

STATE OF ILLINOIS
ILLINOIS COMMERCE COMMISSION

Enbridge Energy Partners, L.P. and	:	
Enbridge Energy, Limited Partnership	:	
	:	06-0470
Application pursuant to Section 8-503,	:	
8-509, and 15-401 of the Public Utilities Act	:	
for a Certificate in Good Standing as a common	:	
carrier by pipeline and authorization to construct	:	
petroleum pipeline facilities and to exercise	:	
eminent domain.	:	

DRAFT ORDER
SUBMITTED BY APPLICANTS

By the Commission:

I. INTRODUCTION

On June 28, 2006, Enbridge Energy Partners, L.P. and Enbridge Energy, Limited Partnership ("Enbridge" or "Applicants") filed with the Illinois Commerce Commission ("Commission") an application for the issuance to them of a Certificate in Good Standing pursuant to Section 15-401 of the Public Utilities Act/The Common Carrier by Pipeline Law ("Act"), 220 ILCS 5/15-401(a). Applicants sought such certification only in the interest of efficiency in the event that a request to exercise the power of eminent domain became necessary to the construction of common-carrier-by-pipeline facilities needed to meet public need for crude petroleum essential to the supply of refined petroleum products in Illinois and other Midwestern states. Applicants expressly stated that it is their policy to acquire necessary interests in real estate through negotiated agreements with landowners. Pursuant to due notice, a hearing was held in this matter before a duly authorized Administrative Law Judge of the Commission at the offices of the Commission in Chicago, Illinois on August 31, 2006. Commission Staff ("Staff") appeared and participated in the hearing. Landowners Rosamond C. Hamm and Cleave Family Trust appeared by counsel and sought leave to intervene, which was granted at the hearing. Applicants appeared by counsel and proposed an agreed schedule for the submission of testimony and evidence in support of the application, the submission of Staff and intervener testimony, and the submission of reply testimony. On September 21, 2006, pursuant to discussions at the hearing, Applicants filed the "First Amendment to Application For A Certificate In Good Standing" which, in the interests of economy and efficiency of proceedings before the Commission, requested authorization under Section 8-503 of the Act to construct the pipeline facilities described in the Application and authorization under Section 8-509 of the Act, when necessary for the construction of said pipeline facilities, to enter upon, take, or damage private property in the manner provided by the law of eminent domain.

Subsequently, appearances and/or petitions for leave to intervene were submitted by the United States Department of Energy, landowners Gary and Jean Dau, the City of Ottawa, Illinois, and landowner Cole Taylor Bank Trust No. 4146, and the schedule for submitting testimony was modified by agreement of the parties. On December 21, 2006, Applicants submitted pre-filed testimony in support of the application, as amended, by Dale W. Burgess, P. Eng., of Enbridge Pipelines Inc., Director Southern Access Expansion Program; Douglas B. Aller of Enbridge Energy Company, Inc., Senior Land & Right-Of-Way Specialist, Southern Access Expansion Program/Southern Lights Project; Charles J. Cicchetti, Ph.D., of Pacific Economics Group, L.L.C.; Neil K. Earnest of Muse, Stancil & Co.; Jerry L. Rhoades of BP North America Products, Inc., Manager, East of Rockies Refining Supply; Wyatt E. Jernigan of Coffeyville Resources LLC, Vice President-Crude Oil Acquisition; and Clifford C. Cook of Marathon Petroleum Company LLC, Sr. Vice President, Supply Distribution and Planning. On February 13, 2007, pre-filed testimony was submitted by Mark Maple, a Gas Engineer in the Engineering Department of the Energy Division of the Commission on behalf of the Staff. No other testimony was submitted. On February 21, 2007, an evidentiary hearing was held before Administrative Law Judge Terrance A. Hilliard at the Commission's office in Chicago. Applicants were represented by counsel and Messrs. Burgess and Aller; the Staff appeared by counsel and Mr. Maple; and counsel for the Cleave-Hamm landowners appeared and participated. At the hearing, the pre-filed testimony submitted by Applicants was admitted into evidence without objection as were Enbridge's responses (marked as Enbridge Exhibit 8) to the Staff's data requests; in addition, the pre-filed testimony of Staff witness Mark Maple was admitted without objection. At the end of the February 21, 2007 evidentiary hearing, the record was marked "Heard and Taken." The parties waived the filing of briefs and Applicants submitted a Draft Order to which Staff indicated it had no objection. A Proposed Order was issued on March _____, 2007. No exceptions to the Proposed Order were filed.

Enbridge Energy Partners, L.P. ("Enbridge Partners") is a Delaware master limited partnership headquartered in Houston, Texas with its principal office located at 1100 Louisiana, Suite 3300, Houston, Texas 77002. It is publicly held and the Class A Common Units of Enbridge Partners trade on the New York Stock Exchange (NYSE:EEP) as regularly traded instruments and are available to the investing public through regular retail brokerage services. Enbridge Partner's total capitalization is in excess of \$4.2 billion; net income-per-unit as of March 31, 2006 was \$1.12 on operating revenues of \$1.888 billion. Enbridge Partners provides common-carrier-by-pipeline service for the transportation of energy in the Mid-continent and Gulf Coast regions of the United States, in addition to gas and crude pipeline gathering, processing, and trucking of natural gas liquids. Enbridge Partners operates over 5,000 miles of liquids pipeline facilities in sixteen different states.

Enbridge Partners owns Enbridge Energy, Limited Partnership ("Enbridge Energy"), which in turn owns the "Lakehead System," *i.e.*, the U.S. portion of an operationally integrated pipeline system spanning 3,100 miles across North America to connect producers and shippers of crude petroleum and other liquids in western Canada with markets in the United States and eastern Canada. Together with its Canadian affiliate (discussed below), the Lakehead System carries crude petroleum and natural gas liquids to refinery centers in the Midwestern

United States and eastern Canada and delivers to market approximately sixty-five percent (65%) of the crude oil and natural gas liquids produced in western Canada. Lakehead's facilities include nearly 3,300 miles of mostly underground pipe ranging from twelve (12) to forty-eight (48) inches in diameter and approximately 14 million barrels of storage capacity for crude oil at three terminals located at Clearbrook, Minnesota; Superior, Wisconsin; and Griffith, Indiana. The Lakehead System spans approximately 1,900 miles from the international border near Neche, North Dakota to the international border near Marysville, Michigan with an extension from facilities in Canada across the Niagara River into the Buffalo, New York area. From Marysville, affiliated pipelines continue into the Canadian Provinces of Ontario and Quebec. Enbridge Partners and Enbridge Energy are authorized to conduct business in the State of Illinois. Regional offices for the Lakehead System are maintained in Superior, Wisconsin and Griffith, Indiana and comprehensively equipped and trained pipeline-maintenance and emergency-response crews are stationed along the Lakehead System's lines. Major pipeline-maintenance crews serving the Illinois segments of Lakehead's pipelines are located in Ft. Atkinson, Wisconsin and Griffith, Indiana. In addition, trained pump-station technicians are based at various pump stations along the pipeline system. Within Illinois, the Lakehead System includes approximately 116 miles of thirty-four inch (34") outside diameter steel pipe running from the Illinois-Wisconsin border to the Illinois-Indiana border at Griffith, Indiana (Line 6A) and approximately 120 miles of twenty-four inch (24") outside diameter steel pipe running from the Illinois-Wisconsin border to Mokena, Illinois and on to Griffith, Indiana (Line 14/64). The Lakehead System is strictly an interstate common carrier pipeline system that charges tolls to shippers of crude petroleum and other petroleum liquids. All tariff rates, applicable surcharges, and terms of shipment for transportation of liquid petroleum on the Lakehead System are established and governed by tariffs filed with and regulated by the Federal Energy Regulatory Commission (FERC). As an interstate liquid pipeline, the construction, operation, and maintenance of the Lakehead System's pipeline facilities are exclusively regulated by the United States Department of Transportation (DOT), Pipeline and Hazardous Materials Safety Administration (PHMSA) pursuant to various federal laws and regulations.

Enbridge Energy's Lakehead System is operationally integrated with the Canadian pipeline systems of an affiliate, Enbridge Pipelines, Inc. ("Enbridge Pipelines"), which is a wholly-owned subsidiary of Enbridge Inc. The integrated Enbridge Pipelines and Lakehead systems together comprise the world's longest crude petroleum and petroleum liquids pipeline system and are the primary means of transportation of crude petroleum from Canada to the United States as well as the only pipeline transit system that transports crude oil from western Canada to eastern Canada. These combined facilities serve all the major refining centers in the Canadian Province of Ontario as well as numerous American refineries. The Canadian facilities of Enbridge Pipelines extend from Edmonton, Alberta across the Canadian prairies to the international border near Neche, North Dakota, where they connect with Enbridge Energy's Lakehead System, and from the border near Sarnia, Ontario to Toronto, Ontario and Montreal, Quebec, with lateral lines to Nanticoke, Ontario and Niagara Falls, Ontario, at which point they connect with Enbridge Energy's Lakehead System extending into the Buffalo, New York area. Together with Enbridge Pipeline's mainlines and the Lakehead System's lines, these lines

constitute the major North American infrastructure by which hydrocarbons produced in Canada transit the United States and ultimately re-enter Canada.

