

July 1, 2014

The Honorable Rick Snyder
Office of the Governor
P.O. Box 30013
Lansing, Michigan 48909

Re: Lack of Transparency and Compliance Concerning Terms and Conditions of Enbridge's 1953 Line 5 Pipeline Easement & the State's Perpetual Public Trust Authority To Protect These Great Lakes Waters

Dear Governor Snyder:

We the undersigned urge you to swiftly address a very serious matter affecting all citizens of the State of Michigan: Enbridge's Line 5 oil pipelines located under the Straits of Mackinac in Lake Michigan-Huron. These twin 61-year-old pipelines located in the heart of the Great Lakes are one of the greatest threats to our water, our economy, and our *Pure Michigan* way of life.

We are encouraged by the joint April 29 letter from the Attorney General's Office and the Michigan Department of Environmental Quality ("DEQ") recognizing the "unique risk" and initiating a dialogue about Line 5 with Enbridge, and by your recent creation of the Great Lakes Petroleum Pipeline Task Force. However, we believe the State of Michigan should require Enbridge to take several immediate steps to comply with the State's easement and to protect the Lakes and public trust. Failure to require these immediate steps would violate the public trust of the State and citizens in the Straits and Great Lakes.

You and your executive team have express authority under the 1953 easement that grants Enbridge the pipeline right-of-way, as well as authority under Act 10 of 1953 and the common law of public trust that govern the use of the lake bottomlands, to demand swift and meaningful action. We urge you to require that Enbridge immediately:

- (1) submit the information the AG and DEQ requested in their April 29 letter and make such information available to the public;
- (2) submit detailed information regarding the product contents, use, and safety of Line 5;
- (3) file a conveyance application under the Great Lakes Submerged Lands Act ("GLSLA"); and
- (4) achieve full compliance with all express terms and conditions of the easement.

The Straits of Mackinac are a natural and cultural treasure held by the State in trust for its citizens. The powerful underwater currents and extreme winter weather conditions at the Straits make them ecologically sensitive and would make cleanup or recovery from a pipeline spill especially difficult. In addition, Line 5 crosses renowned blue-ribbon trout streams, including the famed Au Sable River. These public gems are in danger. As the National Wildlife Federation underscored in its *Sunken Hazard* report, a spill from Line 5 could release up to 1.5 million gallons of oil in just eight minutes. Furthermore, Enbridge has an unfortunate track record in Michigan and across the country. From 1999

to 2010, Enbridge had over 800 spills that released 6.8 million gallons of oil into the environment.¹ In 2010, its Line 6B spilled roughly one million gallons of oil into the Kalamazoo River and took seventeen hours to shut off despite Enbridge's assurances that it could respond "almost instant[ly]" to a release.² A spill of similar magnitude in the Straits would spell disaster in the heart of the Great Lakes.

For the past six months, the undersigned have carefully examined the factual and legal aspects of Enbridge's Line 5 twin 20-inch pipelines under the Straits. Based on this examination, we are deeply concerned about Enbridge's lack of transparency and disclosure regarding its current use of Line 5, as well as the Company's compliance record with the terms and conditions of the 1953 easement and agreements it made under Act 10, P.A. 1953, and the GLSLA and public trust law.

1. Lack of Transparency and Disclosure Raise Deep Concerns about Enbridge's Compliance with 1953 Easement Terms and Conditions for Line 5 and Public Act 10

This section summarizes our greatest concerns related to Enbridge's lack of transparency, disclosure, and compliance with the 1953 easement terms and conditions for Line 5 (see Exhibit 1).

a. Lack of Transparency and Disclosure about Line 5 Pipeline Maximum Operating Pressure

The 1953 easement sets forth clear standards for the pipeline's maximum operating pressure ("MOP"). Section F of the easement provides that: "The maximum operating pressure of either of said pipe lines shall not exceed six hundred (600) pounds per square inch gauge" (psig). Some of Enbridge's own data for the Iron River to Mackinaw City stretch of Line 5 (see Exhibit 2) indicates a MOP of nearly 700 psig with excursions above 1000 psig.³ This data raises a number of questions for Enbridge to answer: (1) Is this data derived from pipeline testing or is it from normal operating pressures? (2) What is the explanation of data points in the 1000-1250 psig range? (3) While there are two separate 20-inch Enbridge pipelines at the Straits, the data appears to show only one line. Is there a second set of data for the other line? (4) What is the current actual maximum operating pressure in Line 5, given the 10% increase in flow that took place in the latter half of 2013? (5) Is Enbridge regularly informing the State about its MOP?

¹ Richard Girdard, Polaris Institute, *Out on the Tar Sands Mainline: Mapping Enbridge's Web of Pipelines* at 53, available at <http://www.tarsandswatch.org/files/Updated%20Enbridge%20Profile.pdf>.

² *Hearing before the Subcomm. on Railroads, Pipelines, and Hazardous Materials of the House Comm. on Transportation and Infrastructure*, 111th Cong. (July 15, 2010) (testimony of Richard Adams, Vice President of Enbridge Energy Company, Inc.), available at <http://www.gpo.gov/fdsys/pkg/CHRG-111hhrg57487/html/CHRG-111hhrg57487.htm> (last visited Feb. 10, 2014).

³ In the attached Exhibit 3, there is a description of the use of Line 5, changes in the pressure, and use of the line based on evolving energy markets in the United States and Canada. Critical to the easement and public disclosure requirements are the characteristics of the product being transported, which would significantly change the nature of a pipeline breach and the resulting natural resource catastrophe that would occur. A review of Enbridge's website listing products carried in Line 5 reveals some 32 different petroleum products, including synthetic crudes, flowing through Line 5 under the Straits.

<http://www.enbridge.com/~media/www/Site%20Documents/Delivering%20Energy/Shippers/Table%20%20FINAL.pdf>

Enbridge must publicly answer these and other critical questions about Line 5 under the Straits. It appears that they have significantly increased the risk of pipeline failure and impairment of public uses of the waters of the Great Lakes and other state natural resources, which are “held in trust” by the language of the easement and Act 10. Enbridge should be required to immediately disclose all of its pipeline pressure data and information so that the State can make an informed decision about whether Enbridge is in compliance with the easement, Act 10, and public trust law.

b. Failure to Fully Disclose Records of Oil and All Other Substances Being Transported in Line 5 Pipeline

The 1953 easement includes Section I, which gives the State explicit power to review Enbridge’s records.⁴ It reads:

Grantee shall permit the [State] to inspect at reasonable times and places its records of oil or any other substance being transported and shall, on request, submit to [the State] inspection reports covering the automatic shut-off and check valves and metering stations used in connection with the Straits of Mackinac crossing.

