

*Washington, D.C. 20520*VIA EMAIL

David H. Coburn
Steptoe & Johnson, LLP
1330 Connecticut Avenue, NW
Washington DC 20036

April 24, 2014

Dear Mr. Coburn,

We are writing to address two questions you have raised on behalf of your clients at Enbridge Energy, LP (“Enbridge”) related to the pending replacement of the border segment of Enbridge’s Line 3 crude oil pipeline, as well as Enbridge’s further plans to replace the rest of Line 3. We thank for your letters of February 5 and March 17 and also appreciate the helpful and informative presentation you and your clients made at the meeting on January 30, and in your teleconference updates on February 26 and March 10. It is important that we understand Enbridge’s plans in order to answer the questions you have raised, and so we have carefully considered the information you provided.

We understand that Enbridge is seeking confirmation from the Department of State with regard to two points: first that the replacement of the segment of the Line 3 pipeline from the border to the mainline valve at approximately mile 16 would be considered by the Department to be consistent with the authorizations in the existing 1991 Presidential Permit for the line; and, second, that the 34-inch pipe diameter descriptor in the Permit only applies to that same 16-mile segment. In these particular circumstances, as described further below, we can offer both assurances.

First, we find the replacement of the border segment of Line 3 to be consistent with the authorization in the existing Presidential Permit in part because Line 3 is an old pipeline, and you have stated that it can no longer sustain the operations (e.g., volume and pressure) that it was originally designed and authorized to handle. You have stated further that it has reached a condition where industry practice suggests that replacement of the pipe is the better option to maintain its safety and commercial value, rather than continued attempts at repairs. (And indeed, as your February 5 letter states, Article 9 of the Line 3 Presidential Permit mandates Enbridge to maintain the pipeline “in a condition of good repair for [its] safe operation”.) You have also indicated that your deactivation

and maintenance of the old pipe will be conducted in accordance with U.S. Department of Transportation Pipeline and Hazardous Material Safety Administration (PHMSA) regulations.

Further, you have stated that the new border segment will be built within the existing right-of-way that the Line 3 border segment currently inhabits, and that the new segment will be fully consistent with all the terms of the existing Presidential Permit, including that it will be built with 34-inch diameter pipe, and that it will carry crude oil and other liquid hydro-carbons. Your March 17 letter confirmed that even after a full replacement of Line 3, the line's barrels-per-day volume will be in the same range (roughly 760,000 bpd) as the volume that Line 3 transported in 1991 when the existing Presidential Permit was issued. You also stated that Line 3 currently is equipped to carry the full range of products allowed by the Permit, including heavy crude oil. Based upon these representations, the Department accepts that the replacement of the border segment of Line 3 is authorized by the existing 1991 Presidential Permit.

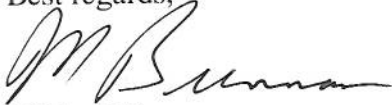
Second, when evaluating whether the pipeline facilities are consistent with the terms of the existing Permit, the Department of State would focus only on the pipe used from the Canadian border to the first mainline valve in the United States, which is located in Pembina County, North Dakota, approximately 16 miles from the border. The Permit provides authorization "to operate and maintain a pipeline on the borders of the United States in Pembina County, North Dakota" and to "connect this pipeline with like facilities in Canada." The only geographic reference in the definition of the U.S. facilities also is to Pembina County. Therefore, for these purposes, we are comfortable interpreting the Permit description of the covered U.S. facilities as applying to the segment of the pipe extending from the border to the valve at mile 16.

The Department also notes that Article 4 of the existing Permit for Line 3 states that "Permittee shall comply with all applicable Federal and State laws and regulations regarding the construction, operation, and maintenance of the United States facilities." Therefore we were pleased to note, as indicated in your February 5 letter, that Enbridge intends to work with the U.S. Army Corps of Engineers, PMHSA, the International Boundary Commission, and other appropriate state and federal agencies to address environmental and cultural resource issues that may arise during the Line 3 replacement. We encourage you to continue close cooperation with all such relevant agencies.

The interpretations provided above apply only to the particular circumstances of Line 3 discussed here, and reflect our current understanding based on the information provided by Enbridge. Should any of the provided information prove to be materially incorrect or incomplete, we would need to revisit our conclusions. Further, the analysis in this letter

should not be extrapolated to other circumstances (on Line 3 or another line) without confirmation that the Department concurs.

Best regards,

A handwritten signature in black ink, appearing to read "MB Brennan", written in a cursive style.

Michael Brennan