In response to market needs and demands in Illinois and elsewhere, Enbridge Inc.,¹ Enbridge Partners, and Enbridge Energy jointly committed themselves in December 2005 to a billion-dollar plus, two stage expansion of their mainline system's crude facilities in order to provide 400,000 barrels per day (bpd) of additional transport capacity into the Midwestern market area, including Illinois. This effort is known as the "Southern Access Expansion Program" and is designed inter alia to provide access for Illinois consumers to a dependable, secure, adequate, and economic supply of crude petroleum from Canadian sources, including the rich and economically available potential of the Alberta oil sands.² As part of its expansion efforts, Enbridge plans to construct two new liquids pipelines in Illinois within Boone, DeKalb, LaSalle, Livingston, Grundy, and Will Counties. Over the majority of the route in Illinois, the two pipelines will be collocated within the same right-of-way, as more specifically described below. One pipeline will originate at Enbridge Energy's storage terminal in Superior, Wisconsin and will expand the Lakehead System to carry crude oil through Wisconsin to a point southwest of Chicago at an existing Enbridge petroleum-storage facility (the Flanagan tank farm) near Pontiac, Illinois. This pipeline, which will be a 42-inch (outside diameter) line, is to be located in Boone, DeKalb, LaSalle and Livingston Counties. The second pipeline, which will complement the Southern Access expansion, will transport light liquid hydrocarbons, referred to as "diluent," from Illinois-area refineries and other sources through new and existing pipelines in the United States and several Canadian provinces for delivery in northern Alberta where the liquid hydrocarbons will be used to facilitate the transportation of crude oil from Alberta's oil sands. Enbridge refers to this pipeline as the "Southern Lights Project." This pipeline, which will be twenty inches in outside diameter, will originate near Manhattan in Will County and will cross part of Grundy County before joining the right-of-way of the new 42-inch crude line near Ransom, Illinois in LaSalle County and continuing north through Illinois, Wisconsin, Minnesota, and North Dakota and the Canadian prairie to Alberta, Canada.

Enbridge and its affiliates have proposed the Southern Access Expansion Program in response to demand by petroleum producers and users for supplies to meet public need. They are developing the program in cooperation with the Canadian Association of Petroleum Producers (CAPP), which represents shippers such as BP, ConocoPhillips, Imperial Oil (ExxonMobil), and Marathon Petroleum, among others. Petroleum Administration Defense

¹ Enbridge Inc. is a leading company in the transportation of energy in North America and internationally. In 2005, it had total capitalization of \$10.2 billion and revenues of \$7.3 billion. Enbridge Inc. is headquartered in Calgary, Alberta, Canada. It indirectly owns Enbridge Energy Company, Inc., a U.S. entity that holds Enbridge Inc.'s interest in Applicant Enbridge Partners.

² The Athabasca oil sands region in Alberta, together with other such Canadian deposits, are estimated by the U.S. Energy Information Administration to contain reserves of 174.1 billion barrels, second only to those of Saudi Arabia. Advances in recovery technology and increasing crude prices have made the oil sands economically attractive to develop. Oil sands production now exceeds 950,000 bpd and is predicted to grow ten percent (10%) annually, reaching as much as 3.5 million bpd by 2015. It is estimated that heavy crude will account for 2.5 million bpd of this output, thus necessitating use of diluting agents to facilitate transport.

District II ("PADD II") (an administrative area delineated by the Federal government that encompasses the Midwest) refiners such as BP, Marathon, Valero, and Coffeyville Resources have also indicated support for the program. Given estimated capital costs of \$190 million (2006 dollars) for enhancements on facilities between Edmonton and Superior; of \$1.08 billion (2006 dollars) for the 42-inch pipeline planned for Southern Access; and of \$920 million (2006 dollars) for the Southern Lights Project, Enbridge is committing well over \$2.0 billion to assure that Illinois and other Midwestern states have adequate supplies of petroleum and petroleum products.

Of the 454 miles of new pipeline required for Southern Access, approximately 111 miles of the 133 miles of pipe needed in the Delavan, Wisconsin to Pontiac, Illinois stage of the project will run from the Illinois-Wisconsin border in Boone County to Enbridge's tankage facility in Livingston County. These 111± miles of pipe are expected to be completed in the first quarter of 2009 and will connect at the Flanagan facility to Enbridge's Spearhead line in order to transport crude in two directions -- northeasterly from Flanagan towards the Chicago area via a re-reversed section of the Spearhead line and southwesterly from Flanagan through the Spearhead System to Cushing, Oklahoma and via interconnecting pipelines to other regions. The Southern Access line will be located within sixty (60)-foot wide permanent right-of-way easements running from the Illinois-Wisconsin border in Boone County past Belvidere on the east and into DeKalb County continuing west of DeKalb/Sycamore into LaSalle County east of Leland to run between Ottawa and Marseille and west of Ransom into Livingston County near Blackstone and connecting at the Flanagan site. During construction, an additional ninety (90) feet of easement space will be required alongside the right-of-way as temporary workspace easements that will terminate upon completion of construction/restoration (additional workspace may be required at some locations, such as river and road undercrossings). The diluent line -- Southern Lights -- will originate near Manhattan in Will County and will intersect with the Southern Access right-of-way at a point near Ransom in LaSalle County's Allen Township. For the approximately forty-four (44) miles of Southern Lights pipeline required in Will, Grundy, and LaSalle Counties, the Manhattan-Ransom route will largely proceed parallel and adjacent to an existing pipeline right-of-way belonging to BP (BP Illinois Line No. 1) between these locations. This initiating leg of the diluent line right-of-way easement will be 60 feet in width (25 feet of temporary workspace will be required; additional workspace may be required at some locations, such as river and road undercrossings). At least two pumping stations, space for which will be acquired in fee, will be constructed in Illinois to serve the diluent line; one such station will be located at the line's origin near Manhattan and one at the Southern Access/Southern Lights intersection near Ransom. From that intersection point, the Southern Lights line will be collocated in Illinois in the Southern Access right-of-way through LaSalle, DeKalb, and Boone Counties for about 90 miles± and will continue therein through Wisconsin, ultimately extending through existing Enbridge rights-of-way to Alberta.

II. RELIEF REQUESTED

Section 15-401(b) of the Act states:

The Commission, after a hearing, shall grant an application for a certificate authorizing operations as a common carrier by pipeline, in whole or in part, to the extent that it finds that the application was properly filed; a public need for the service exists; the applicant is fit, willing, and able to provide the service in compliance with this Act, Commission regulations, and orders; and the public convenience and necessity requires issuance of the certificate. (220 ILCS 5/15-401(b)).

Section 8-503 of the Act states, in part:

Whenever the Commission, after a hearing, shall find that additions, extensions, repairs or improvements to, or changes in, the existing plant, equipment, apparatus, facilities or other physical property of any public utility or of any 2 or more public utilities are necessary and ought reasonably to be made or that a new structure or structures is or are necessary and should be erected, to promote the security or convenience of its employees or the public, or in any other way to secure adequate service or facilities, the Commissions shall make and serve an order authorizing or directing that such additions, extensions, repairs, improvements or changes be made, or such structure or structures be erected at the location... 220 ILCS 5/8-503.

Section 8-509 of the Act states, in part:

When necessary for the construction of any alterations, additions, extensions or improvements ordered or authorized under Section 8-503 or 12-218 of this Act, any public utility may enter upon, take or damage private property in the manner provided for by the law of eminent domain. 220 ILCS 5/8-509.

A. Applicants' Position

The Applicants' submitted testimony and evidence establishing the following:

1. Public Need/Public Convenience And Necessity

The petroleum-using public in Illinois consumes over 27,000,000 gallons per day of refined petroleum products, including over 14,000,000 gallons per day of gasoline (about 5.1

billion gallons of gasoline per year). Most of this demand is met by the output of five major modern refineries located either in Illinois or northern Indiana, although some refined petroleum products are transferred into Illinois from refineries located primarily in the Gulf Coast Region. Illinois-area refineries also send refined petroleum products into other parts of the market area known as PADD II, primarily to Wisconsin and Michigan via refined products pipelines and other modes of transportation. Demand for petroleum products as an energy source and for other purposes is growing and will continue to grow in Illinois and throughout the PADD II area as population grows and economic activity expands, despite energy conservation and efficiency measures. Such demand is relatively price inelastic and has not to date been materially constrained by price increases such as those occurring recently in the retail gasoline market. Satisfying this demand requires the importation into Illinois and the rest of PADD II of immense amounts of crude petroleum because Illinois has no substantial native sources of crude oil, producing less than three percent (3%) of the daily crude supply requirements of the area refineries.