It is clear that the DEQ, the AG, and you as Governor have the legal authority and duty to require that Enbridge disclose and make open and available all information and documentation pertaining to any oil or other substance transported through Line 5 under the Straits of Mackinac. We applaud your decision to request that information in the joint letter and the formation of a task force. Enbridge’s failure to provide this information and data in the past and failure to respond with the requested information would be a clear violation of Section I of the easement. We urge you to enforce the easement and make all information that you find and receive public. If any information is withheld we ask you to enforce the easement as well as the public trust duties that require such information and authorization under the GLSLA as described in Section 2 of this letter.

c. Failure to Observe Maximum Span of Unsupported Pipeline Requirements and Incomplete Data about Minimum Curvature Requirements

Section A(10) of the easement provides that: “The maximum span or length of pipe unsupported shall not exceed 75 feet.” Based on DEQ FOIA documents, it appears that prior to 2001, sections of Line 5 under the Straits did not have the required support structures demanded by the express terms of the easement. For example, in 2001 Enbridge, in what it characterized as an “emergency,” applied for a joint DEQ and U.S. Army Corps of Engineers permit under the GLSLA⁵ and the River and Harbors Act “to provide support underneath our pipelines in sections where the pipeline *shows spans*

⁴ As part of the easement’s negotiations, Lakehead Pipe Line Company (“Lakehead”) (later renamed Enbridge in 2001) agreed to the State’s comprehensive set of requirements and conditions, plans, and specifications that were made expressly part of the requirements of the 1953 easement: “14. It is agreed that the final easement for the crossing of the Straits will include, among other covenants, clauses requiring: e. The records of oil being transported across the Straits of Mackinac to be open and available at reasonable times and places to authorized representatives of the Department.” Department of Conservation Archives, Conservation Commission, Feb. 13, 1953, Memorandum to Director, Feb. 10, 1953, Section I, 1953 easement.

⁵ Great Lakes Submerged Lands Act, MCL 324.32501 et seq. See Section 2 of this letter.

unsupported over too great a distance” (see Exhibit 4). Since 2001, the company has continued to apply for joint inspection and maintenance permits under the GLSLA to install more structures on the bottomlands of the Straits (see Exhibit 5), but has not completed the process.⁶ Moreover, Enbridge has a pending permit request for more support structures in 2014.⁷

However, there is a more basic question involving Enbridge’s obligation to apply for full authorization from the State under the GLSLA for occupancy and use of public trust bottomlands and waters of the Great Lakes. To date, Enbridge has tried to circumvent the need to obtain such authorization under the GLSLA and public trust by characterizing these new support structures and its expanded use of Line 5 as mere “maintenance.”⁸ The 1953 easement does not satisfy the GLSLA, and these new structures and expanded use require a complete application for Line 5, with public notice, hearings, full and careful review, and due findings and determinations regarding impacts and alternatives in compliance with the statute and public trust law. Enbridge has not obtained the proper authorization or permission from the State to place its anchoring support structures that occupy and use the public trust bottomlands and waters of the Great Lakes.

Finally, Section A(4) of the easement specifies pipeline curvature limitations: “The minimum curvature of any section shall be no less than two thousand and fifty (2050) feet radius.” Given the topography of the bottomland of the Straits, we are concerned that Enbridge has not met this requirement, and that modifications to the line over the intervening years may have violated this provision. We ask that Enbridge be required to provide actual and current data showing that no section of Line 5 at or under the Straits violates this requirement.

d. Lack of Adequate Liability Insurance to Cover the Indemnity Provision

The \$1 billion cost associated with the breach of Line 6B along the Kalamazoo River raises serious questions regarding the sufficiency of the protection offered by the 1953 easement. At a minimum, insurance coverage should include the potential costs and losses, including damages to natural resources and their public uses. Indeed, Section J(1) requires the Grantee Enbridge (formerly Lakehead) to “maintain ... during the life of the easement... a Comprehensive Bodily Injury and Property Damage Liability policy, bond, or surety, *in form and substance acceptable to the Grantor* in the sum of *at least* One Million Dollars (\$1,000,000).”⁹

⁶ In 2010 after receiving a permit from the DEQ under the GLSLA for additional anchoring structures to support the pipeline, Enbridge notified DEQ that “we do not have the future structure locations determined at this point,” “nor the scope of the projects to come...” Email from Enbridge Jacob Jorgenson to Scott Rasmussen (DEQ) and Gina Nathan (ACE), Nov. 18, 2010.

⁷ MEC staff spoke with DEQ’s Kristi Wilson listed on Enbridge’s permit notice # 14-49-0017-P who explained that Enbridge is adding additional anchoring structures, about 30-40 along the center section of the pipeline. This is phase 2 of Enbridge’s project. Several years ago, Enbridge completed the northern section, and plans to complete the southern section of the pipeline in the future. A draft public notice will be posted in early July 2014, and DEQ will gather comments on environmental impacts during a 20-day public comment period. <http://www.deq.state.mi.us/ciwpi/ciwpi.asp> (DEQ website then type in Enbridge and Permit # 14-49-0017-P).

⁸ Email J. Arevalo, DNRE (now DEQ) to K. Benson, DNRE, Sept. 7, 2010.

⁹ (Emphasis added.) Insurance contracts must be reviewed continuously to ensure that there are no exclusions or exceptions to coverage of the policy and the financial assurances required by the terms of the 1953 easement.

We believe that a \$1 million policy is wholly unacceptable to the State. It does not come close to covering the “liability herein imposed” under the easement, which means “all damage and losses” to people and the water, resources, and public trust of the State. The State should immediately require sufficient coverage.¹⁰

In sum, any failure by Enbridge to make its records and information open and available puts Enbridge out of compliance with the easement provisions imposed by state approval under Act 10. This demands a swift remedy to enforce the easement and protect the Straits and the public trust as described below.

2. Lack of Accountability and Compliance with the Requirements of the Public Trust in the Waters and Bottomlands of the Great Lakes

As Governor of Michigan, you are the State’s primary trustee of the waters, bottomlands, and related natural resources of the Great Lakes, representing some 20 percent of the world’s fresh surface water. These Great Lakes and their connecting and tributary waters are held in perpetual solemn public trust for the citizens of Michigan, who are the trust’s legal beneficiaries.

The public trust duty is continuing and perpetual.¹¹ Enbridge may claim the 1953 easement grants it exclusive rights that are not subject to the exercise of the State’s public trust title and authority. However, the easement recognizes Enbridge’s use and operations are subject to Act 10’s reservation that the State’s bottomlands are “held in trust.” Moreover, the water is held by the State in public trust, and the State cannot subordinate its title or control to protect the public trust in favor of a private concern.¹² Enbridge cannot claim its easement is “grandfathered,” and the State is not estopped in any manner to exercise its authority and comply with its duties to protect the public trust, including Part 325, Great Lakes Submerged Lands Act,¹³ and demand for information and compliance with the standards imposed by public trust law.¹⁴ This public trust duty requires complete transparency, disclosure, and accountability on the part of any person or entity that uses or occupies these public trust bottomlands and waters.

In the last year, Enbridge has increased the pumping pressure and transport of crude oil products (synthetic “light crude”) derived from tar sands and/or the Bakken in this aging 61-year-old pipeline. The State’s public trust duties, along with Enbridge’s obligations, demand strict accountability for the nature, volume, and pressure of all liquids and substances transported through Line 5. A release or spill from Line 5 would result in unconscionable devastation and impairment to the public use of these waters. The State cannot allow the status quo in the use of Line 5 on public trust bottomlands or

¹⁰ Documents held by the Department of Natural Resources’ (“DNR”) Real Estate Division reveal that the Grantee, Lakehead (now Enbridge), was in breach of the easement’s indemnity provision between at least August 1970 and October 1970. According to Lakehead, the indemnity breach had occurred because the rider attached to the Company’s one million dollar insurance policy deleted coverage for damage caused by oil pollution. The documents reveal that the State knew of this breach and temporarily allowed the insurance gap because it reasoned that Lakehead was a solvent company with assets of U.S. \$192 million (see Exhibit 6).

