



GRETCHEN WHITMER  
GOVERNOR

STATE OF MICHIGAN  
DEPARTMENT OF NATURAL RESOURCES  
LANSING



DANIEL EICHINGER  
DIRECTOR

July 17, 2020

**VIA EMAIL**

Mr. Vernon Yu  
Executive Vice President and President, Liquids Pipelines  
Enbridge Inc.  
200, Fifth Avenue Place  
425 — 1st Street SW  
Calgary, Alberta  
Canada T2P 3L8

Re: Financial Assurance for the Line 5 Dual Pipelines in the Straits of Mackinac

Dear Mr. Yu:

The 1953 Easement allowing placement of the Line 5 Dual Pipelines on the bottomlands of the Straits of Mackinac requires Enbridge Energy Company, Inc. (corporate successor to Lakehead Pipe Line Company), to indemnify and hold harmless the State of Michigan from all damages and losses caused to property or persons due to operation of the Pipelines, and to provide insurance, bond or surety liability coverage. Enbridge Energy Company, Inc. is a subsidiary of Enbridge, Inc., the Canadian parent company.

In the report entitled *An Analysis of The Enbridge Financial Assurances Offered to the State of Michigan On Matters Related To The Operation of the Enbridge Line 5 Pipeline At the Straits of Mackinac* (October 29, 2019), American Risk Management Resources Network (ARMRN) concluded that Enbridge, Inc. is not subject to the indemnity language under the 1953 Easement. To address this deficiency, we are requesting that Enbridge, Inc., the Canadian parent company, enter into a written agreement with the State of Michigan to provide sufficient Financial Assurance to cover a catastrophic release from the Dual Pipelines. As recommended in the ARMRN Report, the key elements of such an agreement are as follows:

1. Enbridge, Inc. agrees to assume the indemnity obligations of Enbridge Energy Company, Inc. (successor to Lakehead Pipe Line Company) as set forth in paragraph J of the 1953 Easement: *“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 Lakehead, its employees, servants and agents hereunder.”*
2. Enbridge, Inc. agrees to a minimum of \$900,000,000 in liability insurance, which includes:
  - a. ISO Comprehensive General Liability (CGL) Insurance with coverage for sudden and accidental pollution liability;

- b. a minimum of \$300,000,000 of recoverable insurance limits including coverage for sudden and accidental pollution releases arising from Line 5 at the Straits; and
  - c. within that \$300,000,000, at least \$25,000,000 in Environmental Impairment Liability (EIL) coverage for Line 5 at the Straits.
3. Enbridge, Inc. names the State of Michigan as an additional insured on the above identified policies so that the Michigan's right of recovery is not derivative.
- a. Enbridge, Inc. agrees to provide Michigan with at least 60 days' Notice of Cancellation or Non-Renewal on the CGL and EIL policies; and
  - b. Enbridge, Inc. commits to annually providing a Certificate of Insurance in the form as recommended in the ARMRN Report.
4. Enbridge, Inc. will directly pledge its own assets for the remainder of the Financial Assurance requirements previously agreed to by Enbridge Energy Company, Inc. (to meet or exceed \$1.878 billion, annually adjusted for inflation).

Upon considering our request, please confirm by July 24, 2020 whether Enbridge, Inc. is willing to enter into an agreement with the State of Michigan on Financial Assurance for the Line 5 Dual Pipelines in the Straits of Mackinac. In the meantime, if you have any questions regarding this correspondence, please contact Steve Chester at 517-483-4933. Thank you for your prompt attention to these matters.

Sincerely,



Daniel Eichinger, Director  
Michigan Department of Natural Resources

cc: Mr. Peter Holran, Director  
U.S. Government Affairs, Enbridge  
Mr. Steve Chester