Historically, a major portion of the crude petroleum required to satisfy the public demand for refined products has been sourced from oil production areas in various western Canadian provinces and has been transported to Illinois and other Midwestern states through common carrier pipelines such as the Enbridge Energy's Lakehead System. Canadian-produced crude petroleum, particularly so-called heavy crude, has been increasingly demanded by Illinois-area refiners in the last few decades because discounted heavy-crude was economically attractive; domestic on-shore sources of supply were declining in output; and imports arriving into the U.S. Gulf from Middle Eastern, African, South American, and other foreign sources were becoming, by comparison to the heavy-oil discounts, more expensive. Also, foreign crude oil supplies, especially in the Middle East, suffered growing instability and unreliability as supply sources. Recently, as the world market price of crude oil has risen due to increasing worldwide demand for petroleum, particularly in developing countries such as China and India and in post-communist Eastern Europe, U.S. preference for discounted Canadian crude has strengthened.

Since 2000, Illinois refineries have principally relied upon Canadian sources for their crude supplies, so much so that of some 831,000 barrels per day shipped to refineries in Illinois in 2004, 442,000 barrels per day came from Canada while just 84,000 barrels were sourced from crude oil imported into the U.S. Gulf Coast from Middle East and North African fields and only an estimated 271,000 barrels per day came from domestic production (the balance was imported from various other sources). Illinois-area refineries prefer Canadian crude for a variety of reasons, including dependability of supply; efficient, timely, and economical transport; and lower input costs due to their ability to refine and process discount-priced heavy crude from Canada. For such reasons, U.S. imports of Canadian crude doubled in the period 1998-2003 and more than 1,000,000 barrels per day of Canadian crude are now imported into the PADD II region, approximately seventy percent (70%) of PADD II imports.

Adequate supplies of petroleum and refined petroleum products are essential to the citizens of Illinois and the economic health and well being of the State. Illinois is the sixth

(6th) largest user of gasoline among all the United States and the seventh (7th) largest consumer of energy generally. Illinois-area refiners and petrochemical manufacturers, as well as other industries that rely upon petroleum feedstocks, contribute billions of dollars of value to the state's economy and provide employment and support for thousands of workers in the petroleum and related industries. Transportation fuel -- gasoline, jet fuel, and diesel fuel -- produced in the area's refineries makes possible the diverse and dispersed economic life of the state by powering automobiles, trucks, airplanes, tractors, combines, buses, trains, and countless motors that dry crops, machine goods, provide light and heat, and move people and products into and out of the state and throughout its regions. In addition, petroleum products produced in Illinois are essential to consumers and industries in other Midwestern states such as Wisconsin and Michigan that lack the refining capacity of the Illinois region, thus constituting markets that make petroleum processing even more central to Illinois' economic status. Demand in Illinois for petroleum and petroleum products for such uses has grown continuously since the mid-1990s and is projected by all credible analysts to continue to grow for decades to come, despite development of alternative energy sources and mandates for hybrid and non-petroleum powered vehicles. Nationally, consumption of oil reached 20.7 million barrels per day in 2004 and is widely expected to continue to grow for decades to come, according to the Energy Information Administration (EIA), an agency of the U.S. Department of Energy. EIA's Annual Energy Outlook projects that U.S. oil consumption will increase by one-third, to some 27.6 million barrels per day, by 2030. Demand trends in Illinois suggest that consumption of petroleum will continue to grow by almost one percent annually for gasoline and over two percent each year for distillate (*i.e.*, fuel oils). This growing Illinois demand is consistent with both national and international trends in petroleum use and is driven by increases in population and economic activity (Illinois is forecast to have slightly lower population growth but greater economic growth than the nation as a whole through 2030). Consumer demand for petroleum products correlates directly to population size and level of economic activity and thus will only grow in Illinois in the coming decades. Moreover, such demand is virtually unaffected by retail product prices, *i.e.*, there is little short-term price elasticity in the refined petroleum market (both demand for gasoline and distillate show an inelastic relationship between price and quantity demanded). Thus in the future Illinois will require ever increasing quantities of refined petroleum products to meet the public's needs, and concomitant supplies of crude petroleum to produce the demanded products.

Illinois' demand for petroleum products is primarily met by the output of the five major refineries located in the market area. These refineries -- ExxonMobil in Joliet; BP in Whiting, Indiana; ConocoPhillips in Wood River; CITGO in Lemont; and Marathon in Robinson produce transportation fuels (gasoline, diesel, jet fuel), finished non-fuels such as asphalt, and chemical-industry feedstocks that supply consumers in Illinois and other Midwestern states. Together they can refine about eight percent (8%) of total U.S. production and make Illinois the fourth-ranking state in refining capacity in the country (the only other such concentrations of refining capacity are along the Louisiana/Texas Gulf Coast and in Southern California). They employ thousands of workers and contribute substantially to the state's gross product, as well as paying state and local taxes. Collectively, they have the capacity to produce over 1.3 million barrels per day of petroleum products and can thus produce a surplus to state requirements such

that they can transfer sizable quantities of transportation fuels and other products to neighboring states (in 2004, Illinois gasoline production exceeded state consumption by several hundred thousand barrels per day, jet fuel production exceeded consumption by almost 50,000 barrels per day, and distillate production was more than twice the state's consumption level). This production is essential to the economic well-being of the region. For example, product transfers from Illinois supply over 75% of Wisconsin's transportation-fuel demand. Economic activity in neighboring states thus fueled directly benefits the economy and people of Illinois as well as the refineries themselves.

These Illinois-area refineries are large-scale facilities -- even the smallest can process over 150,000 barrels per day of crude oil -- and are operationally "complex," that is they are equipped to refine a wide variety of types of crude petroleum, not just the increasingly scarce and high-priced "sweet" (low-sulfur) crude historically preferred. Over the years, all of these refineries have been upgraded to utilize some portion of price-discounted heavy crude, which is relatively less costly as input and is increasingly available. Thus in the 1990s BP improved the ability of its Toledo refinery to process heavy crude and is considering further such enhancements. BP recently announced its intention to expand substantially its heavy-crude processing capability, contingent on the availability of increased pipeline capacity, at the Whiting refinery, which serves Illinois. As well, Midwestern refineries are moving to increase the use of Canadian crude overall; e.g., Marathon in Detroit is planning to add 65,000 barrels per day of heavy crude capacity to increase its production of transportation fuels and the Sunoco refinery in Toledo is increasing its capacity by approximately one-third to increase its utilization of Canadian crude.

Because Illinois, as noted, lacks any significant native supply of petroleum, the Illinois-area refineries that fill the public's need for refined products are almost totally dependent -- 97% -- on crude transported into Illinois, virtually all by pipeline. There are only three significant sources of supply for Illinois-area refineries: (1) U.S. Gulf of Mexico-produced crude and waterborne foreign crude imported at the U.S. Gulf Coast; (2) crude produced in the American Mid-continent, primarily Oklahoma and West Texas; and (3) Canadian crude from the Western Canadian Sedimentary Basin. Of these three, only the Canadian-produced crude can be reliably regarded as an adequate source for the future needs of Illinois refiners and consumers, primarily because the Alberta oil sands are the most feasible, secure, growing, and economic means of meeting the increasing demand for oil and replacing declining supply sources. Worldwide the supply of petroleum from conventional, established sources is increasingly under stress for a variety of reasons, ranging from resource exhaustion to production disruption. At present, the world economy, with burgeoning demand for oil, has only enough excess supply production over aggregate demand to equal a reserve margin of slightly more than one percent (1%). Given past trends, it is projected that by 2015 there will be no margin of excess supply and quite possibly a supply deficit of three to four and one-half percent (3% - 4½%) of demand. Domestic American production, particularly in the Mid-continent and onshore U.S. Gulf states, has been declining and will continue to decline, as is evident from the increasing movement of Canadian crude into refining markets in the American South and West. Gulf-produced crude is not projected to be a source of continuously increasing supply, particularly due to restrictions on

drilling in the eastern U.S. Gulf area and the costs of deep sea exploration and production. Moreover, Gulf sources and supply systems are vulnerable to disruption from hurricanes, as most recently happened in 2005 during the hurricane season when hurricanes Katrina and Rita severely disrupted both crude production and transport, leading to supply shortages and price spikes in the Midwest and elsewhere.

