

## **Attachment 1**

### **Parental Guaranty and Financial Information**

#### **I. Overview of Parental Guaranty for Line 3 Replacement**

As one of its Modifications to the Certificate of Need (“CN”) for the Line 3 Replacement Project (“L3R”) in Minnesota, the Minnesota Public Utilities Commission (the “Commission”) modified the CN to require the Applicant, Enbridge Energy, Limited Partnership, to provide a parental guaranty based on EN-98 (the Guaranty from Enbridge Energy Partnership (“EEP”) for the Sandpiper Pipeline Project), with the following revisions:

- making Enbridge Inc. the guarantor of liabilities for environmental damages arising from the construction or operation of L3R in Minnesota;
- expanding the definition of “Occurrences” or otherwise revising the guaranty to cover the nonperformance of any route permit conditions and other CN modifications that were necessary to receive approval from the Commission, including but not limited to any nonperformance of obligations for removal of existing Line 3 and for decommissioning of L3R; and
- clarifying that tribes are included as “beneficiaries” of the guaranty.

The parental guaranty from Enbridge Inc. for L3R (“Parental Guaranty”) is provided as Attachment 1A. A redline showing the changes made from Ex. EN-98, the parental guaranty from Enbridge Energy Partners, L.P. for the Sandpiper Pipeline Project is included as Attachment 1B.

#### **II. Overview of Financial Information**

Further, the Commission directed Enbridge to make a compliance filing including and/or addressing the following:

- A. an explanation of how the revised draft addresses concerns raised by the Department of Commerce—Division of Energy Resources (“DOC-DER”), including (1) liability of successors and assigns of the guarantor, Enbridge Inc.; (2) the role of Enbridge Inc. in the process; and (3) the enforceability of a Minnesota judgment on the guaranty in the Canadian judicial system;
- B. ongoing reporting and spill modeling requirements so that the State can determine Enbridge’s ongoing ability and at-the-ready financial resources and insurance coverage to respond to a full-bore pipeline rupture at maximum design capacity and with maximum drain down affect within a range of high consequence areas in Minnesota, similar to that presently modeled for the Canadian National Energy Board (“NEB”);

- C. an updated cost model for the full-bore pipeline rupture scenario discussed immediately above;
- D. a description of the guarantor’s at-the-ready financial resources and insurance coverage available to the applicant and the guarantor to respond to a catastrophic full-bore rupture; and
- E. the implications of Enbridge’s recent (or proposed) restructuring following the FERC order on master limited partnerships as it relates to the availability of at-the-ready resources to respond to the obligations established by the guaranty.

This filing addresses these issues. Issues B and D are addressed together, below. Notably, the Commission made a separate modification to the CN for insurance purposes. Thus, while insurance is discussed to a degree in Section B, below, the CN insurance modification is addressed in detail in Attachment 5A.

**A. Response to Concerns Raised by the DOC-DER.**

1. Successor and assignee liability under the Guaranty.

The successors and assigns of Enbridge Inc. would be bound by the Parental Guaranty. This is made clear through Sections 6 and 10 of the revised guaranty. Specifically, Section 6 provides that the Guarantor’s obligations are absolute and will not be affected by “any amalgamation, sale, merger, or re-organizations of the Guarantor” and consent from the State is needed to assign the Guaranty if the Guaranteed Party were sold to a non-affiliated entity. Section 10 provides that the Guarantor may not assign the Guaranty or delegate its obligations without prior consent, except that the Guarantor may transfer its interests to a parent or affiliate without consent. Because Guarantor’s interest under the Guaranty is the guarantee of the Obligations (as defined therein), such guaranty would necessarily be binding on an assignee in the event of an assignment. Moreover, Section 10 provides that a transfer to a parent or an affiliate does not relieve the transferor of its obligations under the Guaranty.