¹¹ *People ex rel Director of Conservation v Broedell*, 365 Mich 201, 205 (1961).

¹² *Illinois Central R Rd v Illinois*, 146 US 387 (1892).

¹³ MCL 324.32501 et seq. (“GLSLA”).

¹⁴ *People v Broedell*, *supra* note 11.

overlying waters unless Enbridge can demonstrate – as required by the easement, the GLSLA, and public trust law – that this five-mile submerged pipeline will not likely harm public trust waters, the ecosystem, fishing, commerce, navigation, recreation, drinking water and other uses that depend on these waters.

As trustee and the “sworn guardians”¹⁵ of these waters, lands and uses, you, the Attorney General, DEQ, and DNR have broad authority to demand that Enbridge conform to the duties and standards and correct or address any violations or potential violations of public trust law. Accordingly, we urge you as trustee to exercise this unfettered authority under the GLSLA and public trust law in the Great Lakes to demand such transparency, disclosure, accountability, and compliance wherever required.

Next Steps

Enbridge’s recent changes in transporting synthetic crude products and significantly increasing pumping pressure in Line 5 under the Straits demand that the Company immediately take the following actions required by the easement, Act 10, and/or state public trust law:

1. Submit the information the AG and DEQ requested in their April 29 letter and make such information available to the public;
2. Disclose in detail all oil and other liquids or substances that have been, are, or will be transported through Line 5 pipelines under the Straits;
3. File an application for conveyance authorization from the DEQ under the GLSLA and public trust law, coupled with a comprehensive analysis of likely impacts on water, ecosystem, and public uses in the event of a release, and demonstrate that Line 5 will conform with the State’s perpetual public trust duties and standards for occupying and using the waters and bottomlands of the Straits and Lake Michigan-Huron; and
4. Achieve full compliance with all express terms and conditions of the easement.

Conclusion

Line 5 is a Michigan and a Great Lakes public trust issue, not a partisan one. No one is above the public trust responsibilities and standards that apply to Lake Michigan-Huron. Because the stakes are so high, we urge you, as the State’s highest-level executive and trustee, to protect our public trust lands, waters, and uses by taking additional swift action on Line 5. It is the State’s duty to ask: Is Enbridge’s transport of any kind of oil (particularly synthetic crude products in any amount) or other liquid or gas in Line 5, with the associated risk of catastrophic spills, consistent with the State’s obligation and requirements for anyone to occupy and use the waters and bottomlands of the Straits and Great Lakes under the GLSLA and public trust?

The time to act is now, given the age of the pipeline and Enbridge’s recent efforts to increase Line 5’s capacity and a change in product to heavier synthetic crude. Public trust authority under constitutional, statutory, and common law require Enbridge to disclose all relevant information on Line 5, including what actual product(s) is being pumped through the Straits, and provide the much needed transparency and accountability to ensure our common waters are protected for current and future generations.

¹⁵ Obrecht v National Gypsum Co., 105 NW2d 143, 149 (Mich 1960).

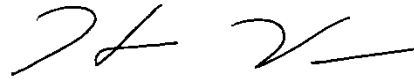
Failure on the part of Enbridge to fully comply is a grave breach of the easement, agreements, GLSLA and the duties imposed under public trust law applicable to the Straits and the Great Lakes.

Given your high and solemn duty as trustee and the gravity of this matter, representatives of the undersigned organizations would like to meet with you and your office to discuss this matter at your earliest convenience. We will contact your office within the next 5 days to set up a time that is suitable for you and your staff.

Sincerely



James Clift
Policy Director
Michigan Environmental Council (MEC)



Hans Voss
Executive Director
Michigan Land Use Institute (MLUI)



Liz Kirkwood
Executive Director
For Love of Water (FLOW)



Lisa Wozniak
Executive Director
League of Conservation Voters (LCV)



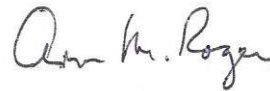
James Olson
President and Founder
For Love of Water (FLOW)



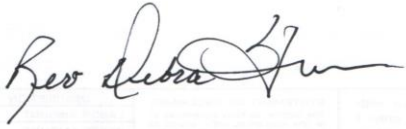
Cheryl Kallio
Associate Director
Freshwater Future



Howard Learner
Executive Director
Environmental Law & Policy Center (ELPC)



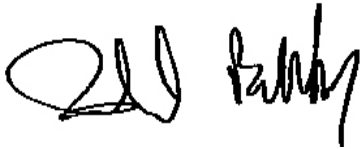
Ann Rogers
Northwest Michigan Environmental Action
Council (NMEAC)



Rev. Debra Hansen
Concerned Citizens of Cheboygan and Emmet
Counties



Karen Martin
Founder
Straits Area Concerned Citizens for Peace,
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Phil Bellfy
Project Director
Article32.org



Bill Latka /s/
TC350.org




Peggy Case
President
Michigan Citizens for Water Conservation
(MCVC)



Christine Crissman
Executive Director
The Watershed Center Grand Traverse Bay



Mindy Koch, President
Michigan Resource Stewards



Nicholas Occhipinti
Policy Director
West Michigan Environmental Action
Council (WMEAC)



Beth Wallace
Executive Director
SURF Great Lakes.org

Fred Kiogima, Chairman /s/
Little Traverse Bay Bands of Odawa Indians

Jim Bricker /s/
Straits Area Audubon Society

Exhibits to July 1, 2014 Letter to Honorable Snyder

Re: Lack of Transparency and Compliance Concerning Terms and Conditions of Enbridge's 1953 Line 5 Pipeline Easement & the State's Perpetual Public Trust Authority To Protect These Great Lakes Waters

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Exhibit 1: 1953 Easement

STRAITS OF MACKINAC PIPE LINE EASEMENT
CONSERVATION COMMISSION OF THE STATE OF MICHIGAN
TO
LAKEHEAD PIPE LINE COMPANY, INC.

THIS EASEMENT, executed this twenty-third day of April, A. D. 1953, by the State of Michigan by the Conservation Commission, by Wayland Osgood, Deputy Director, acting under and pursuant to a resolution adopted by the Conservation Commission at its meeting held on February 13, 1953, and by virtue of the authority conferred by Act No. 10, P. A. 1953, hereinafter referred to as Grantor, to Lakehead Pipe Line Company, Inc., a Delaware corporation, of 510 22nd Avenue East, Superior, Wisconsin, hereinafter referred to as Grantee,

W I T N E S S E T H:

WHEREAS, application has been made by Grantee for an easement authorizing it to construct, lay and maintain pipe lines over, through, under and upon certain lake bottom lands belonging to the State of Michigan, and under the jurisdiction of the Department of Conservation, located in the Straits of Mackinac, Michigan, for the purpose of transporting petroleum and other products; and

WHEREAS, the Conservation Commission is of the opinion that the proposed pipe line system will be of benefit to all of the people of the State of Michigan and in furtherance of the public welfare; and

WHEREAS, the Conservation Commission duly considered the application of Grantee and at its meeting held on the 13th day of February, A. D. 1953, approved the conveyance of an easement.

