

**STATE OF ILLINOIS
ILLINOIS COMMERCE COMMISSION**

IN RE ENBRIDGE)
PIPELINES (FSP) L.L.C.)

Dkt. No. 12-___

APPLICATION PURSUANT TO SECTIONS 8-503,)
8-509, AND 15-401 OF THE PUBLIC UTILITIES)
ACT/THE COMMON CARRIER BY PIPELINE LAW)
FOR CERTIFICATION AND AUTHORITY TO)
CONSTRUCT AND OPERATE A PETROLEUM)
PIPELINE AND WHEN NECESSARY TO TAKE)
PRIVATE PROPERTY AS PROVIDED BY THE LAW)
OF EMINENT DOMAIN)

APPLICATION FOR CERTIFICATION AND OTHER RELIEF

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INTRODUCTION AND SUMMARY OF THE APPLICATION

Enbridge Pipelines (FSP) L.L.C. (“Enbridge FSP” or “Applicant”) hereby petitions for the issuance to it of a Certificate in Good Standing pursuant to Section 15-401(a) of the Common Carrier by Pipeline Law (220 ILCS 5/15-401(a)) and, pursuant respectively to Sections 8-503 (220 ILCS 5/8-503) and 8-509 (220 ILCS 5/8-509) of the Public Utilities Act, the entry of an order authorizing it to construct, operate, and maintain approximately 168 miles of new 36-inch outside diameter mainline crude oil pipeline from an Enbridge facility (the “Flanagan Terminal”) near Pontiac, Illinois to the Illinois/Missouri border near Quincy, Illinois. As more fully described below, the new pipeline in Illinois is part of the larger “Flanagan South Pipeline Project,” a nearly 600-mile, 36-inch outside diameter interstate crude oil pipeline originating in Illinois and terminating in Cushing, Oklahoma. The Project will also include seven pump stations to be collocated with existing facilities. Construction is anticipated to commence in May of 2013, with an in-service date of mid-2014.

Applicant also seeks entry of an order authorizing it when necessary for the construction of the pipeline in Illinois to acquire private property in the manner provided for by the law of

eminent domain. Such authority and certification is sought only in the interest of efficiency in the event that exercise of the power of eminent domain becomes necessary to the construction of the herein-described common-carrier-by-pipeline facilities needed to meet public need for crude petroleum. Inasmuch as most of the new pipeline will be installed alongside or adjacent to an existing pipeline pursuant to pre-existing rights, Applicant does not, as discussed below (*infra* at ¶ 32), anticipate much if any need to condemn. Applicant states that it is the policy, practice, and intention of Applicant to acquire any additional necessary interests in real estate through negotiated agreements with property owners to the maximum extent possible and that condemnation would be sought only when negotiation is refused or all reasonable economic offers have been rejected. Nonetheless, because of the extensive collocation of the new pipeline's route, there exists sufficient potential for blockades and rent seeking to warrant eminent domain authority.

Applicant and its affiliates are part of a long-established and highly integrated common-carrier-by-pipeline system – the Enbridge Mainline System – that provides critically important transportation service to and for the petroleum-using public in Illinois and the nation. The Enbridge Mainline System operates thousands of miles of pipelines, with associated facilities, that annually move hundreds of millions of barrels of vital crude oil from production sources to markets in North America, including Illinois, to supply the inputs that allow petroleum refiners to create the fuels, lubricants, asphalts, and other petroleum products that the public needs and demands and that sustain and enhance the nation's economy. The Enbridge Mainline System provides such transport pursuant to federal regulation of rates and services and with deep commitment to protecting the natural environment and public safety. Despite the introduction of renewable energy sources, petroleum fuels derived from crude oil will remain America's major

transportation energy source for the foreseeable future. Energy demand in the United States is forecast to grow for decades and petroleum will supply over 90% of the demand for transportation fuels. As growing petroleum demand, both national and global, technological developments, changes in supply sources and refining capacities, and geo-political and economic developments have altered the North American oil industry, the Enbridge Mainline System has expanded, enhanced, and reconfigured its facilities to deliver efficiently and economically the crude oil needed to sustain the economy's growth and development. Continued national reliance on petroleum for energy to meet transportation and other needs, shifting sources of crude oil supply, and growing world-wide demand for oil necessitate further modifications in the U.S. pipeline infrastructure to assure adequate, dependable, and economic access to crude oil for the nation's refineries and the petroleum-consuming public. The pipeline facilities described and discussed herein, and for which certification and authorization(s) are sought, continue that tradition and serve those ends. As shown herein, this Application has been properly filed; a public need exists for the transportation of crude petroleum by the pipeline facilities Applicant intends to construct; Applicant is fit, willing, and able to provide common-carrier-by-pipeline service; and the public convenience and necessity requires the granting of the requested certification and authorization.

DESCRIPTION OF THE APPLICANT AND RELEVANT AFFILIATES

1. Enbridge FSP is a Delaware limited liability company with its principal office located at 1100 Louisiana, Suite 3300, Houston, Texas 77002 (ph. 713-821-2000). Enbridge FSP is a wholly owned, indirect subsidiary of Enbridge Inc. ("Enbridge") and as such is an affiliate of Enbridge Energy Partners, L.P. ("Enbridge Partners"), Enbridge Energy, Limited

Partnership ("Enbridge Energy"), and Enbridge Pipelines (Illinois) L.L.C. ("Enbridge Illinois"). Enbridge is a leading company in the transportation and distribution of energy in North America. Through its subsidiary Enbridge Pipelines Inc., Enbridge operates pipelines that, *inter alia*, traverse western Canada to transport crude oil east and south to the United States and eastern Canada. See Exhibit A. Enbridge Partners and Enbridge Energy own and operate a series of liquid petroleum pipeline systems in the United States, including the "Lakehead System," the U.S. portion of Enbridge's operationally integrated pipeline system which operates in seven Great Lakes states, including Illinois, and the Enbridge Pipelines (North Dakota) L.L.C. system which operates in the Williston Basin/Bakken Formation area of eastern Montana and North Dakota and ultimately interconnects directly or via affiliates with the Enbridge Mainline System in Clearbrook, Minnesota and Cromer, Manitoba. Enbridge's Spearhead Pipeline, which is owned by CCPS Transportation, LLC, an Enbridge-owned entity that is the direct parent of Applicant, operates from Enbridge Energy's Flanagan Terminal near Pontiac, Illinois to the major national pipeline hub in Cushing, Oklahoma. Together with the Canadian pipeline systems of Enbridge Pipelines Inc., these systems comprise over 15,000 miles of liquid petroleum pipelines and constitute the world's longest crude petroleum and petroleum liquids pipeline network. They are the primary means of transporting crude oil from Canada to the United States as well as the only pipeline transit system that transports crude oil from western Canada to eastern Canada. Overall, Enbridge's pipelines transport over two-thirds of western Canada's crude oil production and deliver some 12% of U.S. imports of crude oil.

2. Enbridge Partners and Enbridge Energy were certificated as common-carriers-by-pipeline in Illinois by this Commission in its Order in Docket No. 06-0470 and authorized to construct, operate, and maintain in Illinois pipeline facilities known as the Southern Access

Expansion Pipeline and the Southern Lights Pipeline. Enbridge Illinois was certificated in Docket No. 07-0446 to construct the Southern Access Extension Pipeline. These pipelines operate, or when completed will operate, cooperatively to provide interstate common carriage of crude oil. Order, April 4, 2007, Dkt. No. 06-0470; Order, July 8, 2009, Dkt. No. 07-0446.¹

3. Another Enbridge business segment -- the Natural Gas Transportation business unit -- includes partnership interests in the Alliance and Vector interstate natural gas pipeline systems and the Aux Sable natural gas processing facility. Each of these systems or facilities operates in Illinois. Enbridge also owns and operates natural gas gathering and transmission gas pipelines in the U.S. Gulf Coast, and natural gas local distribution systems in eastern Canada, including Canada's largest in the Toronto metropolitan area. See Exhibit A.