2. Enbridge Inc.’s role in the claims process.

Enbridge Inc. is the Guarantor. As such, under the Guaranty, Enbridge Inc.’s role in the claims process would be to perform its obligations under the Guaranty as set forth therein in the event the Guaranteed Party failed to perform and the procedures to enforce the guaranty against the Guarantor were followed.

3. The enforceability in Canada of a Minnesota judgment under the Guaranty against Enbridge Inc.

Enbridge Inc. is a Canadian corporation that is extra-provincially registered in numerous Canadian provinces, including Alberta. Enbridge Inc.'s registered/head office is in the City of Calgary, in the Province of Alberta.

i. Commencement of an action for recognition and enforcement

To commence an action for the recognition and enforcement of a foreign judgment (e.g., a judgment from a Minnesota court against Enbridge Inc.), the party seeking recognition files with the Alberta court either a statement of claim or an originating application (when there is no substantial factual dispute). If the parties have previously agreed on how service of process is to be effected or made in advance of a claim being commenced, service of a commencement document can be made in the manner agreed.

The Parental Guaranty provides how service of process would be adequately accomplished for purposes of commencement of the action. Specifically, at Section 10, it provides that “[t]he Guarantor consents to the service of process in any action or proceeding relating to this Guaranty by Notice to the Guarantor in accordance with the provisions of Section 8 hereof.”

ii. Recognition and enforcement of a judgment under the Guaranty

Alberta courts regularly recognize foreign judgments as though it is a simple contract debt. Alberta courts recognize and enforce foreign judgments in accordance with the Alberta common law application of private international law principles. A foreign judgment (e.g., a judgment from a Minnesota court against Enbridge Inc.) will be enforceable in Alberta where it is both final and conclusive and is issued by a court properly exercising jurisdiction. Alberta courts will not inquire into the substantive or procedural law of the foreign jurisdiction absent evidence of fraud, a violation of natural justice, or a violation of public policy.

A judgment is final when the court that issued it no longer has the power to review, recall or rectify the judgment. Final does not necessarily mean that all avenues of appeal in the foreign jurisdiction have been exhausted; a foreign judgment under appeal may be recognized and enforced in Alberta. *Battaglia v. Ballas*, 1983 Carswell Alta 417 (Alta. Q.B.).

As set forth in the Parental Guaranty, the trigger for Enbridge Inc.'s liability stems from final non-appealable orders or judgments or pursuant to written settlement agreements.

Before a foreign judgment can be enforceable in Alberta, the Alberta Court must be satisfied that the foreign court acted correctly in assuming jurisdiction. This does not mean that the foreign court must have been the most convenient forum. Rather, the requirement will be satisfied where there is a real and substantial connection to the foreign court. Indicators of a real

and substantial connection may include: (i) attornment to the jurisdiction; (ii) an agreement between the parties to submit; (iii) residence or domicile of the defendant; and (iv) whether the defendant carries on business in the foreign jurisdiction. *Beals v. Saldana*, 2003 Carswell Ont 5101 (S.C.C.), at paragraph 37.

Under the Parental Guaranty, Enbridge Inc. is voluntarily and expressly submitting to jurisdiction in Minnesota in an action, agreeing that Minnesota law will apply, and waiving arguments that Minnesota is not a convenient forum.

Once a foreign judgment is recognized, it can be enforced in the same manner as any other order of an Alberta court, including enforcement mechanisms under the Rules and the *Civil Enforcement Act*, R.S.A. 2000, c. C-15. Enforcement mechanisms, in an appropriate case, may include: (i) garnishment; (ii) seizure and sale; (iii) debtor examinations; and (iv) appointment of a receiver.

## **B. Release Modeling and Financial Resources Reporting**

The Commission has required that Enbridge establish ongoing reporting and spill modeling requirements so that the State of Minnesota can determine ongoing ability of Enbridge Energy, Limited Partnership (as operator) and Enbridge Inc.’s at-the-ready financial resources and insurance coverage to respond to a full-bore pipeline rupture at maximum design capacity and with maximum drain down affect within a range of High Consequence Areas (“HCAs”) in Minnesota, similar to that presently modeled for the NEB. Section B.1, below, provides background for the spill modeling and reporting requirements that are being established for L3R in Minnesota, similar to what is presented to the NEB. Section B.2 discusses Enbridge’s at-the-ready financial resources and future financial resource reporting requirements, similar to what is presented to the NEB.