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NOW, THEREFORE, for and in consideration of the sum of Two Thousand Four Hundred Fifty Dollars (\$2,450.00), the receipt of which is hereby acknowledged, and for and in consideration of the undertakings of Grantee and subject to the terms and conditions set forth herein, Grantor hereby conveys and quit claims, without warranty express or implied, to Grantee an easement to construct, lay, maintain, use and operate two (2) pipe lines, one to be located within each of the two parcels of bottom lands hereinafter described, and each to consist of twenty inch (20") O D pipe, together with anchors and other necessary appurtenances and fixtures, for the purpose of transporting any material or substance which can be conveyed through a pipe line, over, through, under and upon the portion of the bottom lands of the Straits of Mackinac in the State of Michigan, together with the right to enter upon said bottom lands, described as follows:

All bottom lands of the Straits of Mackinac, in the State of Michigan, lying within an area of fifty (50) feet on each side of the following two center lines:

(1) Easterly Center Line: Beginning at a point on the northerly shore line of the Straits of Mackinac on a bearing of South twenty-four degrees, no minutes and thirty-six seconds East (S 24° 00' 36" E) and distant one thousand seven hundred and twelve and eight-tenths feet (1,712.8') from United States Lake Survey Triangulation Station "Green" (United States Lake Survey, Latitude 45° 50' 00", Longitude 84° 44' 58"), said point of beginning being the intersection of the center line of a twenty inch (20") pipe line and the said northerly shore line; thence, on a bearing of South fourteen degrees thirty-seven minutes and fourteen seconds West (S 14° 37' 14" W) a distance of nineteen thousand one hundred and forty-six and no tenths feet (19,146.0') to a point on the southerly shore line of the Straits of Mackinac which point is the intersection of the said center line of the twenty inch (20") pipe line and the said southerly shore line; and is distant seven hundred and seventy-four and seven tenths feet (774.7') and on a bearing of South thirty-six degrees, eighteen minutes and forty-five seconds West (S 36° 18' 45" W) from United States Lake Survey Triangulation Station "A. Mackinac West Base" (United States

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Lake Survey, Latitude 45° 47' 14", Longitude 84° 46' 22").

(2) Westerly Center Line: Beginning at a point on the northerly shore line of the Straits of Mackinac on a bearing of South forty-nine degrees, twenty-five minutes and forty-seven seconds East (S 49° 25' 47" E) and distant two thousand six hundred and thirty-four and nine tenths feet (2,634.9') from United States Triangulation Station "Green" (United States Lake Survey, Latitude 45° 50' 00", Longitude 84° 44' 58") said point of beginning being the intersection of the center line of a twenty inch (20") pipe line and the said northerly shore line; thence on a bearing of South fourteen degrees, thirty-seven minutes and fourteen seconds West (S 14° 37' 14" W), a distance of nineteen thousand four hundred and sixty-five and no tenths feet (19,465.0') to a point on the southerly shore line of the Straits of Mackinac which point is the intersection of the said center line of the twenty inch (20") pipe line and the said southerly shore line and is distant one thousand no hundred and thirty-six and four tenths feet (1,036.4') on a bearing of South sixty-three degrees, twenty minutes and fifty-four seconds East (S 63° 20' 54" E) from United States Lake Survey Triangulation Station "A. Mackinac West Base" (United States Lake Survey, Latitude 45° 47' 14", Longitude 84° 46' 22").

TO HAVE AND TO HOLD the said easement unto said Grantee, its successors and assigns, subject to the terms and conditions herein set forth, until terminated as hereinafter provided.

This easement is granted subject to the following terms and conditions:

A. Grantee in its exercise of rights under this easement, including its designing, constructing, testing, operating, maintaining, and, in the event of the termination of this easement, its abandoning of said pipe lines, shall follow the usual, necessary and proper procedures for the type of operation involved, and at all times shall exercise the due care of a reasonably prudent person for the safety and welfare

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of all persons and of all public and private property, shall comply with all laws of the State of Michigan and of the Federal Government, unless Grantee shall be contesting the same in good faith by appropriate proceedings, and, in addition, Grantee shall comply with the following minimum specifications, conditions and requirements, unless compliance therewith is waived or the specifications or conditions modified in writing by Grantor:

(1) All pipe line laid in water up to fifty (50) feet in depth shall be laid in a ditch with not less than fifteen (15) feet of cover. The cover shall taper off to zero (0) feet at an approximate depth of sixty-five (65) feet. Should it be discovered that the bottom material is hard rock, the ditch may be of lesser depth, but still deep enough to protect the pipe lines against ice and anchor damage.

(2) Minimum testing specifications of the twenty inch (20") OD pipe lines shall be not less than the following:

Shop Test-----1,700 pounds per square inch gauge
Assembly Test-----1,500 pounds per square inch gauge
Installation Test--1,200 pounds per square inch gauge
Operating Pressure- 600 pounds per square inch gauge

(3) All welded joints shall be tested by X-Ray.

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(4) The minimum curvature of any section of pipe shall be no less than two thousand and fifty (2,050) feet radius.

(5) Automatic gas-operated shut-off valves shall be installed and maintained on the north end of each line.

(6) Automatic check valves shall be installed and maintained on the south end of each line.

(7) The empty pipe shall have a negative buoyancy of thirty (30) or more pounds per linear foot.

(8) Cathodic protection shall be installed to prevent deterioration of pipe.

(9) All pipe shall be protected by asphalt primer coat, by inner wrap and outer wrap composed of glass fiber fabric material and one inch by four inch (1" x 4") slats, prior to installation.

(10) The maximum span or length of pipe unsupported shall not exceed seventy-five (75) feet.

(11) The pipe weight shall not be less than one hundred sixty (160) pounds per linear foot.

(12) The maximum carbon content of the steel, from which the pipe is manufactured, shall not be in excess of .247 per cent.

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(13) In locations where fill is used, the top of the fill shall be no less than fifty (50) feet wide.

(14) In respect to other specifications, the line shall be constructed in conformance with the detailed plans and specifications heretofore filed by Grantee with Lands Division, Department of Conservation of the State of Michigan.

B. Grantee shall give timely notice to the Grantor in writing:

(1) Of the time and place for the commencement of construction over, through, under or upon the bottom lands covered by this easement, said notice to be given at least five (5) days in advance thereof:

(2) Of compliance with any and all requirements of the United States Coast Guard for marking the location of said pipe lines;

(3) Of the filling of said pipe lines with oil or any other substance being transported commercially;

(4) Of any breaks or leaks discovered by Grantee in said pipe lines, said notice to be given by telephone promptly upon discovery and thereafter confirmed by registered mail;

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(5) Of the completion of any repairs of said pipe lines, and time of testing thereof, said notice to be given in sufficient time to permit Grantor's authorized representatives to be present at the inspection and testing of the pipe lines after said repairs; and

(6) Of any plan or intention of Grantee to abandon said pipe lines, said notice to be given at least sixty (60) days prior to commencement of abandonment operations.

C. The easement herein conveyed may be terminated by Grantor:

(1) If, after being notified in writing by Grantor of any specified breach of the terms and conditions of this easement, Grantee shall fail to correct said breach within ninety (90) days, or, having commenced remedial action within such ninety (90) day period, such later time as it is reasonably possible for the Grantee to correct said breach by appropriate action and the exercise of due diligence in the correction thereof;
or

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(2) If Grantee fails to start construction of the pipe lines authorized herein within two years from date of execution of this instrument; or

(3) If Grantee fails for any consecutive three-year period to make substantial use of said pipe lines commercially and also fails to maintain said pipe lines during said period in such condition as to be available to commercial use within thirty (30) days.