4. In addition to its petroleum and natural gas systems, Enbridge has a growing presence in renewable energy, including solar, wind, waste-heat recovery, geothermal, and fuel-cell technologies. Enbridge owns the Chin Chute wind project, a 30-megawatt wind-energy facility near Lethbridge, Alberta, Canada; 90% of the 99-megawatt Talbot wind-energy facility in eastern Ontario, Canada; and 100% of the new 250-megawatt Cedar Point wind-energy facility in Colorado. Enbridge also owns the Tilbury and Amhertsburg II solar-energy facilities in Ontario, Canada, which combined produce 20-megawatts of electricity, along with its recently completed 80-megawatt Sarnia Solar project; and it has also recently acquired the 50-megawatt

¹ Enbridge's pipelines constitute an interstate common carrier pipeline system that charges tolls to shippers of crude petroleum and other petroleum liquids; these pipeline entities are not involved in producing or refining petroleum. Within the U.S., all tariff rates, applicable surcharges, and terms of shipment for transportation of liquid petroleum through Enbridge pipelines are established and governed by tariffs filed with and regulated by the Federal Energy Regulatory Commission ("FERC") under the authority of the Interstate Commerce Act of 1887. As interstate liquid pipelines, the construction, operation, and maintenance of Enbridge's pipelines are exclusively regulated by the United States Department of Transportation ("DOT"), Pipeline and Hazardous Materials Safety Administration ("PHMSA"), Office of Pipeline Safety ("OPS") pursuant to various federal laws and regulations, primarily 49 C.F.R. Parts 194 and 195.

Silver State North photovoltaic facility in Nevada. To date, Enbridge's investments in renewable-energy systems in North America exceed \$2.5 billion (except as noted, all figures are U.S. dollars) and it has acquired nearly 1,000 megawatts of renewable energy capacity. Enbridge has committed itself to a long-term objective of offsetting each kilowatt of incremental conventional electricity it consumes in its operations with an equal amount of sustainable or alternatively sourced electric power.

5. Enbridge and its affiliates employ approximately 6,900 people, primarily in Canada and the United States. The common stock of Enbridge is widely held and is publicly traded on both the Toronto Stock Exchange ("TSX:ENB") and the New York Stock Exchange ("NYSE:ENB"). In 2011, Enbridge had total capitalization of Cdn \$34.3 billion and earnings applicable to common shareholders of Cdn \$991 million. Enbridge maintains its corporate headquarters in Calgary at 425 - 1st Street S.W., Calgary, Alberta T2P 3L8 Canada.

STATUTORY PROVISIONS

6. Applicant is applying for a certificate in good standing and other relief pursuant to Sections 8-503, 8-509, and 15-401 of the Illinois Public Utilities Act/The Common Carrier By Pipeline Law. These Sections of the Act state, in pertinent part:

Section 15-401(b):

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:

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 Commission 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:

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).

7. Section 15-401(b) was amended in certain respects effective August 16, 2011. The changes, which were expressly “intended to be confirmatory of existing law,” specify several types of evidence that the Commission “shall consider” in determining whether a proposed pipeline serves the “public convenience and necessity.” Such evidence includes any evidence presented about the current and future national, State-wide, or regional economic effects of the proposed pipeline, direct or indirect, as they affect residents or businesses in Illinois including, but not limited to, such impacts as the ability of manufacturers in Illinois to meet public demand for related services and products and to compete in the national and regional economies, improved access of suppliers to regional and national shipping grids, the ability of the State to access funds made available for energy infrastructure by the federal government, mitigation of foreseeable spikes in prices affecting Illinois residents or business due to sudden change in supply or transportation capacity, and the likelihood that the proposed construction

will substantially encourage related investments in the State's energy infrastructure and the creation of energy-related jobs. In addition, Section 15-401(b) now specifically mandates consideration by the Commission of any evidence about how the proposed pipeline or facility will affect the security, stability, and reliability of energy in the State or in the region. 220 ILCS 5/15-401(b)(8), (9).

8. Consideration of such evidence is fully consistent with the approach previously adopted by this Commission in determining the public convenience and necessity of a proposed pipeline under Section 15-401(b) of the Act. For example, in its Order of July 8, 2009 in Docket 07-0446, the Commission agreed with its Staff that when considering the need for a project, the Commission "should not limit its considerations to local needs" and stated that "need may also be demonstrated on an interstate basis" (at 46). Indeed, the Commission there agreed with the Staff that "bringing Canadian petroleum to this [Patoka] hub would provide not only our state, but our nation, with additional crude oil supplies from a friendly and reliable country," that "Illinoisans are also citizens of the United States, and that a project that provides access to a secure and reliable energy supply and helps to meet our country's energy needs is a project that benefits Illinois citizens, whether directly or indirectly," and that "[t]he changing landscape requires us as a nation to re-evaluate our energy supply and transmission network and make sure that it is as reliable and redundant as possible" (at 46-47). The Commission expressly stated its belief "that this approach is consistent with the *Lakehead* decision" (at 47).

9. As demonstrated below, the Flanagan South Pipeline Project is supported by such evidence as well as by other types of evidence traditionally relied upon by this Commission in determining whether to grant a certificate in good standing.

ENBRIDGE'S EXPANSION
PROGRAMS AND THE
FLANAGAN SOUTH PIPELINE

10. As found in Docket Nos. 06-0470 and 07-0446, public demand for refined petroleum products in Illinois, the Midwest generally, and across the country requires the importation into Illinois and other areas of immense amounts of crude oil that can be refined into gasoline, diesel fuel, heating fuels, jet fuel, asphalts, petrochemicals, and other items needed by the consuming public. Although conservation efforts and economic cycles have slowed the rate of growth in demand for petroleum products as an energy source, such demand is nevertheless expected to grow steadily and will continue to grow in Illinois and throughout the United States as population grows and economic activity expands. Petroleum products will continue to meet the great majority of America's transportation energy needs for the foreseeable future, despite growth in alternative energy sources.

11. The crude oil produced in western Canada and in the Williston Basin, an area encompassing much of North Dakota, eastern Montana, and southern Saskatchewan, is economically attractive to American refiners, exists in ample supply, and constitutes a reliable and secure resource for Illinois-area and other U.S. refiners.² As the supply of crude oil in western Canada and the Williston Basin has steadily increased (and is expected to continue to increase), refineries and pipeline systems have been reconfigured to meet changing crude oil usage patterns in the Midwest and throughout North America. As a result, western Canada and the Williston Basin have emerged as important crude oil suppliers for the United States, particularly the Midwest. Canada now serves as the top crude oil supplier among world-wide

² Much of the crude produced in the Williston Basin is from the hydro-carbon rich "Bakken Formation." Accordingly, crude oil from the Basin is typically called "Bakken crude" by industry although some of it is actually from other formations.

sources of crude oil imported into the United States. Indeed, there has been a 64% increase in U.S. crude oil imports from Canada since 2000. The Williston Basin has also emerged as an important source of domestic crude oil for the United States. Thus, by December 2011, crude oil production in the Basin had substantially increased and North Dakota had surpassed California to become the third largest oil-producing state in the nation. In fact, the state may soon surpass Alaska and become the second-largest U.S. oil producer.