### **1. Release modeling**

#### **i. Overview of release modeling for full-bore rupture of L3R in Minnesota**

Enbridge will conduct an analysis of the potential costs, including clean-up costs, for a full-bore pipeline rupture at maximum design capacity and with maximum drain down effect within a range of HCAs along L3R in Minnesota. Enbridge’s analysis will use the same model that was used for presenting similar information to the NEB in connection with Enbridge’s applications for the Canadian portion of L3R. An overview of that model, the Enbridge Risk Consequence Calculation, is Attachment 1C hereto.

#### **ii. Timing of providing updated release modeling results to the Commission**

In order to conduct the modeling analysis described above, Enbridge needs to collect data sets, analyze HCAs, and do the model runs based upon a determined route. This involves

finalization of, among other things, valve locations. Enbridge is in the process of gathering the information necessary to conduct this analysis whether RSA-21 or RSA-22 is part of the approved route. Assuming that a final route is known on or around August 30, 2018, Enbridge anticipates that it will be able to file information as to the anticipated costs of the hypothetical releases by October 31, 2018.

iii. The release modeling results may be carried forward

The NEB does not require the release modeling information to be reported on an annual or other ongoing basis during the operation of NEB-regulated pipelines. While the costs produced by the model are subject to change on account of changes to the exchange rates and/or inflation, otherwise, they are not anticipated to materially change because the pipeline's location is static. As a result, the information that will be provided to the Commission by (tentatively) October 31, 2018, may be used in future years when the Commission analyzes the adequacy of Enbridge's at-the-ready resources.

2. Financial Resources

a. Update on Enbridge's financial resources

Subsequent to the testimony of Enbridge witness Chris Johnston regarding Enbridge's financial resources and the ability of Enbridge to respond to a release, the 2018 annual budget was presented and approved by the Board of Director's responsible for the governance of EEP and EELP. On November 29, 2017, EEP issued a news release stating it expects 2018 Distributable Cash Flow (DCF) to be in a range of \$775 - \$825 million after deducting DCF attributable to Non-Controlling Interests.

On December 22, 2017, the United States implemented certain federal tax reforms. The "Tax Cuts and Jobs Act" ("TCJA") was signed into law and became enacted for tax purposes. For purposes of this submission, the most significant change included in the TCJA was a reduction in the corporate federal income tax rate from 35% to 21%. This tax rate change reduced the income tax allowance component of the tolls in EEP's FERC regulated cost-of-service based Facility Surcharge Mechanism ("FSM") projects for 2018. The total annual impact to EEP is expected to be roughly \$55 million per year, net of non-controlling interests. As a result, on February 15, 2018, EEP adjusted its 2018 DCF guidance range to \$720 million - \$770 million from \$775 million - \$825 million. There was no material financial impact to Enbridge Inc. consolidated financial results as a result of this change at EEP.

On March 15, 2018, FERC changed its long-standing policy on the treatment of income tax amounts included in the rates of pipelines and other entities subject to cost of service rate regulation within a master limited partnership ("MLP"). In its order PL17-1-000, FERC revised

a policy in-place since 2005 to no longer permit entities organized as a MLP to recover an income tax allowance in their cost of service rates.

EEP is organized as an MLP and certain of the rates applicable to its expansion projects are tolled annually on a cost of service basis, via the Lakehead FSM. The 2018 financial impact to EEP, resulting from a reduction in the income tax allowance to nil, is expected to be a \$60 million reduction to DCF, net of non-controlling interests. As a result, on March 16, 2018, EEP adjusted its 2018 DCF guidance range to \$650 million - \$700 million from \$720 million - \$770 million. There was no material financial impact to Enbridge Inc. consolidated financial results as a result of this change at EEP.