D. Construction of the pipe lines contemplated by this instrument shall not be commenced until all necessary authorization and assent of the Corps of Engineers, United States Army, so far as concerns the public rights of navigation, shall have been obtained.

E. In the event of any relocation, replacement, major repair, or abandonment of either of the pipe lines authorized by this easement, Grantee shall obtain Grantor's written approval of procedures, methods and materials to be followed or used prior to commencement thereof.

F. The maximum operating pressure of either of said pipe lines shall not exceed six hundred (600) pounds per square inch gauge.

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If there is a break or leak or an apparent break or leak in either of said pipe lines, or if Grantor notifies Grantee that it has good and sufficient evidence that there is or may be a break or leak therein, Grantee shall immediately and completely shut down the pipe line involved and said pipe line shall not be placed in operation until Grantee has conducted a shut-in two (2) hour pressure test of six hundred (600) pounds per square inch gauge showing that no substance is escaping from a break or leak in said pipe line.

G. If oil or other substance escapes from a break or leak in the said pipe lines, Grantee shall immediately take all usual, necessary and proper measures to eliminate any oil or other substance which may escape.

H. In the event the easement herein conveyed is terminated with respect to either or both of said pipe lines, or if any part or portion of a pipe line is abandoned, Grantee shall take all of the usual, necessary and proper abandonment procedures as required and approved by Grantor. Said abandonment operations shall be completed to the satisfaction of Grantor within one year after any abandonment of any part or portion of a pipe line; or in event of termination of this easement, within one year thereafter. After the expiration of one year following the termination of this easement, Grantee

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shall at the option of Grantor quit claim to the State of Michigan all of its right, title and interest in or to any pipe line, appurtenances or fixtures remaining over, through, under or upon the bottom lands covered by this easement. Abandonment procedures as used herein include all operations that may be reasonably necessary to protect life and property from subsequent injury.

I. Grantee shall permit Grantor to inspect at reasonable times and places its records of oil or any other substance being transported in said pipe lines and shall, on request, submit to Grantor inspection reports covering the automatic shut-off and check valves and metering stations used in connection with the Straits of Mackinac crossing.

J. (1) Grantee shall indemnify and hold harmless the State of Michigan from all damage or losses caused to property (including property belonging to or held in trust by the State of Michigan), or persons due to or arising out of the operations or actions of Grantee, its employees, servants and agents hereunder. Grantee shall place in effect prior to the construction of the pipe lines authorized by this easement and shall maintain in full force and effect during the life of this easement, and until Grantor has approved completion of abandonment operations, a Comprehensive Bodily Injury and Property Damage Liability policy, bond or surety, in form and substance acceptable to Grantor in the sum of at least One Million Dollars (\$1,000,000.00), covering the liability herein imposed upon Grantee.

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(2) Grantee, prior to commencing construction of the pipe lines authorized by this easement, shall provide the State of Michigan with a surety bond in the penal sum of One Hundred Thousand Dollars (\$100,000.00) in form and substance acceptable to Grantor, and surety or sureties approved by Grantor, to well, truly and faithfully perform the terms, conditions and requirements of this easement. Said bond shall be maintained in full force and effect during the life of this easement and until Grantor has approved completion of Grantee's abandonment operations. Said bond shall not be reduced in amount except with the written consent of Grantor.

K. Grantee shall within sixty (60) days thereafter notify Grantor in writing of any assignment of this easement.

L. The terms and conditions of this easement shall be binding upon and inure to the benefit of the respective successors and assigns of Grantor and Grantee.

M. All rights not specifically conveyed herein are reserved to the State of Michigan.

Exhibit 2

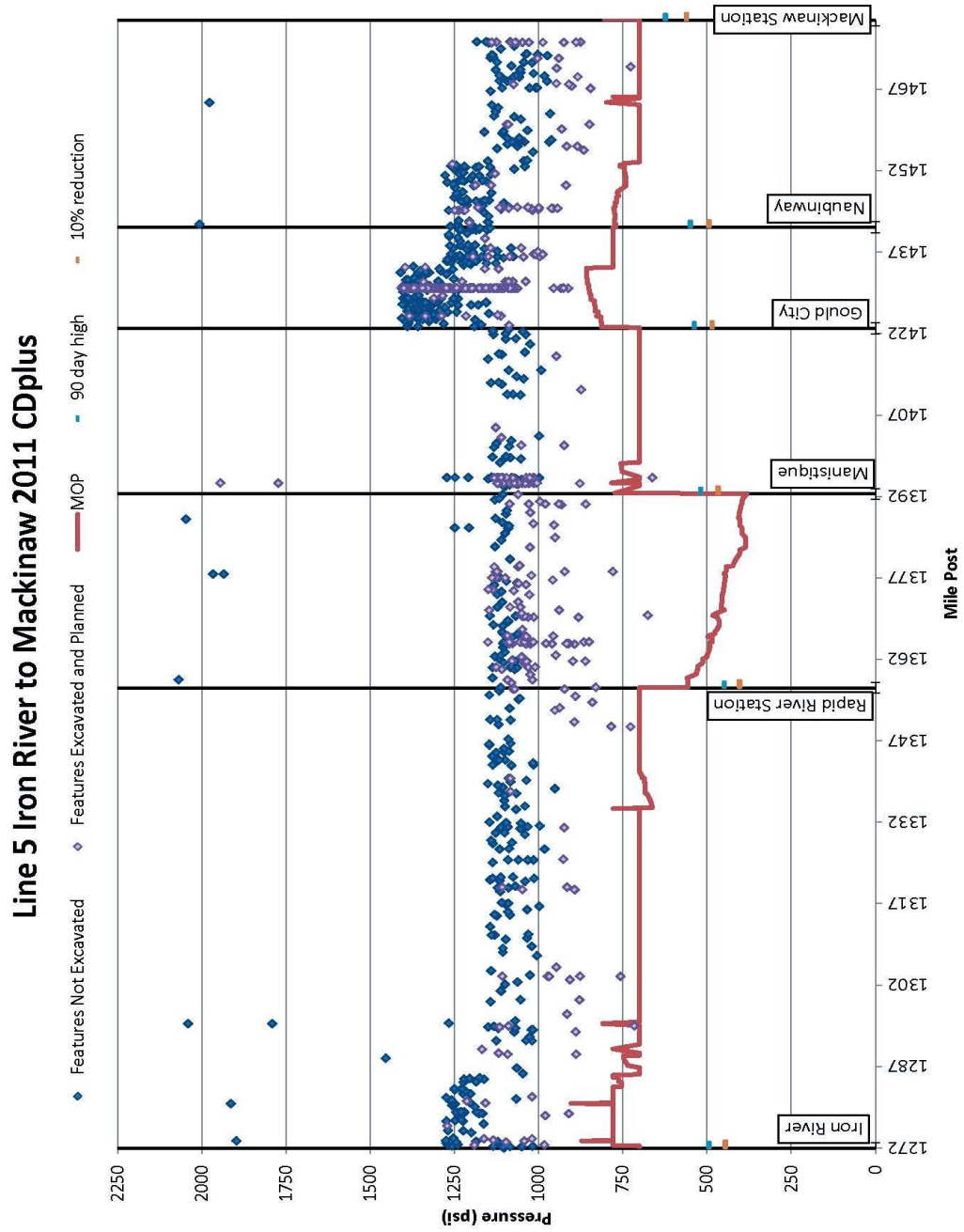


Exhibit 3: Background on Line 5 Pipeline Changes

By way of recent background, in 2012 Enbridge completed a \$100 million expansion with minimal public awareness. By upgrading pumping stations, Enbridge was able to increase the pressure along the 645-mile Line 5 pipeline in order to meet the increasing demand from light crude oil refineries in the upper Midwest and Ontario, Canada. Enbridge's expansion increased Line 5 pipeline product flow by 10 percent from 490,000 to 540,000 barrels per day, or 2.1 million gallons per day. In doing so, Enbridge increased Line 5's pipeline pressure by 20 percent, depending on the viscosity of the product being pumped and transported.