12. Canada has the third-largest crude oil reserves in the world, exceeded only by those in Saudi Arabia and Venezuela. Most of these reserves are located in western Canada, primarily in the Province of Alberta. Crude oil supply in western Canada exceeded 2.7 million barrels-per-day (“bpd”) in 2011 and is forecast to reach about 5.2 million bpd by 2025.³ U.S. imports of Canadian crude oil more than doubled in the period 1996 to 2011 and more than 2.2 million bpd of Canadian crude is now imported into American markets, fulfilling approximately 25% of the nation’s crude oil import requirements. Crude oil production in North Dakota has also grown, increasing substantially in the last five years and reaching 546,000 bpd in January 2012; it may exceed 1.0 million bpd by 2018. Estimates of recoverable reserves in the Bakken Formation have steadily increased, doubling from four billion barrels in 2008 to eight billion barrels in 2010, due to improved technology and new discoveries (the most recent estimate exceeds 24 billion barrels).⁴

13. Enbridge has long provided producers, shippers, and refiners with common carrier pipeline transportation service affording Illinois, the Midwest, and the nation access to secure

³ National Energy Board of Canada, Canada’s Energy Future: Energy Supply and Demand Projection to 2035, November 2011.

⁴ These estimates are based on the use of current production technology, which allows for the extraction of only about six percent (6%) of oil located one to two miles below the surface. With advances in drilling techniques, estimates of recoverable oil could potentially exceed 500 billion barrels. “What North Dakota Could Teach California,” Wall Street Journal, 3/10/12, p. A11.

supplies of essential crude oil required for the production of transportation fuels, heating oils, asphalts, and petrochemical feedstocks. Since 1949, Enbridge and its predecessors have constructed and placed in service thousands of miles of mainline pipelines and related facilities needed and used to deliver billions of barrels of crude oil to American and eastern Canadian refiners. As non-Canadian supply sources have dwindled or become unsecure or unreliable, and as Canadian and Bakken supply has increased, Enbridge and its affiliates have acted to expand and extend their pipeline systems through strategic construction programs to increase access to secure and growing Canadian and Williston Basin supplies. The Southern Access Expansion, Southern Lights, and Southern Access Extension projects are Illinois-specific examples of Enbridge's commitment. Most recently, Enbridge has been expanding and improving its North Dakota gathering and transmission facilities to enhance access to crude oil supplies in Montana, North Dakota and southern Saskatchewan for delivery to refineries in the Midwest and Ontario and the Mid-continent. As a result, Enbridge pipelines now move – directly or via interconnections – approximately 2.2 million bpd of crude oil into American market areas. These pipeline expansion programs have been undertaken in response to public needs and the collective requirements of refiners, common-carrier shippers, and crude-oil producers (collectively “shippers”) and are a continuation of Enbridge's long commitment to providing adequate, efficient, and economic transportation service for producers and users of crude oil.⁵

14. The Flanagan South Pipeline Project, along with other system enhancements between Alberta, North Dakota, and Illinois required for this and other market needs, will afford

⁵ To accommodate the increased Williston Basin production, Enbridge is increasing both its gathering capacity within North Dakota and the export capacity of the North Dakota system via its “Bakken Expansion Program.” As a part of this effort, Enbridge has added facilities to connect the system to the Enbridge Mainline System at Cromer, Manitoba in addition to the existing connection at Clearbrook, Minnesota. Since 2008, Enbridge has increased the export capacity of the North Dakota system by about 350 percent and by 2013 will afford shippers about 475,000 bpd of capacity out of North Dakota.

Enbridge the ability initially to provide up to approximately 600,000 bpd of additional pipeline capacity along the route of the Enbridge Spearhead System into the major crude oil hub located in Cushing, Oklahoma (with potential pumping-power enhancements, the line will have an ultimate design capacity of about 880,000 bpd). The Flanagan South Pipeline Project consists of a new 36-inch outside diameter mainline pipeline originating at Enbridge's Flanagan Terminal near Pontiac, Illinois and running generally adjacent to the Spearhead line to the Illinois/Missouri border near Quincy, Illinois, where it then will continue on through Missouri and the southeast corner of Kansas to terminate at Cushing, Oklahoma. See Exhibit B (full FSP route) and Exhibit C (FSP route in Illinois). The network of pipeline interconnections and petroleum storage facilities (a “hub”) at Cushing, Oklahoma is one of the most important crude oil hubs in the world and is the location of settlement of prices for New York Mercantile Exchange contracts for so-called “West Texas Intermediate” crude oil, a critical element in the benchmark pricing of crude oil in the western hemisphere. Enbridge has the largest crude oil breakout and storage terminal in the Cushing area, having some 15.9 million barrels of storage capacity, with an additional 3.5 million barrels of tankage under construction.⁶

15. By expanding the Enbridge system between Flanagan and Cushing, the Flanagan South Pipeline, along with the existing Spearhead Pipeline (current capacity = 193,300 bpd), will afford U.S. refiners an initial capacity of about 793,300 bpd for movements of crude oil to

⁶ Enbridge has about 1 million barrels of storage capacity at the Flanagan Terminal near Pontiac, which is the interconnection point of Enbridge's Southern Access and Spearhead pipelines. As part of its program of overall system optimization, Enbridge currently proposes to add additional storage capacity – up to six (6) new tanks with about 2.34 million barrels of total capacity – at Flanagan to facilitate deliveries to these pipelines and the new Flanagan South Pipeline. This tankage will be constructed adjacent to existing terminal facilities on Enbridge property. Construction will not begin until any necessary regulatory and environmental proceedings have been concluded. Enbridge's Southern Access Pipeline, which is a 42-inch outside diameter line, has adequate design capacity to deliver to Flanagan the projected volumes of crude oil to be moved on the Flanagan South Pipeline and other Enbridge lines and thus does not require additional pipe. However, increased pumping capacity is planned for the Wisconsin portion of the line and may be required for the Illinois portion as volumes increase. As market developments solidify, Enbridge will advise the Commission and make such applications and filings as are appropriate.

Cushing, from which a number of existing and planned pipeline connections and transportation modes exist for movements of crude oil to refineries along the U.S. Gulf Coast. The Gulf Coast area is home to approximately 43% of U.S. refinery capacity, and is one of the largest refining areas in the world. Although overall refinery capacity within the United States has been basically constant in recent years, Gulf Coast refineries have expanded their capacities. In fact, since 2006 Gulf Coast refineries have added about 380,000 bpd of crude oil distillation capacity. Approximately another 325,000 bpd of refining capacity will shortly be commissioned at the Motiva Enterprises facility in Port Arthur, Texas (Motiva is a joint venture of Royal Dutch Shell and Saudi Aramco). Refineries in this region are already well-configured to process a wide variety of crude oil grades and in fact currently process large volumes of crude oil produced in Mexico, Venezuela, and other regions that supply crude oil similar to many of the crude oil grades produced in western Canada (they also process significant amounts of oil similar to Bakken crudes). Thus increasing the access of Gulf Coast refineries to growing and secure supplies of crude oil from western Canada and the Williston Basin by increasing pipeline access into the Cushing Hub will allow these U.S. refineries to reduce their reliance on waterborne imports from less stable and less friendly areas of the world than Canada.⁷