Long-term reliance on Gulf-landed foreign crude appears to be an increasingly less economic and acceptable energy strategy. Increasing foreign imports of crude via the Gulf is problematic in view of growing worldwide demand and the resulting increase in dependence on politically unstable/unacceptable areas, contrary to U.S. energy policy. Not only has the trend in world production of petroleum been one of growing instability and volatility in production and supply, leading to steadily increasing prices and new price plateaus following each new oil “shock,” but the number and frequency of such crises have also increased over the last ten years and there is an increasing possibility of future “shocks” at increasing rates (witness the recent trend to oil prices that have at times exceeded \$70 per barrel). In addition to these elements, the aforementioned growth in worldwide demand for oil indicates that reliance on increased supplies of foreign crude landed in the Gulf is questionable and suggests moving to stable and growing Canadian sources. Current world-wide demand is about 80 million barrels per day, with the United States comprising a quarter, or about 20 million barrels per day, of that demand. The current *de minimis* margin -- 1%+ -- of supply over demand is the result of population and economic growth worldwide, largely from surging oil demands in India and China. Demand in China and India -- respectively the world’s second- and fourth-largest energy consumers, each of which is increasingly converting to a petroleum-based economy -- is projected to grow at a rate of five percent (5%) annually over the next twenty years, growth which when combined with that in other areas, such as Eastern Europe, is predicted to cause a fifty percent (50%) increase in daily worldwide consumption of oil by 2025, *i.e.*, from about 80 million barrels per day now to about 120 million barrels per day then. In such circumstances, supply uncertainty and expense can, and will, only increase.

By contrast, Canadian-produced crude affords Illinois refiners and consumers a supply source that is reliable, ample, secure, and economic. For such reasons, Canadian crude is increasingly in demand by Illinois-area and other U.S. refiners. Historically, Canadian crude has been sought by Midwest refiners because it offered them an ample supply and some cost advantage over other sources since Canadian producers lacked ready access to other world markets. As other U.S. onshore sources declined and/or became more expensive, crude prices have climbed and discounted heavy crude has become more attractive, thus causing greater reliance on Canadian crude. Thus American imports of Canadian crude doubled in the period 1988-2003, mostly of heavy crude. Currently, more than 1,000,000 barrels per day of Canadian crude is transported by pipeline into the PADD II area, including Illinois, and Illinois refiners as well as other Midwestern users are seeking even greater volumes.³

³ Additionally, hundreds of thousands of barrels per day move through the Lakehead System lines for delivery in Canada for use in meeting the needs of consumers therein. Thus these lines are “transit pipelines” and subject to

Canadian production has been steadily increasing to meet such demand and will continue to do so as output from the Alberta oil sands increases. The oil sands in Alberta, mainly centered in the Athabasca, Peace River, and Cold Lake regions, have recognized reserves, *i.e.*, those presently economic to recover and produce, of some 174.4 billion barrels, second only to those of Saudi Arabia, and potential reserves of 1.6 trillion barrels, making them more than adequate to supply the projected needs of Illinois for many decades to come. Recovery and processing techniques have been developed and implemented to produce petroleum -- *i.e.*, bitumen and synthetic crude -- from the oil sands at operating costs of \$10 to \$20 per barrel, making these outputs more than competitive in the world oil markets. So successful has the development of Alberta's oil sands been that their output in 2006 was expected to exceed western Canada's conventional production -- 1,216,000 bpd v. 1,032,000 bpd -- and was projected to grow by over ten percent (10%) annually.

Canadian crude oil, including that from the oil sands, thus offers Illinois consumers and refiners the needed supply source. Access for Illinois refiners to other sources of crude is sometimes constrained, subject to disruption, and unlikely to improve. Conversely, access to Canadian crude is now, and can be in the future, an increasingly secure means of satisfying public need and demand for petroleum and maintaining Illinois' place in the petroleum-products supply market. Interstate and international transmission pipelines, such as those operated by Enbridge Pipelines and Enbridge Energy, are the only practical means of meeting Illinois' need for petroleum, as well as the most safe and environmentally sound mode of transportation. No combination of railroad tank cars and/or tanker trucks could effectively and economically move the huge quantities of crude oil needed to keep Illinois functioning and river transport has never been a significant mode of moving oil to Midwestern refineries.

The petroleum-consuming public in Illinois, in the PADD II region, and in the United States and Canada generally will benefit greatly from an increase in the ability of Enbridge and its affiliates to deliver more Canadian crude to Illinois-area and other refiners. Given the increasingly tight level of the world's oil supply, the addition of the Alberta oil sands as a major source of North American supply can only be regarded as an important contribution to meeting the growing demand for petroleum in Illinois and elsewhere. Access to markets is, of course, essential to the development of any resource and Illinois, as well as the rest of PADD II, constitutes both the most natural and attractive market for western Canadian produced petroleum. The enhancement of access to the Illinois market, as represented by the Southern Access Expansion Program, will stimulate the bringing to world supply of ever-increasing quantities of Canadian crude from the oil sands. Correspondingly, petroleum consumers in Illinois will benefit if such newly available supply moves to area refiners that can use it to meet local demand rather than moving to non-PADD II markets, or even to overseas markets such as Japan, China, or Korea, where refined products will not be available to Illinois users. Moreover, should Illinois-area refiners not be able to obtain increased supplies from Canada via

treaty protections in force between Canada and the United States under various treaties and protocols, such as the Transit Pipeline Agreement, NAFTA, U.S.-Canada Free Trade Agreement, and the Security and Prosperity Partnership of North America.

Enbridge/Lakehead lines, they will be forced either to seek supply alternatives from more costly, less stable, less abundant, and less dependable sources or to forego continuing to meet increasing consumer demands for refined petroleum, leading to higher product prices and greater dependence on the importation of more refined products, which will require a greatly increased transportation infrastructure, *i.e.*, more and bigger products lines (to meet increasing Illinois demand, product lines such as Explorer, Centennial, TEPPCO, and Magellan would need to increase their Illinois facilities and delivery capacities).⁴ As the major Illinois-area refineries (and other Midwestern refineries) are both equipped to utilize, and are increasingly seeking to utilize, the heavy crude produced in Canada, it is highly advantageous to them to have access to greater quantities of such crude via the Enbridge and Lakehead pipelines. Refineries that can both obtain and process discount-priced heavy crude can enjoy lower supply costs and, in the case of Canadian crude, more dependable sourcing and expeditious delivery than otherwise available. Ultimately consumers benefit as enhanced supplies help restrain product prices, secure product availability, maintain Illinois' refining industry and its economic contributions to the state, and cushion the local market against supply disruptions and distortions caused by natural phenomena and world oil shocks.

Enbridge's expanded system and new pipelines will meet the public need for increased supplies of Canadian crude in a manner conducive to public convenience and necessity. Thus in selecting the Illinois routes for both the new crude line and the non-parallel portion of the diluent line, Enbridge has sought to identify pathways that as much as possible avoid developed and environmentally sensitive areas. Prior to selecting its routes, Enbridge extensively studied possible rights-of-way and considered various alternatives. Engineering, land, and environmental specialists were commissioned to analyze various route possibilities for such factors as wetlands, wildlife, and habitats for endangered species as well as for natural resource areas and water resources, such as river and stream crossings, and right-of-way specialists examined land-use patterns and existing infrastructure layouts. In this process, various alternative routes are identified and then subjected to more detailed analyses and field inspections. As a result, the route from the Illinois/Wisconsin border described above through Boone, DeKalb, LaSalle and Livingston Counties to the Flanagan tankage facility was identified as the most appropriate pathway for the new pipelines between the Wisconsin border and Livingston County. The route avoids federally defined high-consequence areas (49 CFR 195.452), susceptible public drinking water sources, environmentally sensitive areas, high-density population areas (*i.e.*, cities with populations greater than 1,000 people per square mile), and other incorporated areas. And, by following an existing pipeline right-of-way between Manhattan and Ransom, Enbridge has sited much of the Southern Lights line so as to minimize utilization of new routing. Consequently, the proposed routes from Wisconsin to Flanagan and from Manhattan to the Southern Access/Southern Lights junction represent feasible paths for the

⁴ In 2004, the PADD II region consumed about 4.8 million barrels per day of refined petroleum products. Refiners in the region, including those in Illinois, produced 3.7 million bpd, so the balance had to be transported into the region primarily by product lines. Since Illinois-based production exceeded state consumption, Illinois was/is not dependent on refined products lines but rather contributes to meeting regional needs.

pipelines and the most effective and convenient way to provide the needed transportation service and capacity.