To date, representations by Enbridge indicate that Line 5 carries only light crude oil products from the Bakken oilfields in North Dakota. Enbridge officials have stated that they have no current plans to transport heavy crude or tar sands oil via Line 5. Nevertheless, Enbridge readily admits that it pumps "synthetic crude" through Line 5.¹⁶ Synthetic crude is an intermediate product, made from tar sands, that requires further refining before it becomes a useful product such as gasoline. The physical properties of synthetic crude are not clearly defined, making it possible for Enbridge to transport a crude material that is not truly tar sands, but still far more hazardous and harmful than normal light crude.

Enbridge's Line 5 changes to its pipeline and transported oil products present a high-risk scenario, increasing the magnitude of harm and likelihood of a catastrophic oil spill for Michigan and the Great Lakes. Line 5 presents a particularly heightened and unique risk because as the AG and DEQ explain in their letter: "Strong currents in the Straits could rapidly spread any oil leaked from the pipelines into both Lakes Huron and Michigan, causing grave environmental and economic harm." Moreover, "[e]fforts to contain and clean up leaks in this area would be extraordinarily difficult, especially if they occurred in winter or other severe weather conditions that commonly occur at the Straits." Synthetic or other oil derived from tar sands will make it even more difficult to contain and clean up.

¹⁶ A review of Enbridge's website listing products carried in Line 5 reveals some 32 different petroleum products, including synthetic crudes, flowing through Line 5 under the Straits.
<http://www.enbridge.com/~media/www/Site%20Documents/Delivering%20Energy/Shippers/Table%20%20FINAL.pdf>

Exhibit 4

Enbridge Energy Company, Inc.
Lake Superior Place
21 West Superior Street
Duluth, MN 55802-2067
www.enbridgepartners.com

Grant P. Henningsen
Supervisor, Civil/Mechanical Engineering
Adam J. Erickson
Engineer
Tel 218 725 0548
Fax 218 725 0564
adam.erickson@enbridge-us.com



September 14, 2001

Mr. John Arevalo
Michigan Department of Environmental Quality
Gaylord District
2100 West M-32
Gaylord, MI 49735

**Re: Enbridge Energy's Joint Permit Application for Repair Work to be Completed on
Crude Oil Transmission Pipelines Located in the Straits of Mackinac.**

Dear Mr. Arevalo:

As follow-up to our telephone conversation held yesterday regarding the above referenced project, enclosed is a Joint Permit Application for repair work to be conducted on Enbridge's (formerly Lakehead Pipeline) two 20-inch diameter pipelines. We have been in contact with the U.S. Army Corp of Engineers and they will be issuing a permit for this repair work today. They have assigned case number 880161211 to the project. **These emergency preventative maintenance repairs must be completed as soon as possible. We are scheduled to begin repair work on Sunday morning, September 16, 2001.**

We appreciate your work to expedite the approval process. If you have any questions or comments, please feel free to contact me at (218) 725-0548.

Sincerely,

A handwritten signature in red ink that reads 'Adam Erickson'.

Adam J. Erickson
Engineer

Enclosure: Joint Permit Application
Indications map

c: John Sobojski – LPL
Grant Henningsen – LPL
Barry Power – LPL

Exhibit 4 (cont'd)

AGENCY USE	US Army Corps of Engineers (USACE)	Michigan Department of Environmental Quality (MDEQ)	Land and Water Management Division, MDEQ File Number			AGENCY USE
	Previous USACE Permit or File Number		01-24-00468			
	USACE File Number		Marina Operating Permit Number			
			Fee received \$ 150.00 #833			

Received
 LWMD/DEQ
 SEP 17 2001
 GAYLORD

• Print in black, blue, or red ink and complete all items in Sections 1 through 9 and those items in Sections 10 through 21 that apply to your proposed project.

1 PROJECT LOCATION INFORMATION

• Refer to your property's legal description for the Township, Range, and Section information, and your property tax bill for your Property Tax Identification Number(s).

Address LAKE MICHIGAN BETWEEN UPPER & LOWER PENINSULA		Township Name(s) N/A	Township(s) 39N	Range(s) 3W	Section(s) N/A
City/Village N/A	County(ies) N/A	Property Tax Identification Number(s) N/A			
Name of Waterbody LAKE MICHIGAN	Project Name or Job Number SCN 8122	Subdivision/Plat N/A	Lot Number	Private Claim	

Project types (check all that apply):
☐ private ☐ public/government ☒ industrial
☐ building addition ☐ new building or structure ☐ building renovation or restoration
☐ other (explain) ☐ commercial ☐ multi-family
☐ river ☐ river restoration ☐ single-family
☐ a ditch or drain ☐ an inland lake (more than 5 acres)
☐ a floodway area ☐ a 100-year floodplain

The proposed project is on, within, or involves (check all that apply):
☐ a stream ☐ a pond (less than 5 acres) ☒ a Great Lake or Section 10 Waters ☐ a natural river
☐ a river ☐ a channel/canal ☐ a designated high risk erosion area ☐ a dam ☐ a structure removal
☐ a designated critical dune area ☐ a wetland ☐ a utility crossing
☐ a designated environmental area ☐ 500 feet of an existing waterbody

2 DESCRIBE PROPOSED PROJECT AND ASSOCIATED ACTIVITIES, AND THE CONSTRUCTION SEQUENCE AND METHODS

• Attach separate sheets, as needed, including necessary drawings, sketches, or plans. **PROJECT IS TO PROVIDE SUPPORT UNDERNEATH OUR PIPELINES IN SECTIONS WHERE THE PIPELINE SPANS UN-SUPPORTED OVER TOO GREAT A DISTANCE. GROUT BAGS WILL BE PLACED BENEATH THE UNSUPPORTED SECTIONS THEN FILLED WITH GROUT VIA A PUMPING RIG LOCATED ON A BARGE AT THE SURFACE. GROUT HOSES WILL BE CONNECTED BY DIVERS.**

3 APPLICANT, AGENT/CONTRACTOR, AND PROPERTY OWNER INFORMATION

• The applicant can be either the property owner or the person or company that proposes to undertake the activity.
 • If the applicant is a corporation, both the corporation and its owner must provide a written document authorizing the agent/contractor to act on their behalf.