16. Through recently completed “open seasons” used to assess market demand, Enbridge has secured commitments from shippers for about 90% of the initial capacity of the Flanagan South Pipeline on terms that range from 10 to 20 years of transport. Of course, the Flanagan South Pipeline Project retains common-carrier pipeline capacity for uncommitted shippers who may nominate to ship on a monthly basis for specific volumes, crude types, and

⁷ As common-carrier pipelines, Enbridge’s facilities transport crude oil presented by shippers to satisfy refineries’ demand for crude grades whose prices and attributes best match the capabilities of various refineries. Thus the specific grades of crude oil moved on the Flanagan South Pipeline will depend on refineries’ needs and decisions.

receipt/destination points, as required by FERC. Concurrently, another pipeline project in which Enbridge has an interest, the Seaway Pipeline, will afford shippers access from Cushing to the Gulf Coast refineries discussed above.⁸ By interconnecting the Flanagan South and Seaway pipelines, Enbridge can offer a combined tariff rate for seamless transport on these separate pipeline systems from various receipt points either in Canada or Minnesota and using a portion of the capacity on the Enbridge Mainline System to Flanagan, on through the Flanagan South Pipeline to Cushing, and then for continued delivery to various delivery points near Houston, Texas and Port Arthur, Texas utilizing a portion of the capacity of the Seaway Pipeline. The terms of the “Transportation Service Agreements” and tariffs for uncommitted shippers on the Flanagan South Pipeline will be filed with FERC.

17. The overall cost of the Flanagan South Pipeline Project is expected to be approximately \$2.8 billion. The Illinois portion of the Project is projected to be about 32% of the total cost, or an investment of approximately \$901 million within the State. Applicant plans to begin construction in May 2013 and place the pipeline in service about mid-2014. Over 90% of the planned route of the Flanagan South Pipeline in Illinois will parallel the existing Spearhead Pipeline. The longest deviation from the Spearhead route will be near Quincy, Illinois, where the route will change for about five to six miles to bypass congestion on the Spearhead route at Quincy. Exhibit D hereto provides a legal description of the Illinois route and facility sites by county and section. The great majority of the Spearhead right-of-way is comprised of tracts whose easements grant Enbridge multiple-line rights in the property, for

⁸ Seaway Crude Pipeline Company LLC is a partnership between Enterprise Products Partners LP and Enbridge, each owning 50% of the membership interests. Enterprise is currently reversing the flow of the existing 500-mile Seaway Pipeline running from Freeport, Texas to Cushing, Oklahoma and will boost its capacity to 400,000 bpd. In addition, the Enterprise/Enbridge venture will “twin” the Seaway Pipeline by adding a new, 30-inch diameter pipe parallel to the existing pipeline, thus adding 450,000 bpd of capacity to the route, thereby providing some 850,000 bpd of transport space for crude oil moving from Cushing to Gulf Coast refineries.

which reason collocation of the Flanagan South and Spearhead pipelines is the most effective, least burdensome method of routing the new pipeline. Approximately 70% of the parcels to be crossed by the Flanagan South Pipeline are pre-existing Spearhead tracts with multiple-line rights. The new pipe will be generally installed at a 50-foot offset from the center line of the Spearhead Pipeline to ensure adequate space for safe construction and on-going maintenance activities. Such collocation of these lines means routing-related issues will be minimized. In addition to the pipeline itself, Applicant currently plans to add pumping capacity at its existing Spearhead pump stations at the Flanagan Terminal (milepost zero:5 pumps), at the Forest Pump Station in Mason County (milepost 76.30:4 pumps), and at the Quincy Station (milepost 162.50:4 pumps) in Adams County. Each pump will have a 5,750-horsepower electronic motor. At the Forest and Quincy Stations, the new pumps will require approximately ten acres of additional space adjacent to each established site, which Enbridge will acquire in fee. See Exhibit E. Needed electrical power and facilities will be acquired from the local utility. New pumping capacity will also be added at four other stations along the overall route outside Illinois and at the Cushing Terminal.

PUBLIC NEED/PUBLIC
CONVENIENCE AND NECESSITY

18. As recognized by the Commission in Docket No. 06-0470 and Docket No. 07-0446, adequate supplies of petroleum and refined petroleum products are essential to the public and the economic health and well-being of Illinois, the Midwest, and the nation. The United States daily requires millions of barrels of imported crude oil to supply its refineries, which produce the myriad of refined petroleum products demanded by American consumers. Illinois alone is one of the largest consumers of energy in the United States; nationally, consumption of

oil is expected to continue at high levels for decades to come. The Energy Information Administration (“EIA”), an agency of the U.S. Department of Energy, projects that U.S. liquid fuel use will grow from 19.04 million bpd in 2012 to about 19.68 million bpd by 2030.⁹ This demand is driven by increases in population and economic activity, and may well grow in coming decades as the population expands and the economy improves, although it will be balanced by continued improvements in energy efficiency.

19. At one time, the United States led the world in the discovery and production of crude oil. Such, however, has not been the case for many decades and as domestic supply dwindled in various regions, many areas of the nation became dependent on imported crude to provide the means of furnishing the gasolines, fuel oils, asphalts, heating oils and lubricants, and industrial feedstocks that the consuming public needs and demands and which fuel the national economy. Despite new discoveries, over time growth in demand necessitated that a growing percentage of the country’s crude oil supply be imported, often from regions and sources not necessarily friendly to the nation or particularly stable and secure or safe from natural disasters and disruptions. Many parts of the continental United States, such as Illinois, which produces less than four percent (4%) of its crude oil requirements, are almost totally dependent on crude oil imports from other U.S. regions or foreign suppliers. Indeed, of the five areas designated as national “Petroleum Administration for Defense Districts” (“PADDs”), only in PADD IV (the Rockies) does local supply predominantly meet the demand for crude oil. Thus, in PADD II, which comprises Midwestern states, including Illinois, and Mid-Continent states, only 24% of crude oil demand is satisfied by PADD II supply sources and in PADD III, which includes the

⁹ See Table 11 of EIA’s “Annual Energy Outlook 2012 Early Release Overview” (<http://www.eia.gov/forecasts/aeo/er>).

U.S. Gulf Coast region, just 44% of crude oil demand is met by native PADD III production sources.¹⁰

20. Although PADD II consumers of petroleum products are thus dependent on non-local sources of crude oil, they are in fact far less vulnerable than other U.S. regions to supply shortages and price volatility because in recent decades western Canadian crude oil transported by Enbridge and other pipeline systems (facilitated by decisions of this Commission) has become a major component of PADD II refiners' supply slates, constituting in 2011 approximately 44% of the crude oil consumed in the region. Indeed, in 2011 the northern portion of the region, which contains the major refining complexes of the Chicago/Northern Indiana area, received almost all of its crude oil imports from Canada. Consequently, this market area, which as recently as the 1990s got a substantial part of its crude oil supply from offshore imports landed in the U.S. Gulf and shipped north, now imports almost none of its needs from non-U.S./non-Canadian offshore sources. Conversely, PADD III, which encompasses the Texas inland and Gulf Coast refining complexes, received in 2011 about 50% of its crude oil supply via waterborne imports from outside North America (if waterborne imports from Mexico are considered, this rises to 64%). Waterborne imports from unstable, non-secure, and potentially hostile supply sources has historically exposed the nation's petroleum refiners and consumers to market shocks and disruptions detrimental to U.S. economic health and national security. And because of the high degree of concentration of refining-capacity in PADD III, with the resulting reliance on a web of refined-product pipelines for distribution purposes, as well as the fungible nature of refined products, regional supply disruptions and shortages can and do create