A summary of EEP's at-the-ready financial resources is provided in Attachment 1D.

b. At-the-ready resources

Enbridge submits its at-the-ready financial resources to the NEB on an annual basis using a uniform template for submission. The form is subject to change at the NEB. The current form, which has been completed to show the resources at-the-ready resources of EEP and Enbridge Inc., is attached hereto as Attachment 1D.<sup>1</sup> Enbridge proposes to report these or similar figures on an annual basis.

In addition, there is a substantial amount of publicly available information about Enbridge that reflect Enbridge's financial resources. Those resources would include information from credit agencies, which are available at: <https://www.enbridge.com/investment-center/stock-and-dividend-information/credit-ratings> (Enbridge Inc.) and <https://www.enbridgepartners.com/Investor-Relations/EEP/Financial-Information/Credit-Ratings.aspx> (EEP and EELP), as well as quarterly and annual financial reports, which are available at: <https://www.enbridge.com/investment-center/reports-and-sec-filings/investor-documents-and-filings> (Enbridge) and <https://www.enbridgepartners.com/investor-relations/eeep/financial-information/sec-filings.aspx> (EEP and EELP).

Enbridge anticipates that its annual financial compliance filings will continue to show adequate at-the-ready financial resources, as well as insurance coverage, to respond in the event of a full-bore rupture scenario as was discussed above. If, however, there are questions about the adequacy of Enbridge's at-the-ready resources, Enbridge proposes that the Commission issue a notice to Enbridge identifying an alleged deficit in Enbridge's at-the-ready resources. The notice would also establish a response process within which Enbridge would have the opportunity to respond to the notice and demonstrate the adequacy of its resources or, alternatively, Enbridge

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<sup>1</sup> Notably, Enbridge Inc. has also announced assets sales in 2018 of approximately \$7.5 billion, and the cash proceeds from these transactions will provide significant additional financing flexibility. Enbridge Inc. DCF for annual 2018 is expected to be in the range of \$7 billion to \$7.5 billion.

could propose an assurance mechanism, appropriate under the circumstances, to raise Enbridge's response capacity to an adequate level.

#### E. Potential Impacts of FERC Order Re: Master Limited Partnerships

On May 18, 2018, EEP announced that it has received a non-binding offer from Enbridge Inc. and Enbridge (U.S.) Inc. to acquire all of the outstanding equity securities of EEP not currently beneficially owned by Enbridge. The proposed transaction is subject to the review and recommendation by the special committee of the EEP Board, final approvals by the EEP Board and the boards of directors of Enbridge Inc. and Enbridge (U.S.) Inc., and negotiation of a definitive agreement. There can be no assurance that any agreement will be reached or that a transaction will be consummated.

If the transaction is concluded as planned, EEP and the Applicant would be 100% owned by Enbridge Inc. It is also expected that subsequent to the restructuring EEP would no longer be organized as a MLP and the income tax allowance that was recently disallowed by FERC would be restored.

In addition to the proposed EEP transaction, Enbridge Inc. has separate all-share proposals to the respective boards of directors of its other sponsored vehicles, Spectra Energy Partners, LP (NYSE: SEP), Enbridge Energy Management, L.L.C (NYSE: EEQ) and Enbridge Income Fund Holdings Inc. (TSX: ENF), to acquire, in separate combination transactions, all of the outstanding equity securities of those sponsored vehicles not beneficially owned by Enbridge.

These transactions will simplify and streamline Enbridge's corporate and capital structure, bringing all of the core liquids and gas pipeline businesses under the umbrella of one single listed entity. It will increase trading liquidity, transparency, and ease of investing in Enbridge as well as enhance Enbridge's credit profile by eliminating sponsored vehicle public distributions and increasing retention of cash flow. Thus, while Enbridge is fully prepared to respond to any unanticipated releases in its current structure, the proposed restructuring above would only serve to further strengthen Enbridge's position.