Applicant (individual or corporate name) ENBRIDGE ENERGY LIMITED PARTNERSHIP		Agent/Contractor (firm name and contact person)	
Mailing Address 21 WEST SUPERIOR STREET		Address	
City DULUTH	State MN	City	State Zip Code
Daytime Telephone Number with Area Code (218) 725-0548		Daytime Telephone Number with Area Code	
Fax (218) 725-0564	E-mail ADAM.ERIKSSON@USPL.ENBRIDGE.COM	Fax	E-mail

Is the applicant the sole owner of all property on which this project is to be constructed and all property involved or impacted by this project? ☐ No ☒ Yes
 (If No, provide a letter signed by the property owner authorizing the agent/contractor to act on his or her behalf or a copy of easements or right-of-ways. If multiple owners, please attach all property owners' names, mailing addresses, and telephone numbers.)

Property Owner's Name (if different from applicant)	Mailing Address
Daytime Telephone Number with Area Code	City State Zip Code

4 PROPOSED PROJECT PURPOSE, INTENDED USE, AND ALTERNATIVES CONSIDERED (Attach additional sheets if necessary)

• The purpose must include any new development or expansion of an existing land use.
 • Include a description of alternatives considered to avoid or minimize resource impacts. Include factors such as, but not limited to, alternative construction technologies; alternative project layout and design; alternative locations; local land use regulations and infrastructure; and pertinent environmental and resource issues.
 • For utility crossings, include both alternative routes and alternative construction methods.

IN ORDER TO MAINTAIN PIPELINE INTEGRITY & SAFETY - THESE MAINTENANCE REPAIRS CAN WAIT NO LONGER. THIS METHOD OF REPAIR IS THE MOST ENVIRONMENTALLY FRIENDLY METHOD WHICH WE ARE AWARE OF.

Exhibit 4 (cont'd)

	US Army Corps of Engineers (USACE)	Michigan Department of Environmental Quality (MDEQ)
5 LOCATING YOUR PROJECT SITE		
<ul style="list-style-type: none"> Provide the requested information listed below that will help staff in locating your project site. Attach a copy of a map, such as a plat, county, or USGS topographic map, clearly showing the site location and include an arrow indicating the north direction. 		
Is there an access road to the project? <input type="checkbox"/> No <input type="checkbox"/> Yes (If Yes, type of road, check all that apply) <input type="checkbox"/> private <input type="checkbox"/> public <input type="checkbox"/> improved <input type="checkbox"/> unimproved		
Name of roads at closest main intersection and		
Directions from main intersection		
Style of house or other building on site <input type="checkbox"/> ranch <input type="checkbox"/> 2-story <input type="checkbox"/> cape cod <input type="checkbox"/> bi-level <input type="checkbox"/> cottage/cabin <input type="checkbox"/> pole barn <input type="checkbox"/> none <input type="checkbox"/> other (describe)		
Color Color of adjacent property house and/or buildings		
House number	Address is visible on <input type="checkbox"/> house <input type="checkbox"/> garage <input type="checkbox"/> mailbox <input type="checkbox"/> sign <input type="checkbox"/> other	
Street name	Fire lane number	Lot number
How can your site be identified if there is no visible address?		
Provide directions to the project site, with distances from the best and nearest visible landmark and waterbody		
Does project cross boundaries of two or more political jurisdictions? (City/Township, Township/Township, County/County, etc.) <input type="checkbox"/> No <input type="checkbox"/> Yes (If Yes, list jurisdiction names.) <u>UNKNOWN</u>		
6 List all other federal, interstate, state, or local agencies authorizations required for the proposed activity, including all approvals or denials received.		
Agency	Type approval	Identification number
<u>USACE</u>	<u>NATIONWIDE PERMIT</u>	<u>NW03</u>
Date applied	Date approved/denied	If denied, reason for denial
<u>9-12-01</u>	<u>9-14-01</u>	
7 If a permit is issued, date activity will commence (M/D/Y) <u>9-15-01</u> <u>P.E.</u>		
Proposed completion date (M/D/Y) <u>10-15-01</u>		
Has any construction activity commenced or been completed in a regulated area? <input checked="" type="checkbox"/> No <input type="checkbox"/> Yes		
If Yes, identify the portion(s) underway or completed on drawings or attach project specifications and give completion date(s) (M/D/Y)		
Were the regulated activities conducted under a MDEQ permit? <input type="checkbox"/> No <input type="checkbox"/> Yes		
If Yes, list the MDEQ permit number		
Are you aware of any unresolved violations of environmental law or litigation involving the property? <input checked="" type="checkbox"/> No <input type="checkbox"/> Yes (If Yes, please explain)		
8 PUBLIC NOTIFICATION (Attach additional sheets if necessary)		
<ul style="list-style-type: none"> Complete information for all adjacent and impacted property owners and the lake association or established lake board including the contact person's name. If you own the adjacent lot, provide the requested information for the first adjacent parcel beyond your property line. 		
Property Owner's Name	Mailing Address	City State Zip Code
<u>N/A</u>		
Name of <input type="checkbox"/> Established Lake Board <input type="checkbox"/> or Lake Association and the Contact Person's Name	Mailing Address	City State Zip Code
9 APPLICANT'S CERTIFICATION READ CAREFULLY BEFORE SIGNING		
I am applying for a permit(s) to authorize the activities described herein. I certify that I am familiar with the information contained in this application, that it is true and accurate, and, to the best of my knowledge, is in compliance with the State Coastal Zone Management Program and the National Flood Insurance Program. I understand that there are penalties for submitting false information and that any permit issued pursuant to this application may be revoked if information on this application is untrue. I certify that I have the authority to undertake the activities proposed in this application. By signing this application, I agree to allow representatives of the MDEQ and the USACE to enter upon said property in order to inspect the proposed activity site and the completed project. I understand that I must obtain all other necessary local, county, state, or federal permits and that the granting of other permits by local, county, state, or federal agencies does not release me from the requirements of obtaining the permit requested herein before commencing the activity. I understand that the payment of the application fee does not guarantee the issuance of a permit.		
<ul style="list-style-type: none"> All applicants must complete all the items in Sections 1 through 9 on pages 1 and 2 of this application. Complete those items in Sections 10 through 21 that apply to your project. It is necessary to submit only those pages where you have provided information. Please list here the application page numbers being submitted and a brief description of other attachments included with your application. 		
<input type="checkbox"/> Property Owner <input type="checkbox"/> Agent/Contractor <input checked="" type="checkbox"/> Corporation – Title <u>Environmental Partnership</u> Printed Name <u>Adam Erickson</u> Signature <u>Adam Erickson</u> Date <u>9/14/01</u>		

Exhibit 5

RECEIVED

AUG 26 2010

DNRE/WRD
PERMIT CONSOLIDATION UNIT

PERMIT APPLICATION

MDNRE / ACE JOINT PERMIT APPLICATION

Straits of Mackinac 2010 Underwater Inspection and Maintenance

August 26, 2010

Exhibit 5 (cont'd)

**MDNRE and USACE - Joint Permit Application
Enbridge Pipelines (Lakehead), L.L.C.
Straits of Mackinac Maintenance and Inspection Project, Line 5
Mackinac and Emmet Counties, Michigan**

Project Description

2 – Describe proposed project and associated activities, and the construction sequence and methods.