¹⁰ PADDs are regional designations first established during WWII for petroleum administrative and allocation purposes. They are used now for data collection purposes. The five PADDs are commonly referenced as East Coast (PADD I), Midwest (PADD II), Gulf Coast (PADD III), Rocky Mountain (PADD IV), and West Coast (PADD V). Illinois is in PADD II. PADD III comprises six states, including Louisiana and Texas.

nationwide adverse price impacts as well as supply failures. Inasmuch as PADD II overall lacks sufficient refining capacity to meet consumer demand, the region, including Illinois, receives significant volumes of refined products via pipelines from the Gulf Coast, the refining capacity of which greatly exceeds local demand for refined products. While precisely tracking such movements is difficult, there can be no doubt that preserving and enhancing the flow of Gulf Coast-produced gasolines and other fuels into the Midwest is critical to the region's economy and productivity. Thus for Illinois and the Midwest, there is a compelling need for stable and reliable sources of crude oil and its necessary transport facilities to and for the Gulf Coast as well as for the Midwest itself.

21. At the instigation of Enbridge and others, this Commission has repeatedly recognized that the crude oil resources of western Canada afford Illinois and much of the United States a desirable, stable, secure and economic alternative to traditional foreign, off-shore crude oil sources. The increasing availability of Canadian-sourced crude oil in the last two decades has led to shifts in demand patterns and supply-slate preferences by refiners that required increased pipeline capacity to satisfy the need and demand for Canadian crude oils. Recognition of these developments and their potential benefit to the public in Illinois and throughout PADD II caused this Commission to approve several major pipeline expansions and additions, as discussed above. Moreover, more recent developments in the United States, particularly the rapid growth of crude production in the Williston Basin resulting from increased exploration and improved production techniques, such as advanced well-completion and horizontal drilling techniques, have in the last few years created a new and significant source of domestic crude that needs market access.

22. International and interstate pipelines, such as those built and operated by Enbridge, are the most practical means of meeting the needs of Illinois and the nation for long

distance transportation of increased supplies of western Canadian and domestic crude oil. Indeed, the importance of expanding and extending the nation's pipeline infrastructure has been expressly recognized and encouraged by the federal government as a national priority. Thus the President recently declared in a Presidential Memorandum dated March 22, 2012 concerning the review of domestic pipeline infrastructure projects (www.whitehouse.gov/the-press-office/2012/03/22/presidential-memorandum) that:

“. . . for the foreseeable future, we will continue to rely on oil to help fuel our transportation system. As a result, we must safely and responsibly develop our oil resources here at home. . . .

* * *

In order to realize these potential benefits, we need an energy infrastructure system that can keep pace with advances in production. To promote American energy sources, we must not only extract oil – we must also be able to transport it to our world-class refineries, and ultimately to consumers.

The need for infrastructure is particularly acute right now. Because of advances in drilling technology . . . rising production is outpacing the capacity of pipelines to deliver the oil to refineries.

* * *

Although expanding and modernizing our nation's pipeline infrastructure will not lower prices right away, it is a vital part of a sustained strategy to continue to reduce our reliance on foreign oil and enhance our nation's energy security. Therefore . . . we must make pipeline infrastructure a priority [while ensuring health, safety, and the environment] while supporting projects that can contribute to economic growth and a secure energy future.”

To these ends, an “Executive Order on Improving Performance of Federal Permitting and Review of Infrastructure Projects” was issued concurrently with the Presidential Memorandum concerning the federal permitting and review process (Fact Sheet: “Obama Administration Commitment To American Made Energy,” www.whitehouse.gov/the-press-office/2012/03/21/fact-sheet). As stated therein, “the

need for pipeline infrastructure is urgent” and “[e]xpanding and modernizing our nation’s crude oil and refined products pipeline infrastructure is a vital part of a sustained strategy to continue to reduce our reliance on foreign oil and enhance our nation’s energy security,” to which ends “it is critical that we make pipeline infrastructure a top priority.” *Id.*¹¹

23. The “world-class refineries” requiring enhanced pipeline infrastructure include those in the U.S. Gulf Coast that will be reached by the new and enhanced transport capacities of Enbridge’s Flanagan South Pipeline and the Seaway Pipeline projects. Within the scope of these interconnected lines on the Gulf Coast will be some thirteen (13) major, modern refineries with a total capacity to process and refine 3.5 million bpd of crude oil, including the full range of crude types produced in western Canada and in the Williston Basin. The Flanagan South Pipeline, as noted, will initially be able to transport about 600,000 bpd to the Cushing Hub for continued transportation on the Seaway Pipeline, which, when fully operational, will have the capacity to transport 850,000 bpd to the Gulf Coast (Seaway currently terminates in the Houston area; a planned 85-mile extension will allow movements on to the Port Arthur/Beaumont, Texas refining complex). The output of these “world-class refineries” will be available to consumers in much of the nation, including those in Illinois, via the existing system of refined-product pipelines.

24. As recognized in the presidential declarations referenced above, “expanding and modernizing our nation’s pipeline infrastructure” by building projects such as the Flanagan South Pipeline and the Seaway Pipeline “could create jobs, promote American energy production . . . ultimately benefit consumers” and “reduce our reliance on foreign oil and enhance our nation’s energy

¹¹ The reversal and expansion of the Seaway Pipeline, along with other pending projects, will help mitigate transport backups and delays from Cushing to the Gulf Coast. Construction of the Flanagan South Pipeline will enhance access for Gulf Coast refiners to western Canadian and Bakken crude oil as alternatives to supplies from outside North America. The combined effect of the projects on both crude oil prices and refined product pricing will depend on overall supply levels, market demand, and refiner preferences.

security.” Presidential Memorandum, *supra*. Because Illinois consumers require, according to the most recent (2010) data, over 27.0 million gallons per day of refined petroleum products, including over 13.5 million gallons per day of gasoline, enhancing the nation’s capacity to supply such products from diverse sources, such as the Gulf Coast refineries, can only contribute to energy security and consumer satisfaction in Illinois. Demand in Illinois for petroleum and petroleum products for transportation, industrial, and home use has grown continuously since the mid-1990s, despite economic problems, and remains strong, despite alternative-energy developments, as the Presidential Memorandum recognizes. As well as being a major industrial and agricultural producer, Illinois is a significant participant in the national economy and can only benefit from economic growth and development across the nation facilitated by the provision of economic and secure supplies of crude oil for the country’s most substantial refining region.