There unquestionably is a substantial need and demand for the increased transport service and capacity represented by Enbridge's expansion project. Petroleum refineries in the PADD II area, including those serving Illinois, strongly support Enbridge's new pipelines and are seeking increased supplies of Canadian crude for use in existing and expanded operations. Without the increased transport capacity of Enbridge's Southern Access line, expansion plans for BP's Whiting refinery, which will give the refinery the capacity to produce up to 15 percent (15%) additional motor fuels for the consuming public, will be at risk and there will not be sufficient pipeline capacity to meet the future needs of Midwest refiners for Canadian crude. As Mr. Jernigan of Coffeyville Resources LLC testified, the existing available pipeline infrastructure does not allow Coffeyville to procure and transport sufficient volumes of attractively priced crude oil from Canada nor allow for the quality diversification needed for the refinery. Enbridge's pipeline expansion project will, however, allow the refiner access to competitively priced feedstock which will ultimately result in favorably priced finished (refined) petroleum products for the consumer. Adequate pipeline transport capacity is crucial to Midwestern refiners such as Coffeyville that have no economically viable alternatives to pipeline transportation of crude petroleum. Pipelines are the most efficient and cost-effective transportation method to move large volumes of refinery feedstocks; thus pipelines supply approximately 99 percent (99%) of crude demand at Marathon's PADD II refineries and crude demand at the Robinson, Illinois refinery is supplied exclusively by pipeline. Marathon's witness, Mr. Cook, testified that without the planned expansion of the Enbridge system for delivering Canadian crude, Marathon will not be able to fully optimize its crude slate (supply sources) and thus will face crude costs that will be higher than they would have to be. By virtue of the Southern Access expansion project, Marathon believes that its refinery operations will be more economic and that refining employment in Illinois and the Midwest will be more secure, thus benefiting energy supply to motorists and petroleum consumers of all kinds and Illinois' economy as well. Conversely, Mr. Cook pointed out that without assurance of adequate pipeline capacity to supply heavy Canadian crude, Marathon cannot make the billion-dollar investments necessary to provide such future benefits. As well, without the expanded Enbridge facilities, BP could be forced to reassess its \$3 billion expansion project at the Whiting refinery (a major supply source for Illinois consumers), which is planned to process heavy Canadian crude transported by Enbridge.

2. Applicants' Fitness, Willingness, and Ability To Provide Common Carrier By Pipeline Service

Enbridge Partners and Enbridge Energy and their predecessors have a long history of successfully operating common carrier pipelines in Canada, the United States, and in Illinois. This history began almost sixty years ago in Canada when Enbridge built the first pipeline out of Alberta. By 1950, it had brought the pipeline system to the head of the Great Lakes at Superior, Wisconsin, where crude was transferred by tanker ships to eastern Canada. In the mid-1950s, the "Lakehead System" was extended from Superior across Wisconsin and the Upper and Lower

Peninsulas of Michigan to reach Ontario at Sarnia, a distance of 643 miles, including four and one-half miles of pipeline laid under the Straits of Mackinac. Subsequently, lines were built to reach additional markets and deliver crude petroleum needed by their residents. Those included extensions into Canada as far as Montreal in the Province of Quebec (Line 9) and Lines 6A/6B and 14 into the Upper Midwest of the United States. Thus for decades the Enbridge/Lakehead System has operated thousands of miles of pipeline and delivered billions of barrels of liquid petroleum to American and Canadian consumers. In recent decades, various acquisitions and expansions have broadened and deepened Enbridge's operational, managerial, and technical qualifications and expanded the scope of its institutional and financial resources. Today Enbridge is one of North America's major independent pipeline systems, *i.e.*, not owned by/affiliated with an oil producing or refining company. It participates actively in the industry and with authorities responsible for regulating pipelines: Members of Enbridge's management serve in leadership positions in trade and technical standards associations and with numerous joint industry-government-public committees and initiatives. Enbridge is a leader in pipeline-control and leak-detection systems, developing and deploying advanced computerized control, monitoring, and detection equipment on all its lines. Enbridge employs a state-of-the-art SCADA (Supervisory Control and Data Acquisition) system which constantly monitors sensing devices placed along all Enbridge pipelines to track the pressure, temperature, density, and flow of liquid petroleum under transport and display the system's status to operators in the Operations Control Center in Edmonton, Alberta. Enbridge is also a leading entity in the construction and safe and environmentally sound operation of pipeline systems. Enbridge's lines are built and maintained in accordance with industry and governmental requirements and standards, and often in excess thereof. Thus the 42-inch line will be constructed using pipe with wall thickness ranging from 0.422 inch to 0.625 inch, depending on site criteria, and will be API 5L Grade X70 steel pipe manufactured by a qualified pipe fabricator. The diluent-line pipe will also be high-grade steel with wall thicknesses tailored to site conditions. As a safety factor, both pipelines are designed to withstand pressures over and above their normal operating pressures. All pipe is inspected and integrity-tested at the factory and transported per the highest technical standards. All of the pipe for both lines will be plant coated with fusion-bonded epoxy coating to protect against corrosion (coating in the controlled environment of a coating plant greatly enhances the efficacy of the process). In agricultural areas in Boone, DeKalb, LaSalle, and Livingston Counties, the pipes will be installed at a minimum depth of five feet below grade, except where greater depth may be required for particular conditions such as road and river crossings. In non-agricultural areas of Grundy and Will Counties, or where adjacent to existing pipelines, the diluent line will be installed per federal regulations, generally at a minimum depth of three feet below grade. Modern excavation, soil-separation, and de-compaction and restoration techniques will be employed to preserve soil productivity and profiles and all disturbed areas will be restored to pre-construction conditions and grades or otherwise mitigated. To assure minimal impacts on agricultural properties, Enbridge has entered into Agricultural Mitigation Agreements with the Illinois Department of Agriculture that provide comprehensive procedures to deal with productivity, erosion, access, and other issues of concern in agricultural areas. The construction and installation of Enbridge's new lines will also meet the environmental impact and protection standards of the numerous federal, state and local agencies that may have jurisdiction over

environmental factors along Enbridge's routes. These include inter alia the U.S. Environmental Protection Agency (USEPA), the U.S. Army Corps of Engineers (ACE), the Illinois Department of Natural Resources (DNR), and the Illinois Environmental Protection Agency (IEPA).

Enbridge expends many millions of dollars annually to maintain, protect, and upgrade its pipelines and other facilities. All of Enbridge's mainline liquids pipelines are coated to resist corrosion; internally inspected at regular intervals using advanced technology; and equipped with a cathodic-protection system to prevent external corrosion. The Lakehead System's rights-of-way are patrolled and inspected by air at least every three weeks but not less than twenty-six (26) times per year to watch for abnormal conditions or dangerous activities, e.g., unauthorized excavation, along the routes of the lines. Enbridge conducts extensive public education and outreach programs that meet or exceed industry (API Recommended Practice 1162) and federal (49 CFR 195.440) requirements concerning public awareness of pipelines and pipeline-safety matters. All Enbridge lines are marked with signage and warnings, per federal regulations, at road and highway crossings, field lines, navigable rivers, and other locations to alert the public to the presence of underground lines and to provide information, contact numbers, and emergency data. Enbridge maintains emergency response equipment and personnel at strategic points along its routes -- and will do so for the Southern Access and diluent lines -- and trains its personnel to deal with any pipeline emergency. An emergency response plan approved by PHMSA is in place and force and specialized response-services providers are under contract to supplement Enbridge's resources if necessary. Enbridge's commitment to the Southern Access Expansion Program is clear. The public need for more petroleum products and more crude supply has been carefully assessed and evaluated; the interests of petroleum shippers and refiners have been studied and considered and the support of both has been established through consultations with CAPP and refinery representatives in Illinois and the PADD II region; and the responsible U.S. agency (FERC) has accepted tariff arrangements designed to make the expansion a feasible part of the Enbridge/Lakehead system (114 FERC ¶ 61,264 (March 16, 2006)). The requisite capital, which exceeds \$2 billion, has been committed by Enbridge management and Enbridge and its affiliates are financially capable of constructing and operating the new lines, as is evident from the annual reports and financial statements for Enbridge Partners and Enbridge Inc. and Lakehead's 2005 FERC Form 6 that were submitted into evidence. The necessary steps are in progress to construct the new lines and place them in operation in order to deliver vitally important crude petroleum to Illinois and the Midwest. Thus efforts are underway to conduct detailed civil, environmental, and archeological surveys along the proposed rights-of-way; construction specifications are under development; pipe fabrication has been scheduled; upstream pumping improvements are beginning; and notice of the application was provided to the appropriate pipelines, railroads, telecommunications companies, county boards, municipal governments, and regulatory agencies. Applicants compiled and submitted pursuant to 83 Illinois Administrative Code § 200.150(h), lists of the owners of record of privately owned tracts of land upon or across which Applicants expect to construct the new Southern Access and Southern Lights pipelines, which lists were updated for the Commission's Staff as necessary.