**ENBRIDGE INC.  
GUARANTY**

**GUARANTY**, effective as of the date executed by Enbridge Inc. (the “**Guarantor**”), in favor of the State of Minnesota including all agencies and political subdivisions thereof (the “**State**”) and any person, including any Tribe (as defined below), damaged by an Occurrence (as defined below) (collectively, the “**Beneficiaries**” or, individually, “**Beneficiary**”).

**WHEREAS**, Enbridge Energy, Limited Partnership, a Delaware limited partnership (including its successor and assigns, the “**Guaranteed Party**”), is a limited partnership in which the Guarantor has no direct ownership interest;

**WHEREAS**, the Guaranteed Party has requested, in Docket Numbers PL-9/CN-14-916 and PL-9/PPL-15-137, that the State, through the Minnesota Public Utilities Commission (the “**Commission**”) approve a Certificate of Need and a Route Permit for the construction and operation of the Minnesota portion of a crude oil pipeline between Hardisty, Alberta and Superior, Wisconsin (as constructed pursuant to a Certificate of Need and Route Permit issued by the Minnesota Public Utilities Commission, the “**Project**”);

**WHEREAS**, the Guarantor expects it will derive benefit from the Project;

**WHEREAS**, the State, through the Minnesota Department of Commerce-Division of Energy Resources (“**Department**”), has recommended that any approval by the Commission of Guaranteed Party’s application for a Certificate of Need must be conditioned on the Guaranteed Party’s provision of financial and other assurances with respect to the Obligations (defined below);

**WHEREAS**, consistent with the Department’s recommendation, the Commission has granted the Guaranteed Party’s application for a Certificate of Need as modified to require the Guarantor provide this Guaranty;

**WHEREAS**, in the event that the Guaranteed Party is unable or unwilling to fully and completely fulfill its Obligations, the Guarantor agrees to be fully and completely responsible for all of the Guaranteed Party’s unsatisfied Obligations that result from a Default (as defined below); and

**WHEREAS**, the Guarantor assures the State that it has the financial resources to be fully and completely responsible for all of the Guaranteed Party’s Obligations.

**FOR VALUE RECEIVED**, receipt of which is hereby acknowledged, the Guarantor agrees as follows:

1. **Definitions**. For the purposes of this Guaranty, the following terms have the following meanings:

- (i) “**Damages**” means (A) any amount the Guaranteed Party is legally liable to pay to a Beneficiary resulting from an Occurrence pursuant and according to the terms of (a) a written



settlement agreement between the Guaranteed Party and a Beneficiary or (b) a final non-appealable order or judgment by an agency, political subdivision, or court of competent jurisdiction or (B) any action the Guaranteed Party is legally liable to take to remedy a Performance Default according to the terms of (a) a written settlement agreement between the Guaranteed Party and the State or (b) a final non-appealable order or judgment by an agency, political subdivision, or court of competent jurisdiction.

(ii) **“Default”** means any Payment Default or any Performance Default.

(iii) **“Notice of Demand”** means (A) a written notice by any Beneficiary to the Guarantor after the occurrence of a Payment Default or (B) a written notice by the State to the Guarantor after the occurrence of a Performance Default, in each case setting forth a description of the applicable Damages, the applicable Default, the remaining amount of Damages required to be paid in connection therewith with respect to any Payment Default, and containing a statement that the Beneficiary is giving a Notice of Demand pursuant to this Guaranty.

(iv) **“Obligations”** means any Damages, or monetary obligations incurred during the pendency of any insolvency of the Guaranteed Party, regardless of whether allowed or allowable in such proceeding.

(v) **“Occurrence”** means any release from the Project, however occasioned, including, but not limited to, through accident, rupture, spill or other similar incident

(vi) **“Payment Default”** means the failure or inability of the Guaranteed Party to pay any Damages (a) when due pursuant and according to the terms of the applicable written settlement agreement between the Guaranteed Party and a Beneficiary or final non-appealable order or judgment by an agency, political subdivision, or court of competent jurisdiction or (b) if no payment term is provided, within 60 calendar days of Damages being determined pursuant to Section 1(i).