25. Clearly, the Flanagan South Pipeline Project, when completed, will help meet the need for stable and reliable sources of oil as well as providing additional benefits to Illinois and the nation. The Flanagan South Pipeline Project will increase the likelihood of consumers paying less for the petroleum products they use when there are supply interruptions because the additional oil brought to world markets using the new pipeline will add to the industry’s transport capacity. Traditionally, the oil industry produces what it needs and holds little inventory; thus the ability to bring on line available capacity is a very important determinant of the extent of upward-price pressures related to unexpected supply interruptions. Additional oil supply made available via the Flanagan South Pipeline will provide an incremental insurance cushion to help diminish price volatility in situations of supply uncertainty. As well, the Flanagan South Pipeline Project will enhance national security in that it represents an important step toward reducing the nation’s reliance on Middle Eastern, African, and South American

crude oil by increasing access to energy from our own nation and our close ally Canada. Such greater energy security is vitally important: Iran and Venezuela, for example, have both threatened, and have the capability, to choke-off supplies of oil to the United States, thereby threatening the U.S. economy and national security. In addition, Enbridge's Flanagan South Project will benefit the economies of both the United States and of Canada. The benefits of a growing U.S. economy are obvious. However, a strong Canadian economy also benefits Illinois and the United States. When Canada's economy grows, so does its consumption of goods and services imported from the United States. Further, as Canada's economy grows, its investments in the United States also grow. The Midwest and Illinois share in these gains from trade and economic interdependence. Currently, the volume of trade between Illinois and Canada exceeds \$50 billion, and is growing. Should the Illinois economy slow, the importance of increased Canadian business and economic investments cannot be underestimated. Increasing Canadian exports, including crude oil, contribute to Canadian personal incomes and make it likely Canada will import more goods and services from the United States. This is a public use benefit for Illinois whether the increased imports are used in refineries in Illinois, the Midwest, or the U.S. Gulf Coast. Furthermore, construction of the Flanagan South Pipeline will bring jobs to Illinois. The expected amount of investment allocable to Illinois from development and construction of the Flanagan South Pipeline is \$901 million. It is anticipated that over 1,200 directly related construction jobs will be created in Illinois when line installation peaks. Additional ancillary economic benefits are also anticipated.

26. In addition to its economic contributions, Enbridge's Flanagan South Pipeline will meet the public need for increased supplies of western Canadian and Williston Basin crude oil in a manner conducive to the public convenience and necessity. By building the new pipeline generally along the

Spearhead Pipeline route, Enbridge will maximize the utilization of existing facility rights-of-ways and minimize any potential adverse environmental effects. Consequently, the proposed route of the Flanagan South Pipeline is the most effective and convenient way to provide the needed transportation service and capacity. Moreover, Enbridge's decision to collocate the requisite new pumping capacity facilities with the existing Spearhead stations reduces the need for new greenfield locations and reduces the line's overall footprint within Illinois. As discussed below (*infra* at ¶ 32), the route has been carefully chosen and is consistent with the public interest in a sound pipeline infrastructure. Collocating the new route with the Spearhead route is the most effective means of minimizing utilization of new routing and produces a route predominately located in rural areas used for agricultural purposes generally away from residential, commercial, and industrial areas. It is the most feasible path for the new pipeline. See Exhibits B and C.

APPLICANT'S FITNESS, WILLINGNESS,
AND ABILITY TO PROVIDE
COMMON-CARRIER-BY-PIPELINE SERVICE

27. Enbridge and its predecessors have a long history of successfully operating common carrier pipelines in Canada, the United States, and Illinois. This history began almost sixty years ago in Canada when Enbridge (née Interprovincial Pipe Line) built the first pipeline out of Alberta. By 1950, it had successfully brought the pipeline system to the head of the Great Lakes at Superior, Wisconsin, where crude was transferred by tanker ships originally to eastern Canada and then also to U.S. inland ports. In ensuing years, 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. Subsequently, additional Enbridge pipelines were built to reach other markets and deliver crude oil needed by their residents. Thus for decades the Enbridge Mainline System has operated thousands of miles of pipelines and delivered billions of barrels of liquid petroleum to American and Canadian

consumers. 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, and today the Enbridge Mainline System transports the majority of the crude oil produced in western Canada and is the major source of crude oil supply for much of the refinery demand in the Midwest, including in Illinois, and in eastern Canada.

28. As part of the Enbridge Mainline System, Enbridge FSP will participate as an industry leader in applying pipeline-control and leak-detection systems and advanced computerized control, monitoring, and detection equipment along the pipeline network. It will utilize advanced SCADA (Supervisory Control and Data Acquisition) systems that constantly monitor sensing devices placed along the Enbridge systems to track the pressure, temperature, density, and flow of liquid petroleum under transport and display each movement's status to operators in the Operations Control Center in Edmonton, Alberta. The Edmonton Control Center, which monitors and controls Enbridge's pipelines in Illinois (the North Dakota System is controlled from Enbridge's center in Estevan, Saskatchewan), uses modern pipeline-control technology to monitor Enbridge's liquid pipelines. Information flows to and from the Edmonton center and system facilities actively transporting liquids on a 24/7 basis using Enbridge's extensive telecommunications facilities, which will be expanded to include the Flanagan South Pipeline. Through these systems, Enbridge's operators can maintain its pipelines within established operating parameters and can remotely and automatically shut down pump stations and isolate pipeline segments when they observe abnormal conditions or if safety parameters are exceeded. A subsystem of SCADA, known as CPM (Computational Pipeline Monitoring System), has the ability to analyze deviations in the flow of liquids through the pipelines, thus allowing operators to identify small leaks that would otherwise not be as readily detectable remotely. CPM will of course be used on the new line as one of several leak-detection capabilities. Strict operations rules require center operators to shut down lines whenever conditions are discovered that cannot be attributed to normal fluctuations

and changes in the flow of petroleum. Such systems and procedures are but part of Enbridge's extensive effort to prevent and detect leaks; detailed maintenance programs, regular inspections, and comprehensive public awareness/education efforts also combine to help find and control releases.

29. 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 36-inch diameter Flanagan South Pipeline will be constructed using pipe with a minimum 0.515-inch wall thickness and will be API 5L, Grade X70 steel pipe manufactured by Evraz North America, a highly qualified petroleum pipeline fabricator, whose plant in Regina, Saskatchewan will make the pipe for this project, using North American-sourced steel.¹² Enbridge will monitor the pipe-fabrication process and inspect and factory test the pipe to assure quality and adherence to standards. As are all Enbridge pipelines, the new pipeline is designed to withstand pressures over and above its normal operating pressure. All pipe is inspected and integrity-tested at the factory and transported per federal regulations and the highest transport standards. The pipe will be plant-coated with 14-mil external fusion-bonded epoxy to protect against corrosion (coating in the controlled environment of a pipe plant greatly enhances the efficacy of the process; coating is re-inspected in the field and additional coating is applied to all pipe welds). In agricultural areas, the pipe will be installed at a minimum depth of four feet below grade (thus exceeding federal requirements) except where greater depth may be required for particular conditions such as road and water body crossings, etc. Advanced excavation, soil-separation, and decompaction and restoration techniques will be employed to preserve soil productivity and profiles and all disturbed areas will be reclaimed to reflect pre-construction conditions and grades or otherwise mitigated. To avoid soil mixing, all work-area top soils, not just the trench areas, will be stripped and stored separately. To

¹² At road crossings and similar locations, pipe-wall thickness will be increased to about 0.602-inches and for directional-drill situations, *e.g.*, rivers, the pipe wall will be 0.750-inches thick.