3. Eminent Domain/Good-Faith

Enbridge has made extensive efforts to inform and communicate with landowners and the public about its pipeline projects and to negotiate in good-faith in accord with its policy of acquiring easements and other interests in land by negotiated purchases. Thus, in early 2006, after preliminarily identifying potential landowners along the collocated route (Illinois/Wisconsin border to the Flanagan tankage facility), Enbridge sent a letter with attachments to each landowner introducing itself and the project, advising that Enbridge would be contacting them for survey permission, and informing them of ways to contact it for information, ownership updates, and questions. The letter included a toll-free phone number and the project's website address and email address. Thereafter, Enbridge began calling on landowners by having agents personally visit the properties. Concurrently, Enbridge wrote to public officials along the route to identify itself and introduce the projects; it sent them copies of the materials sent to landowners as well. In follow-up phone calls, personal meetings with landowners, and contacts with local officials and agencies, Enbridge sought the input needed for the route refinement process previously discussed. Subsequently, it sent an updated letter to landowners, dated June 5, 2006, reporting on the status of the project, advising of contact plans and procedures, and again soliciting input. On August 30, 2006, Enbridge sent out a third informational letter and included therewith the Informational Packet required by the Commission's rules. This was sent, per the requirement, by certified mail, return receipt. As the route refinement process progressed, Enbridge sent copies of this letter and the packet to all newly identified landowners (new landowners might be identified, for example, because a route adjustment to accommodate some particular concern could cause a new property to come within the scope of the permanent or temporary easements or because of a change in ownership). Enbridge keeps records of all such landowner contacts and a review of these files indicates that Enbridge had, on average, as of late 2006, had about six (6) contacts with each identified landowner along the 42-inch line route -- in total, about 2,000 such contacts -- and over 300 such contacts along the Southern Lights route. In addition, the Company has held "open houses" at Farm Bureau offices in DeKalb and LaSalle Counties to provide information about its projects and answer questions. Enbridge has also worked diligently to be in a position to negotiate meaningfully with landowner for the right-of-way interests it needs. In Enbridge's view, the negotiation process involves more than just making monetary offers; it includes communicating with and working with landowners to understand their concerns and preferences as well as route conditions and issues. Applicants' goal was to develop right-of-way paths that efficiently achieved Enbridge's objectives and also minimized impacts on particular properties and the public interest. Enbridge put months of effort into this process. At the same time, Enbridge was studying property values all along the proposed route in order to be able to make reasonable, good-faith offers. To that end, it had an experienced, professional appraiser collect and analyze sales data for all the counties the routes traverse and consult with it on the range of values that exist in each area. Negotiating meaningfully for easement interest requires that the interest to be valued be established and known. For the basic rights-of-way, Enbridge is seeking only easement interests and thus the scope of the easement is important in valuation analyses and negotiations. Therefore, Enbridge developed a model easement agreement that defines the areas to be impressed with easement

rights and establishes the respective rights of the grantor -- the landowner -- and the grantee -- Enbridge. The proposed easement is designed to impose only a limited burden on the properties crossed by the right-of-way and to retain for the landowner the right to fully use and enjoy the property in any way that does not endanger the safe or effective operation of the pipeline. Enbridge drafted the document to ensure that it addresses the majority of concerns typically held by landowners but Enbridge has demonstrated willingness to negotiate specific situations with landowners and modify the agreement as necessary for unique attributes of particular properties.

Enbridge's process of working closely with landowners to define a route, being flexible on line placements, and dealing fairly with landowners demonstrates a commitment to a good-faith approach in negotiating with landowners. Its general approach involves working hard to establish the optimal route from both Enbridge's perspective and that of the landowners. That process is continuing as Enbridge performs the detailed civil and environmental surveys needed to actually construct the pipelines. Once Enbridge has a sufficient base of knowledge to know the preferred location -- subject to slight adjustment as new information is found through ongoing consultations -- for the right-of-way on each property the pipelines will cross and the amount of permanent and temporary easement areas that will be required, it prepares for each property a sketch or preliminary plat of the property identifying the easement location and details. Using such knowledge and the valuation data discussed above, Enbridge began acquisition negotiations with landowners in November of 2006. Given the unfinished state of the civil and environmental surveys (these must be scheduled and performed so as to accommodate land-use factors, such as harvesting of crops), Enbridge decided to solicit options for the easement areas. Thus, if for some reason, it becomes unnecessary to cross or use a particular piece of property, the option can lapse and neither party is unduly burdened -- the landowner will retain the option payment, which is 10% of the total purchase price. In order unquestionably to be fair to landowners, Enbridge's purchase offers are based on the estimated fee value of all acreage impressed with a permanent easement, even though Enbridge will actually acquire only an easement interest. In addition, for the temporary easement areas needed for construction workspace, Enbridge offers to pay 30% of the full fee value of the area affected (the workspace easements of course exist only during the actual construction of the pipelines and then revert to the landowner; accordingly, they are very limited interests). It is also Enbridge's policy to compensate each landowner fully for any nonrestorable, incidental damages, such as loss of marketable trees, caused by the construction process and for crop losses resulting from the installation of the pipelines. Moreover, for agricultural properties (which constitute virtually all of the collocated route), all the provisions and procedures of the Agricultural Impact Mitigation Agreements with the Illinois Department of Agriculture apply, as the standard easement provides.

There are over 700 separate parcels, or "tracts," of privately-held land along the routes of Enbridge's new pipelines that must be dealt with in the right-of-way acquisition process. Thus it is a substantial and time-consuming process and an important part of Enbridge's easement-acquisition process is the performance of detailed geographic and environmental surveys of each "tract," that will be part of the pipelines' rights-of-way. To perform these surveys, Enbridge solicits written permission from each landowner authorizing Enbridge to enter

the landowner's property and inspect and survey the areas under consideration for use as permanent and temporary easements, as well as the general configuration and condition of the larger property itself. Enbridge's right-of-way agents solicit such survey permission by personally contacting landowners; presenting and explaining the survey permission form, which indemnifies the landowner from liability for any injury to Enbridge personnel; reviewing with the landowner Enbridge's project plans and specific requirements for each tract; and answering landowner questions about pipeline construction procedures and schedules, agricultural and other impacts, and acquisition policies. These contacts are made on a face-to-face basis and may involve several meetings or conversations; however, if the landowner is not a resident in Illinois and cannot be personally visited (a rare situation), Enbridge either deals with the landowner by mail and telephone or with the landowner's designated representative (tenant, family member, attorney, etc.). As of mid-January 2007, virtually all of the identified landowners along the collocated Southern Access/Southern Lights route and along the Southern Lights lateral route had been solicited for survey permission and (as of January 17, 2007), Enbridge had received survey permission from approximately eighty-eight percent (88%) of the landowners along the collocated route and from over seventy percent (70%) of the landowners along the lateral route.

With regard to the eminent domain request, Enbridge only requested such authority after initially filing its Application and did so only in the interests of efficiency and economy in the proceedings before the Commission. It is Enbridge's policy and stated preference to acquire property through good-faith negotiations with landowners. Enbridge's experience with right-of-way acquisitions for pipeline projects teaches that it is always preferable to acquire easements by negotiation rather than condemnation, and that good-faith bargaining, a willingness to accommodate legitimate landowner interests, and flexibility in routing can generally achieve the objective. Enbridge has stated its belief that resorting to condemnation is not a desirable option if any other recourse is possible as eminent domain proceedings are difficult, costly, time consuming for all parties, and may not engender positive landowner relations in the future, and therefore to be avoided if at all possible. Nonetheless, Enbridge's experience and reality suggest that authority to condemn, in proper circumstances, may be essential to avoid having the route that is most efficient and effective for all concerned -- the environment, the public, the pipeline, and the landowners -- blockaded by a party seeking not just fair compensation but to extract a windfall based on a strategic location and a refusal to negotiate reasonably or at all. In past cases where Enbridge has been excluded from any possibility of condemnation, its experience has been that substantial unnecessary land acquisitions, route reconfigurations, environmental impacts, and expenses occurred. This was the case with Lakehead Line 14 where the company sometimes had to acquire entire properties at inflated, non-market prices, and subsequently to dispose of them in unfavorable, non-economic conditions, in order to avoid total route failure or infeasible re-routing. Enbridge thus believes that the potential to acquire property by condemnation in such circumstances can be conducive to true good-faith negotiations because it removes, or at least lessens, the incentive for payments in excess of fair market values unrelated to real values and impacts. However, it recognizes that the mere potential to condemn, given the inherent disadvantages and costs of the process, is not a basis for Enbridge, or any other pipeline for that matter, to engage in heavy-handed or abusive negotiations. Although Enbridge's approach is always to acquire easement and land interest

through genuine negotiations, the right to exercise condemnation authority is consistent with its duty as a common carrier to serve efficiently and without discrimination, which requires that pipelines be constructed in the most cost-effective, environmentally preferable manner possible.