(vii) **“Performance Default”** means the failure or inability of the Guaranteed Party to perform any required modifications included within the Certificate of Need or the conditions included within the Route Permit issued by the Commission to the Guaranteed Party for the Project, as reflected in [cite Commission Orders], including without limitation, implementation of the Landowner Choice Program for existing Line 3 and establishment of the Decommissioning Trust Fund for the Project, as determined pursuant to a final non-appealable order or judgment by the Commission or court of competent jurisdiction.

(viii) **“Tribe”** means any federally recognized Indian tribe with a reservation under the jurisdiction of the United States Government located in Minnesota.

2. **Guaranty.** The Guarantor hereby unconditionally and irrevocably guarantees the full and complete payment and performance of the Obligations. Any payment or performance by the Guarantor hereunder shall satisfy the Obligations to the extent of such payment or performance, and the Guarantor shall only have payment or performance obligations hereunder in the event of a Default with respect to any applicable Obligations and to the extent a Beneficiary complies with the terms of this Guaranty with respect to such Obligations. With respect to any Payment

Default, the Guarantor shall pay any Obligations within 60 calendar days after a Notice of Demand is received by the Guarantor with respect to such Obligations pursuant to Section 1(iii). With respect to any Performance Default, the Guarantor shall commence performing any Obligations within 60 calendar days after a Notice of Demand is received by the Guarantor with respect to such Obligations pursuant to Section 1(iii), or as soon as reasonably practicable thereafter given the nature of such Performance Default.

3. **Expenses.** The Guarantor agrees to pay reasonable out-of-pocket expenses, including reasonable attorneys' fees and court costs, incurred by the Beneficiaries in any litigation, arbitration or proceeding to enforce its rights under this Guaranty, but only to the extent that the Guarantor is found in such litigation, arbitration or proceeding to be in default or in breach of any of the terms of this Guaranty.
4. **Limitations.** The liability of the Guarantor under this Guaranty shall be and is specifically limited to payments or performance expressly required to be made in accordance with this Guaranty and out-of-pocket expenses payable pursuant to Section 3 of this Guaranty. For the avoidance of doubt, this Guaranty does not create any new obligations of the Guaranteed Party or waive any applicable defenses pursuant to the terms of this Guaranty.
5. **Term.** This Guaranty will remain in full force and effect until: (i) all Obligations have been fully satisfied, performed, or extinguished, or (ii) such time the State consents in writing to the termination of the Guaranty.
6. **Nature of Guaranty.** The Guarantor's obligations with respect to any Obligation are absolute and will not be affected by (1) any change in the name, ownership, objects, capital, constituting documents or by-laws of the Guarantor or the Guaranteed Party, or (2) any amalgamation, sale, merger or re-organization of the Guarantor or the Guaranteed Party. In the event of a sale of the Guaranteed Party to a non-affiliated entity, the Guarantor's obligation with respect to the Obligations hereunder may be assigned upon written approval of the State, through the Commission. If any payment to the Beneficiaries for any Obligation is rescinded or must otherwise be returned for any reason, the Guarantor will remain liable hereunder for such Obligation as if such payment had not been made. The Guarantor hereby waives all suretyship defenses of every kind and all payments required hereunder shall be made in accordance with the terms hereof. Notwithstanding the foregoing, in any action or demand for payment under this Guaranty, the Guarantor reserves the right to assert all rights, counterclaims and defenses that the Guaranteed Party may have against the payment of any Obligation, other than defenses (1) arising from the bankruptcy, insolvency, incapacity, dissolution or liquidation of the Guaranteed Party, (2) expressly waived in this Guaranty, (3) arising from the lack of due authorization, execution or delivery by the Guaranteed Party of this Guaranty, and (4) previously asserted by the Guaranteed Party and successfully and finally resolved in favor of the Beneficiaries by a court of competent jurisdiction and last resort. Nothing in this Guaranty prohibits or limits the Guarantor from being named as a party in any action to determine Damages before a Default has occurred, and the Guarantor expressly agrees not to raise Default as a basis to be dismissed from any action to determine Damages. The Guaranteed Party, however, must be named in any action to determine Damages. The Guaranteed Party shall use good faith efforts to resolve actions to determine Damages through settlement agreements with the Beneficiaries.
7. **Consents, Waivers and Renewals.** The Guarantor agrees that the Beneficiaries may, without