assure minimal impacts on agricultural properties, as was done for prior Enbridge pipelines in Illinois, such as the Southern Access, Southern Lights, and Extension pipelines, Enbridge will enter into an Agricultural Impact Mitigation Agreement with the Illinois Department of Agriculture that will provide comprehensive procedures to deal with productivity, erosion, access, and other issues of concern in agricultural areas (this is currently being negotiated – a copy will be furnished when completed). Engineering design work for the pipeline and the pump stations is being performed by Gulf Interstate Engineering and Universal Pegasus International, both highly regarded, Houston-based engineering firms well-known to the pipeline industry. The actual installation of the pipeline will be subject to regulatory inspection, including by PHMSA inspectors operating from the agency's Central Region office in Kansas City, Missouri and field office in Des Plaines, Illinois. Enbridge additionally will employ construction, safety, and environmental inspectors not affiliated with its pipeline contractors to assure compliance with Enbridge's contract specifications for pipeline construction, which specifications incorporate all regulatory and industry requirements. Although not yet selected, Enbridge will utilize only highly qualified and experienced contractors to perform the pipeline and facilities construction and installation work. Employing such contractors ensures that Enbridge's new pipeline and facilities will meet and/or exceed all federal and industry standards. Along the pipeline route, numerous remotely controllable sectionalizing valves will be installed, including at major water-body crossings such as the Vermillion, Illinois and Mississippi Rivers, to allow rapid isolation of impaired line segments in the event of an emergency. Such valve sites will be linked to the Control Center by modern communication facilities. During and after installation, the line will be subjected to careful testing to verify its integrity and compliance with all regulatory standards and contract specifications. Such testing will include checking coating integrity; examining by non-destructive testing 100% of field welds (well above the 10% required by regulation); internally inspecting the entire length of the line by using an in-line

inspection tool known as a caliper pig; and hydrostatically testing the pipeline. The line's operating pressure will comply with Federal regulatory standards (generally 72% of the specified minimum yield strength of the pipe). The line will go into service only after inspection and thorough commissioning to verify compliance with all construction standards and requirements. The construction and installation of the Flanagan South Pipeline must, and 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 route. These include the U.S. Army Corps of Engineers ("ACE"), the Illinois Department of Natural Resources ("DNR"), and the Illinois Environmental Protection Agency ("IEPA"). A list of such environmental authorities, as well as involved cultural/historical agencies, and their permitting requirements is appended as Exhibit F.

30. Compliance with regulatory requirements applicable to pipeline construction is only part of Enbridge's commitment to protecting and enhancing the environments in which its lines and facilities operate. Enbridge expends many millions of dollars annually to maintain, protect, and upgrade its pipelines and other facilities. All of Enbridge's mainline liquid pipelines are coated to resist corrosion, inspected at regular intervals using internal-inspection technology, and equipped with cathodic-protection systems to prevent external corrosion. To prevent internal corrosion, Enbridge will require that all crude oil types presented for transport, including oil-sands sourced crude (which in composition resembles conventional heavy crude), meet Enbridge's quality and product specifications (decades of transporting western Canadian crude oils through Enbridge's lines have not produced any significant threat of internal corrosion). In addition, Enbridge'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's detailed "Operating and Maintenance Procedures," which include regularly scheduled maintenance inspections

and tests and are periodically inspected by PHMSA for compliance with federal requirements, will be applied to the Flanagan South Pipeline Project. Enbridge also 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 pipelines are marked with signage and warnings, per federal regulations, at road and highway crossings, 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 supplement existing Spearhead line resources as needed for the Flanagan South Pipeline -- and trains its personnel to deal with pipeline emergencies. An emergency response plan, required by 49 CFR Part 194 and approved by PHMSA, is in place and force and specialized response-services providers have been identified to supplement Enbridge's resources if necessary. Enbridge has high standards for environmental protection, as demonstrated by its record in Illinois where its lines have operated since 1968. In that span of over forty years, Enbridge/Lakehead has had few mainline releases within Illinois large enough to be reported under applicable federal regulations. Two of these, including the most substantial at Elgin in 1986, were caused by improper excavating or equipment operation within the pipeline right-of-way. In all cases, the pipeline was shut down and the release was promptly and effectively contained and mitigated by Enbridge. Given the many billions of barrels of liquid petroleum transported into and through Illinois by Enbridge/Lakehead since 1968, Enbridge's history in Illinois is a positive record of safe, environmentally conscious operation, which record Enbridge is committed to maintaining and improving. Moreover, that history shows that in those rare instances where accidents and mistakes happen, Enbridge deals with, corrects, and takes responsibility for such matters.¹³

¹³ In September 2010, Line 6A of the Lakehead System suffered a release of approximately 6,500 barrels at a

31. That Enbridge is committed to the Flanagan South Pipeline Project 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 overwhelmingly positive responses to two open-seasons (*supra* at ¶ 16). The resulting “Transportation Service Agreements” and rates, as well as tariff conditions and terms for uncommitted monthly nominations, will be submitted to FERC prior to placing the new pipeline into operation. The requisite capital, now estimated to be \$2.8 billion, has been committed by Enbridge’s Board of Directors and Enbridge is financially capable of constructing and operating the new pipeline, as is evident from the appended reports and financial statements of Enbridge Inc. See Exhibits G and H. Enbridge Inc. has committed itself to supply the necessary financing for Enbridge FSP through construction and service initiation. Enbridge FSP has qualified itself to do business in Illinois and the necessary steps are in progress to construct the new line and place it in operation in order to deliver vitally important crude oil beginning mid-2014. As noted, Enbridge intends to use the Spearhead right-of-way as the major part of the route of the Flanagan South Pipeline, thus facilitating construction. As well, efforts are underway to conduct detailed civil, environmental, and archeological surveys along the proposed right-of-way; construction specifications are under development; pipe fabrication has been scheduled; and notice of this Application is being provided to the pipelines, railroads, telecommunications companies, county boards, municipal governments, and regulatory agencies listed on Exhibit I appended hereto. Also, Applicant has compiled, and appended hereto pursuant to 83 Illinois Administrative Code § 200.150(h), a list of the owners of record of

location in Romeoville. The line was rapidly shut down, response teams arrived on site in just hours to contain released crude, and all affected areas were mitigated promptly and completely. An investigation of the cause of the release is on-going under the direction of the National Transportation Safety Board. Despite evidence of external causation, Enbridge compensated all residents and businesses impacted by the release and complied with all USEPA and IEPA mitigation/restoration requirements.

privately owned tracts of land upon or across which Applicant expects to construct the new Flanagan South Pipeline and pump stations. *See* Exhibit E.

CONSTRUCTION AUTHORITY/EMINENT DOMAIN POWER

32. For all the reasons discussed above, the construction, operation, and maintenance of the Flanagan South Pipeline is needed and is conducive to the public convenience and necessity, both of Illinois and of the broader petroleum-consuming public in the Midwest and the nation. For those reasons, an Order under Section 8-503 of the Act directing Enbridge FSP to construct, operate, and maintain the pipeline should issue. Similarly, the Commission should issue an Order under Section 8-509 of the Act authorizing Enbridge FSP to acquire property for the pipeline through the law of eminent domain when necessary. Enbridge has no desire or intention to condemn the permanent and temporary workspace easements and other interests in land it requires for the pipeline, preferring instead to acquire the needed rights through good-faith negotiations with landowners. Enbridge already owns rights-of-way along the majority of the route because of its ownership of the Spearhead System and will use that right-of-way as necessary to build the Flanagan South Pipeline. Although some of the existing Spearhead right-of-way lacks a defined width, where defined it is generally fifty (50) to eighty (80) feet in width. Civil surveys are underway to establish the precise configurations for both pipelines. Where necessary for the Flanagan South Pipeline, additional permanent easement space will be sought to allow for a fifty (50) foot centerline-to-centerline offset between the two pipes. Such separation is necessary to allow for safe construction, operation, and maintenance activities on the two pipelines. Because the Spearhead right-of-way varies in width, the combined right-of-way area will vary along the route (civil surveys will define the space requirements of each tract). Also, during construction, additional 85-foot temporary workspace easements will be