B. Staff's Position

The Staff submitted testimony and evidence establishing the following:

After conducting discovery and reviewing the evidence, Staff concludes that Applicants have satisfied the criteria for issuance of a Certificate in Good Standing under Section 15-401 of the Act and for authorization to construct and operate the pipeline facilities and to exercise eminent domain. Staff witness Maple testified that the application, as amended, was properly filed and was supported by the testimony of Applicants' witnesses. He also testified that Applicants had demonstrated a public need for the proposed pipelines in that petroleum producers and shippers had manifested substantial support from the industry by so responding to Enbridge's "open seasons" -- that is, solicitations for interest in using the pipelines -- that Enbridge redesigned both pipelines to add capacity. He opined that the witnesses representing the crude oil and refining market sector -- Messrs. Rhoades, Jernigan, and Cook -- established demand for the additional volume of Canadian crude to be transported by the new pipelines and the economic benefits of access to a cheaper, more reliable source of Canadian crude. Mr. Maple testified that on-going or potential refinery expansion projects would increase the demand for Canadian crude. He noted as well that Enbridge had provided forecasts showing increased demand for refined petroleum products in Illinois and the region over the next few decades and that Staff does not dispute such forecasts. Mr. Maple testified that recent gas prices (exceeding \$3 per gallon) demonstrate the inelasticity of public demand and the need to find cheaper and more reliable supplies of crude petroleum to meet public need and demand, a goal that the proposed pipelines will further. Mr. Maple also testified that Applicants had demonstrated that they are fit, willing, and able to construct and operate the pipelines and provide the transportation services. He pointed, in this regard, to Enbridge's long history of constructing and operating pipelines in Illinois and to its ability and commitment to spend over \$2 billion to finance the pipeline projects.

Mr. Maple testified that the public convenience and necessity criterion was satisfied because, given the strong demand in Illinois and surrounding states for both crude petroleum and refined products, the proposed pipelines would serve the public by helping to ensure reliable supply and to mitigate gasoline prices. He also explained that Enbridge had so designed and redesigned the pipelines' routes as to accommodate landowner concerns, environmental concerns, and future development needs. He explained further that Enbridge has satisfied the public convenience and necessity requirement by communicating adequately with landowners and the public and by negotiating in good faith with landowners from whom land or land rights might be necessary for the construction of the pipelines. In this regard, he pointed to the testimony of Enbridge's witness and Right-of-Way Specialist Mr. Aller and to several of Applicants' responses to Staff data requests, all of which detailed Enbridge's extensive program of informing, consulting, and negotiating in good-faith with landowners along the pipeline

routes. Accordingly, and on the basis of all his analysis and testimony, Mr. Maple concluded that the construction of the Southern Access and Southern Lights pipelines is necessary and beneficial within the meaning of the Act and that the request for eminent domain authority should be granted.

C. Commission Conclusions

The Act requires that each of the criteria in Section 15-401 of the Act be met before the Applicants receive a Certificate in Good Standing as a common-carrier-by-pipeline. In reviewing the record, the Commission finds that Applicants properly filed, and amended, their application in accordance with the Act and 83 Ill. Adm. Code Part 200 and Part 300. The Commission is also satisfied and finds that the Applicants have demonstrated that there exists a public need for the provision of common-carrier-by-pipeline transportation service by both the proposed crude petroleum line and the diluent line. Producers and shippers of crude petroleum and of light hydrocarbons need the increased pipeline capacity represented by Enbridge's projects; Illinois and Midwestern refiners need secure, reliable, and efficient access to a dependable source of crude petroleum, which source exists in the oil sands production areas of Alberta and which the Enbridge lines will help make available; and the petroleum-consuming public in Illinois and the PADD II region needs a secure, dependable, and cost-effective source of crude petroleum for refining into the myriad of refined products demanded on a daily basis in Illinois and other states, which needs will be served by the construction and operation of Enbridge's new pipeline facilities.

It is as well clear from the record that Applicants are fit, willing, and able to provide service in compliance with the Act and Commission regulations and orders, as well as other controlling federal, state, and local requirements on pipeline construction, operation, and maintenance, and/or environmental protection. There is no doubt that the Enbridge entities are willing to provide service, as their willingness to commit billions of dollars to these projects demonstrates. Enbridge's long history of responsible and successful pipeline operation in Illinois, as well as in Canada and other parts of the United States, indicate that Applicants are able to provide the service. The public convenience and necessity also requires the issuance of a certificate for many of the same reasons that a public need for service exists. Enbridge's careful and accommodative route-planning also promoted the public convenience and necessity by minimizing the interactions of its pipeline facilities with environmentally sensitive lands, congested and/or urban areas, and developmentally sensitive properties, as does its programs of public communication and consultation and its development of Agricultural Impact Mitigation Agreements with the Illinois Department of Agriculture.

For these same reasons, the Commission concludes that the construction and extension of Enbridge's pipeline facilities in Illinois, as set forth in the Application and amendment thereto, are necessary and convenient to the public within the meaning of Section 8-503 of the Act. The Commission accepts and agrees with the conclusions and recommendations of the Staff, as discussed above and in Mr. Maple's testimony, in this regard as well as with regard to the authorization under Section 8-509 of the Act of Applicants to enter upon, take, or

damage private property under the law of eminent domain. It is clear, and the Commission so concludes, that Enbridge has complied with the requirements of 83 Ill. Admin. Code Part 300 and is negotiating in good-faith for the acquisition of necessary property interests, as is evident from both its declared policy to secure easements, etc. by negotiation and its willingness to pay at least fair-market values for such interests.

Based on the record evidence, the Commission concludes that issuance of an order authorizing Applicants to enter upon, take, or damage private property, in the manner provided for by the law of eminent domain, along the routes of the proposed pipelines, as shown in Enbridge Exhibit 2, Attachments A and B (as updated) and as incorporated into Attachment A hereto, and as to the permanent and temporary easements to the extent described in the record, is necessary for the construction and operation of the pipelines that the Commission is authorizing herein pursuant to Sections 8-503 and 15-401 of the Act. The authority to exercise eminent domain granted by this Order pertains to the routes identified herein and the tracts of land thereby encompassed, as set forth in Enbridge's Exhibit 8 (as updated) and such other tracts as may be necessary and subsequently approved by the Commission. Such authority applies only to property interests for which Enbridge has been unable to reach agreement with a landowner and for which Enbridge has made an offer to acquire the necessary easements, etc. Within thirty (30) days of the date of this Order, Enbridge should submit as a supplement to this order lists of the tracts authorized for the above-mentioned Southern Access Expansion Pipeline and the above-mentioned Southern Lights Pipeline.

Enbridge should submit annual status reports containing a project overview including land acquisition and construction timelines for the entire Illinois portion of the projects to the Manager of the Engineering Department, Energy Division. The first report should be submitted on January 31, 2008 and the reports should continue until a report has been submitted which indicates that the construction projects are complete.

III. FINDINGS AND ORDERING PARAGRAPHS

The Commission, having considered the entire record, is of the opinion and finds that:

(1) Applicant Enbridge Energy Partners, L.P. is a Delaware master limited partnership which owns Applicant Enbridge Energy, Limited Partnership and which has its principal office in Houston, Texas. Both Applicants are authorized to conduct business in the State of Illinois;

(2) The Commission has jurisdiction over the parties hereto and the subject matter hereof;

(3) The recitals of fact and conclusions reached in the prefatory portion of this Order are supported by the record and are hereby adopted as findings of fact;

(4) As required by Section 15-401, Applicants have properly filed their application, as amended; have shown that a public need for the services in question exists; and have shown that they are fit, willing, and able to provide service in compliance with the Act, Commission regulations, and Commission orders;

(5) As further required by Section 15-401, the public convenience and necessity require issuance of a Certificate in Good Standing authorizing Applicants to operate as a common-carrier-by-pipeline; the area to be covered by the certificate to consist of those areas of Boone, DeKalb, LaSalle, Livingston, Grundy, and Will Counties delineated in Enbridge Exhibit 2;

(6) The construction, operation, and maintenance of the pipeline facilities in question are necessary and ought reasonably to be done to promote the convenience of the public; pursuant to Sections 8-503 and 15-401 of the Act, Applicants should be authorized and directed to construct, operate, and maintain the Southern Access Expansion Pipeline and the Southern Lights Pipeline;

(7) Pursuant to Section 8-509 of the Act, Applicants are authorized to exercise eminent domain to obtain the easements and interests in land required to construct and operate the pipeline facilities described in the Application, as amended;

(8) Enbridge should submit annual status reports containing a project overview including land acquisition and construction timelines for the entire Illinois portion of the projects to the Manager of the Engineering Department, Energy Division, commencing January 31, 2008 and continuing until a report has been submitted which indicates that the construction projects are complete.

