in Canada and the United States. An interconnection between Lines 2 and 3, for example, exists near Cromer to allow alternate routing for Line 3 or Line 2 oil in the event of a prolonged line shut-down on those lines. Enbridge is also constructing an interconnection between Line 67 and Line 4 at Hardisty in the event of a shutdown of Line 4 between Edmonton and Hardisty.

III. Independent Utility

The interconnections planned here clearly demonstrate that the Pump Upgrades have independent utility relative to Enbridge's Presidential Permit Application to operate the border segment of Line 67 at an increased capacity. Enbridge intends to construct the interconnections and Pump Upgrades, and to operate those facilities to increase the flow of oil on Line 67 south of border segment, whether or not a new Presidential Permit is issued by the Department. In other words, the interconnections and Pump Upgrades are not a result (either directly or indirectly) of the Department's action on Enbridge's pending application because the Pump Upgrades and interconnections, and any resulting environmental impacts, will occur regardless of whether the Department issues a new Permit to authorize an increased level of flow on the border segment of Line 67. The Pump Upgrades also have independent utility due to the fact that they will provide the necessary operational pumping redundancy to ensure the flexible and continued operation of Line 67 in the event of unforeseen events or contingencies which may impact use of the existing pumps.

Please let us know if you require additional information.

Respectfully submitted,

David H. Coburn
Attorney for Enbridge Energy, Limited Partnership

Enclosures

cc: Ona Hahs, Esq., U.S. Department of State
Fred Carey, Potomac-Hudson Engineering, Inc.

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