needed alongside the permanent easement areas. Extra temporary workspace ranging from 100' x 200' to 200' x 200' will be required in some locations to accommodate crossings of roads, wetlands, railways, and water-bodies. Enbridge is instituting for the Flanagan South Pipeline a land-acquisition program similar to those found adequate and acceptable in Docket Nos. 06-0470 and 07-0446. Under such programs, Enbridge informs landowners along the proposed route of Enbridge's project and needs, solicits their input and participation in the route-planning process (survey access has already been granted by over 90% of the landowners on the route), adjusts right-of-way locations and installations as possible to accommodate landowner interests and concerns, and compensates landowners for needed interests at or above their fair market values, paying full fee value for both fee interests and permanent easements used for the right-of-way as well as above-market rental-type values, generally thirty percent (30%) of fee value, for temporary workspace easements which last only during construction.¹⁴ It is also Enbridge's policy and practice to compensate landowners fully for any non-restorable incidental damages, such as loss of marketable trees; to pay for crop losses incurred during and after construction of a pipeline via a generous formula; and to restore any area affected by construction to reflect its pre-existing status as fully as possible, as per, *e.g.*, the agricultural impact mitigation procedures agreed upon with the Illinois Department of Agriculture. Enbridge right-of-way agents are trained and tasked to negotiate fully and fairly with landowners, preferably via face-to-face contact as much and as often as necessary to reach accord. Information efforts and programs -- mailings, meetings, open-houses (three such sessions have been held in Illinois to date), etc. -- are also employed to inform landowners and interested persons, such as Farm Bureau members and local officials, of project plans, procedures, and potentials. Enbridge bases offers for

¹⁴ For Spearhead tracts utilized with multiple-line rights, Enbridge will compensate landowners at current value levels rather than specified historical contract amounts not consistent with inflation and other factors.

easements, etc., on careful analysis of property values in the area of the route for comparable properties and employs written easement documentation (Exhibit J) that clearly defines the parties' respective rights and preserves to the landowner substantial control over and use of the land impressed with an easement. All offers are made in writing, with appropriate legal descriptions and plats identifying the extent and placement of the pipeline and/or temporary workspace easements. Enbridge tries to have several person-to-person contacts with each landowner to provide route information, secure survey consents, discuss concerns, and present offers for consideration. It adheres to the Commission's information and notice requirements under 83 Ill. Admin. Code Part 300 and supplements that data with materials of its own about the pipeline, pipeline construction, agricultural mitigation, etc. *See* Exhibit K. By employing such practices and procedures, Enbridge is confident that it can acquire most of the requisite right-of-way easements -- a significant but manageable task given Enbridge's ownership of the Spearhead right-of-way -- by good-faith negotiations.¹⁵

33. Enbridge prefers to avoid condemnations because they are costly and inefficient. Nonetheless, as found in Docket No. 06-0470, Enbridge's experience as well as reality suggest that authority to condemn in proper circumstances, such as refusals to negotiate or refusals of contact, 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 refusals to negotiate reasonably or at all. Enbridge of course would not resort to condemnation unless and until all its reasonable offers and efforts had been refused or rejected. This is expected, based on past experience, to be fairly rare. For example, in connection with the

¹⁵ Enbridge has established a field office in Edwardsville to perform the right-of-way acquisition functions. Highly experienced agents, title experts, and supervisors have been retained to interact with landowners and the public. Enbridge trains and directs all such persons.

construction of the Southern Access Expansion Pipeline certificated in Docket No. 06-0470, fewer than a dozen condemnations were initiated as a “last resort” against landowners who would not meaningfully negotiate. Even in these circumstances, Enbridge continued to negotiate with the landowners and settled all such actions; none proceeded to a condemnation judgment. In this instance, due to Enbridge’s rights in the Spearhead right-of-way, it is anticipated that acquisition negotiations will be generally successful.

34. Nonetheless, Enbridge believes that its concern over “holdouts” is particularly germane in this case and should properly be considered in any Commission analysis. As discussed, the great majority of the proposed path of the Flanagan South Pipeline in Illinois parallels the route of the Spearhead Pipeline and will partially use existing rights-of-way, which may need to be widened to accommodate the parallel pipes. There are over 750 separate tracts on the proposed Illinois route. Due to having multiple-line rights in 70% of the Spearhead tracts on the route, sound pipeline practice dictates that the Flanagan South route be collocated with the Spearhead line to the maximum extent possible. This reality potentially enhances the monopoly power of a “holdout” landowner because Enbridge’s ability to route around that landowner’s property is considerably diminished by virtue of the significant benefits of using the existing right-of-way of the Spearhead Pipeline. Under these circumstances, there cannot be serious question that a landowner, by virtue of a refusal to deal, could block or cause great difficulty and expense to the Flanagan South Pipeline Project if eminent domain authority were not granted. The grant of eminent domain authority will remove the incentive to holdout and engage in uneconomic rent-seeking and potentially diminish the monopoly power of a holdout landowner.

35. Enbridge is working energetically to acquire the right-of-way needed and necessary landowner consents. Various informational mailings have been made to landowners

and public officials and the requisite Commission information for landowners has been mailed to all landowners of tax record, as well as concerned public officials. See Exhibit K. Through such introductory and informational efforts, Enbridge has already had contact with the majority of landowners on the Flanagan South Pipeline route. Accordingly, civil and environmental survey work is progressing well and Enbridge FSP is confident it can cause the Flanagan South Pipeline to be operational in mid-2014 as scheduled. As the process continues, detailed discussions and negotiations for easements and other necessary interests will begin during summer 2012. Enbridge will keep the Commission advised of the progress thereof.

CONCLUSION

For the reasons stated above, the petition of Enbridge Pipelines (FSP) L.L.C. should be granted and the Applicant should be certificated as a common-carrier-by-pipeline and ordered and authorized to construct the Flanagan South Pipeline and to condemn private property when necessary to such construction.

Respectfully submitted,

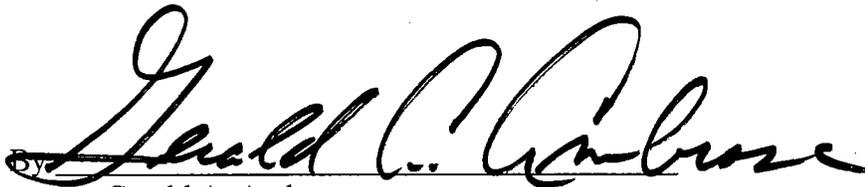
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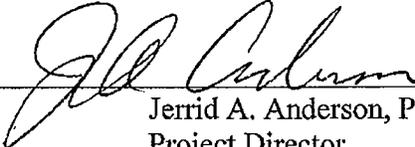
Gerald A. Ambrose
One of Applicant's Attorneys

Dated: May 15, 2012

VERIFICATION

STATE OF MINNESOTA)
)
COUNTY OF SAINT LOUIS) SS

Jerrid A. Anderson, P.E., first being duly sworn upon oath, deposes and says that he is the Project Director, Flanagan South Pipeline Project of Enbridge Inc., the ultimate parent of Applicant Enbridge Pipelines (FSP) L.L.C.; that he is authorized to make this verification on behalf of Applicant; and that he has read the above and foregoing Application, including the attachments appended thereto, and knows the contents thereof, and that said contents are true and correct to the best of his knowledge, information, and belief.



Jerrid A. Anderson, P.E.
Project Director
Flanagan South Pipeline Project

SUBSCRIBED AND SWORN
to before me this 14th day of May, 2012.



Notary Public