(9) Any objections, motions, or petitions filed in this proceeding that remain unresolved should be disposed of in a manner consistent with the ultimate conclusions contained in this Order.

IT IS THEREFORE ORDERED by the Illinois Commerce Commission that Enbridge Energy Partners, L.P. and Enbridge Energy, Limited Partnership be, and hereby are, granted a certificate in Good Standing pursuant to Section 15-401 to operate as a common-carrier-by-pipeline and that said Certificate in Good Standing shall be the following:

CERTIFICATE IN GOOD STANDING

IT IS HEREBY CERTIFIED that Enbridge Energy Partners, L.P. and Enbridge Energy, Limited Partnership are authorized pursuant to Section 15-401 of the Public Utilities Act to operate as a common-carrier-by-pipeline generally along the rights-of-way within Boone, DeKalb, LaSalle, Livingston, Grundy, and Will Counties delineated in Attachment A hereto.

IT IS FURTHER ORDERED that within thirty (30) days of the date of this Order, Enbridge Energy Partners, L.P. and Enbridge Energy, Limited Partnership shall submit as a supplement to this Order lists of the tracts of lands encompassed by the pipeline routes delineated in Attachment A hereto.

IT IS FURTHER ORDERED that the construction, operation, and maintenance of the pipeline facilities proposed by Applicants are necessary and ought to be done to promote the convenience of the public; pursuant to Sections 8-503 and 15-401 of the Public Utilities Act, Enbridge Energy Partners, L.P. and Enbridge Energy Limited Partnership are authorized and directed to construct, operate, and maintain the Southern Access Expansion Pipeline and the Southern Lights Pipeline, as described in this Order, in Illinois.

IT IS FURTHER ORDERED that in the manner provided for by the law of eminent domain, Enbridge Energy Partners, L.P. and Enbridge Energy, Limited Partnership are authorized to condemn the pipeline easements and other interests in land required to construct and operate the pipeline facilities authorized herein.

IT IS FURTHER ORDERED that Enbridge shall submit annual status reports containing a project overview including land acquisition and construction timelines for the entire Illinois portion of the projects to the Manager of the Engineering Department, Energy Division, commencing January 31, 2008 and continuing until a report has been submitted which indicates that the construction projects are complete.

IT IS FURTHER ORDERED that any objections, motions, or petitions filed in this proceeding that remain unresolved are hereby disposed of in a manner consistent with the ultimate conclusions contained in this Order.

IT IS FURTHER ORDERED that subject to the provisions of Section 10-113 of the Act and 83 Ill. Adm. Code 200.880 this Order is final; it is not subject to the Administrative Review Law.

By order of the Commission this _____ day of _____, 2007.

(SIGNED) CHARLES E. BOX

Chairman

ATTACHMENT A**OPERATING AREAS/RIGHTS-OF-WAY AREAS FOR SOUTHERN ACCESS AND SOUTHERN LIGHTS PIPELINES AND FACILITIES****I. COLLOCATED SOUTHERN ACCESS AND SOUTHERN LIGHTS LINES**

Enbridge Energy Partners, L.P. and Enbridge Energy, Limited Partnership are authorized and certificated to construct, operate, and maintain two liquid petroleum pipelines collocated generally in the following right-of-way, said pipelines to be approximately 111 miles of 42-inch outside diameter pipeline referred to as the "Southern Access Expansion Pipeline" and approximately 99 miles of 20-inch outside diameter pipeline referred to as the "Southern Lights Pipeline," said right-of-way having an approximate width of sixty (60) feet together with temporary workspace easements as required for construction of an additional ninety (90) feet, except where special construction requirements or techniques require greater temporary workspace:

Both pipelines enter the State of Illinois at the Illinois-Wisconsin border in Section 6, Township 46 North, Range 4 East, Boone County, then proceed in a general southerly direction to traverse Sections 7, 18, 19, 30, 31, 32, 33 of Township 46 North, Range 4 East; Sections 4, 9, 16, 21, 28, 33 of Township 45 North, Range 4 East; Sections 4, 5, 8, 17, 20, 29, 32 of Township 44 North, Range 4 East; and Sections 5, 8, 17, 20, 29, 32 of Township 43 North, Range 4 East, all being located in Boone County.

At the entry point of the Boone and DeKalb County Lines, the pipelines will then continue in a southerly direction to traverse Sections 5, 8, 17, 20, 29, 32 of Township 42 North, Range 4 East; Sections 5, 8, 17, 20, 29, 32 of Township 41 North, Range 4 East; Sections 5, 6, 7, 18, 19, 30, 31, 32 of Township 40 North, Range 4 East; Sections 5, 8, 17, 20, 29, 32 of Township 39 North, Range 4 East; Sections 5, 8, 17, 16, 21, 33 of Township 38 North, Range 4 East; and Sections 4, 9, 16, 15, 22, 27, 35 of Township 37 North, Range 4 East, all being located in DeKalb County.

At the entry point of the DeKalb and LaSalle County lines, both pipelines will then continue in a southerly direction to traverse Sections 2, 3, 11, 14, 23, 26, 35 of Township 36 North, Range 4 East; Sections 2, 11, 12, 13, 24, 25, 36 of Township 35 North, Range 4 East; Sections 1, 2, 11, 14, 23, 26, 35 of Township 34 North, Range 4 East; Sections 2, 3, 10, 9, 16, 15, 22, 27, 34 of Township 33 North, Range 4 East; Sections 3, 2, 11, 14, 13, 24, 25 of Township 32 North, Range 4 East; Sections 30, 31 of Township 32 North, Range 5 East; and Sections 6, 7, 18 and 19 of Township 31 North, Range 5 East. At such point within Section 19, Township 31 North, Range 5 East of LaSalle County, the 20-inch pipeline will turn to the northeast to then exit the commonly shared right-of-way

corridor of the 42-inch pipeline. The 42-inch pipeline will continue in a southerly direction to traverse Sections 30 and 31 of Township 31 North, Range 5 East, all being located in LaSalle County.

At the entry point of the LaSalle and Livingston County lines, the 42-inch pipeline will then continue in a southerly direction to traverse Sections 6, 5, 8, 17, 20, 29, 33 of Township 30 North, Range 5 East; and Sections 4, 9, 16, 21, 22, 27, 28 of Township 29 North, Range 5 East, to reach its terminus point at Enbridge's Flanagan Terminal Facility in Section 33 of Township 29 North, Range 5 East, all being located in Livingston County, Illinois.

II. SOUTHERN LIGHTS MANHATTAN-TO-STREATOR (RANSOM) LINE

Enbridge Energy Limited Partners, L.P. and Enbridge Energy, Limited Partnership are authorized and certified to construct, operate, and maintain a liquid petroleum pipeline generally in the following right-of-way, together with associated pumping stations, said pipeline to be approximately 44 miles of 20-inch outside diameter pipeline referred to as the "Southern Lights Pipeline," said right-of-way having an approximate width of sixty (60) feet together with temporary workspace easements as required for construction of an additional twenty-five (25) feet, except where special construction requirements or techniques require greater temporary workspace:

The Manhattan-to-Streator Lateral will exit the commonly shared pipeline right-of-way with the 42-inch pipeline in Section 19 of Township 31 North, Range 5 East of LaSalle County. The 20-inch line will then proceed in a general northeasterly direction to traverse Sections 20, 21, 16, 15, 14, 11, 12, 1 of Township 31 North, Range 5 East, all being located in LaSalle County.

At the entry point of the LaSalle and Grundy County lines, the 20-inch pipeline will continue in a northeasterly direction to traverse Sections 6, 5 of Township 31 North, Range 6 East; Sections 32, 33, 34, 27, 26, 25 of Township 32 North, Range 6 East; Sections 19, 20, 21, 22, 23, 13 of Township 32 North, Range 7 East; Sections 18, 7, 8, 4, 3 of Township 32 North, Range 8 East; and Sections 33, 28, 27, 26, 25 of Township 33 North, Range 8 East, all being located in Grundy County.

At the entry point of the Grundy and Will County lines, the 20-inch pipeline will continue its route in a northeasterly direction to traverse Sections 30, 19, 29, 28, 27, 26, 23, 24 of Township 33 North, Range 9 East; Sections 19, 20, 21, 22, 23, 14, 13, 12, 1 of Township 33 North, Range 10 East; next turning more northerly to traverse Section 6 of Township 33 North, Range 11 East and through Sections 31, 30, 29 of Township 34 North, Range 11 East, to ultimately end at its terminus point in Section 20, Township 34 North, Range 11 East, all being located in Will County.