The purpose of the project will be to perform visual inspection of the existing 20-inch pipelines installed beneath the Straits of Mackinac and install support structures in more than 10 locations along the pipeline. The most of the location of the existing pipelines is shown on the attached site location Figures 1,2,3, & 4 in attachment "FIGURES AND CONSTRUCTION TYPICALS". The work will involve the installation of a helical anchoring system with saddle mounted about the pipeline in each proposed location to increase support; the anchors will be augered directly into the lake bed. The proposed locations for installation of the anchoring structures are provided on the attached map. During the underwater inspection additional location requiring maintenance may be identified. Installation of support structures in these locations would occur during this project. Schematics showing the auguring apparatus and method as well as equipment utilized for installation are included with the attachments.

Work will be conducted from barges and a certified diving contractor will be employed to oversee the installation. Work is scheduled to begin September 17, 2010 and is expected to take 10 days at the minimum with very good weather conditions and up to 30 days with poor weather conditions.

4 – Proposed project purpose, intended use, and alternative considered.

In order to maintain pipeline integrity, installation of additional supports to minimize the distance between presently unsupported pipeline spans is necessary. The proposed locations for installation of the anchoring structures are provided on the attached map. Schematics showing the auguring apparatus and method as well as equipment utilized for installation are included with the attachments. The support method is anticipated to incur minimal or no environmental impact. This project is considered pipeline maintenance and is not associated with a new utility installation.

The proposed work is necessary to provide better overall pipeline integrity and safety. Do nothing or the no-build alternative presents a future risk to the pipeline. The no build is not a viable option.

RECEIVED

AUG 26 2010

**DNRE/WRD
PERMIT CONSOLIDATION UNIT**

Exhibit 5 (cont'd)

Page 1 of 2

Rasmusson, Scott (DNRE)

From: Jacob Jorgensen [Jacob.Jorgensen@enbridge.com]
Sent: Thursday, November 18, 2010 1:18 PM
To: Scott Rasmusson (DNRE; Gina Nathan (ACE
Cc: Arevalo, John (DNRE); Alina Heydt (Barr; Patsy Bolk; David Hoffman; Jason Pavone
Subject: MDNRE File #10-24-0035-P - Enbridge, Straits of Mackinac

Mr. Rasmusson and Ms. Nathan,

Please find the following information for your file on MDNRE File #10-24-0035-P. Seven screw anchor support assembly installations were completed at the following locations:

West Pipeline Leg

W-18A - Completed at 3:40 PM ON 9-26-10
W-34B - Completed at 3:00 PM ON 9-27-10
W-70 - Completed at 6:40 PM ON 9-29-10
W-58A - Completed at 6:30 PM ON 9-30-10

East Pipeline Leg

E-13C - Completed at 3:35 PM on 10-4-10
E-13B - Completed at 4:11 PM on 10-5-10
E-74B - Completed at 12:15 PM on 10-6-10

We will not be completing the project completion postcard at this time as our preventative work may not be completed. The real-time ROV inspection in September did not indicate that there were immediate support conditions needing attention that were outside of our original fall 2010 preventative maintenance scope. We will be reviewing the data from the 2010 fall inspection to develop and schedule our future preventative maintenance programs. We do not have the future support locations determined at this point, nor the actual scope of the projects to come at this time, but we will be working towards them in the coming months.

Please let me know if you have any questions or concerns.

Thank you,

Jacob Jorgensen, EIT
Enbridge Energy
Superior Region Engineer
Office: (715) 394-1551
Cell: (218) 248-0808
Fax: (832) 325 5602

Enbridge 24-Hour Emergency Response Number 1-800-858-5253

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11/22/2010

Exhibit 6

65
Memorandum to the files

Re: Meeting on August 10, 1970, to discuss insurance provisions in
easement granted to Lakehead Pipe Line Co., Inc. in 1953, for
two twenty inch pipe lines across the Straits of Mackinac (L-2316)

Lakehead, a U. S. Subsidiary of Interprovincial Pipe Line Co., Inc. of Canada,
was represented by J. Blight, Secretary-Treasurer and R. B. Burgess, General Counsel.
They were accompanied by their insurance representative and manager of Michigan
operations. The D.N.R. was represented by A. Gene Gazlay, Assistant Director;
Gaylord A. Walker, Deputy Director; Jerome Maslowski, Assistant Attorney General;
J. D. Stephansky, Chief, Lands Division; H. A. Young, In Charge, Oil Pollution
Control, Bureau of Water Management; and R. G. Wood, Tax Land and Services Supervisor,
Lands Division. Also present was Bill Palmer, Executive Secretary, Oil and Gas
Association, who acted as intermediary for Lakehead in arranging for the meeting.

Mr. Blight called attention to covenant J (1) of the easement in which
Grantee agrees to indemnify and hold harmless the State of Michigan from all
damages and losses caused to property or persons due to or arising out of the
operations or actions of Grantee and further provides that Grantee shall maintain
a Comprehensive Bodily Injury and Property Damage Liability policy, bond or
surety, in form and substance acceptable to Grantor in the sum of at least
one million dollars covering the liability imposed upon Grantee.

Mr. Blight advised that a rider had been added to their one million dollar
insurance policy deleting coverage for damage caused by oil pollution. Although
this constitutes a violation of the aforementioned easement terms, it may not be as
serious as it appears because Lakehead currently has assets of one hundred ninety
two million dollars and acknowledges its liability for any and all damages,
including pollution from any break in its line, without limitation and the only
change is that the first million is not covered by insurance as to pollution
damages.

Exhibit 6 (cont'd)

- 2 -

66
Mr. Blight advised, and this was confirmed by the insurance representative, that damage caused by oil pollution is now excluded from all policies written for oil operations whether drilling, producing or transporting, and that Lloyds of London are studying the situation but as of now they also exclude damages by pollution.

An alternative would be to purchase a one million dollar surety bond, but this is considered money down the drain as the Surety would be called upon to perform only if the Principal were unable to meet its financial obligations.

Safety factors to prevent pollution were discussed and it was stated that any drop in pressure would cause the valves on each side of the Straits to close within ten seconds. If the rupture were at depth the outside pressure would cause water to enter the pipe rather than oil to escape. If the rupture were near either shore where the water pressure would not exceed the pressure in the pipe there would be a loss of oil but the operations manager said this would not likely exceed one hundred barrels as the valves would close quickly, cutting off the pressure.

We were advised that all joints have been re-sealed using improved methods and that only two major breaks have occurred in the overland line in the 17 years of operations. One of them was caused by a construction accident by another company and both breaks were quickly repaired without serious damage or loss of oil. The excellence of their operation was confirmed by H. A. Young and he doesn't hand out many bouquets.

The underwater lines across the Straits were completely inspected in 1963 at a cost of \$140,000.00 and found to be in A-1 condition.

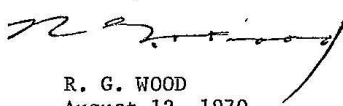
They were last pressure tested with water in 1967. Additional tests will be made fairly soon, but the Company is confident the pipe has not deteriorated and is as good as new.

67

Exhibit 6 (cont'd)

- 3 -

Mr. Blight agreed to cover the subject in a letter with the understanding that if the Department were to concur that the Company can handle this liability without a surety bond the Director would so recommend to the Commission as this would require a modification of the easement.


R. G. WOOD
August 12, 1970

cc: A. Gene Gazlay
Gaylord A. Walker
Jerome Maslowski
J. D. Stephansky
H. A. Young
Gerald E. Eddy