giving notice to or obtaining the consent of the Guarantor, enter into agreements and transactions with the Guaranteed Party, amend or modify agreements with the Guaranteed Party, settle or compromise any of the Obligations, grant extensions of time and other indulgences, take and give up securities, accept compositions, grant releases and discharges, whether full, partial, conditional or otherwise, perfect or fail to perfect any securities, release any undertaking, property or assets charged by any securities to third parties and otherwise deal or fail to deal with the Guaranteed Party and others (including, without limitation, any other guarantors) and securities, hold monies received from the Guaranteed Party and others or from any securities unappropriated, apply such monies against part of the Obligations and change any such application in whole or in part from time to time, all as the Beneficiary may see fit, without prejudice to or in any way discharging or diminishing the liability of the Guarantor under this Guaranty, in each case, except to the extent that the same constitutes a discharge or release, whether full, partial, conditional or otherwise, of the Obligations to the Guaranteed Party. Except as provided in Section 2, the Beneficiaries may resort to the Guarantor for payment or performance of any of the Obligations whether or not any Beneficiary has previously resorted to any collateral security or proceeded against any other obligor principally or secondarily obligated for any of the Obligations. The Guarantor hereby waives notice of acceptance of this Guaranty, and also presentment, protest and notice of protest or dishonor of any evidences of indebtedness guaranteed hereunder.

8. **Demands and Notice.** If a Default occurs with respect to any applicable Obligations, and any Beneficiary elects to exercise its rights under this Guaranty with respect thereto, the Beneficiary shall send a Notice of Demand to the Guarantor pursuant to Section 1(iii) with respect to such Obligations. A Notice of Demand conforming to the requirements of this Guaranty will be sufficient notice to the Guarantor to pay or perform under this Guaranty. Notices under this Guaranty will be deemed received if sent to the address specified below: (i) on the day received if sent by overnight express delivery, (ii) on the next business day if served by fax when sender has machine confirmation that the fax was transmitted to the correct fax number listed below, (iii) four business days after mailing if sent by certified, first-class mail, return-receipt requested. Any party may change its address to which notice is to be given hereunder by providing notice of same in accordance with this section.

To Guarantor:                      Enbridge Inc.  
   200, 425 – 1st Street S.W.  
   Calgary, Alberta, T2P 3L8  
   Canada  
   Attn: Credit Department  
   Fax: (403) 231-5780

To State Beneficiary:              Minnesota Department of Commerce  
   85 7<sup>th</sup> Place East, Suite 500  
   St. Paul, MN 55101  
   Attn: Commissioner  
   Fax: (651) 539-1547

9. **Representations and Warranties.** The Guarantor hereby represents and warrants that (i) it is a corporation duly organized, validly existing and in good standing under the laws of Canada,

(ii) the execution, delivery and performance by the Guarantor of this Guaranty have been duly authorized by all necessary action and do not violate the Guarantor's charter or by-laws or any law, order or contractual restriction binding on the Guarantor, and (iii) this Guaranty constitutes the legal, valid and binding obligation of the Guarantor, enforceable against it in accordance with its terms (except as enforceability may be limited by bankruptcy, insolvency, and other similar laws affecting enforcement of creditors' rights in general and general principles of equity).

10. **Miscellaneous.** Neither the Guarantor nor the Beneficiaries may assign this Guaranty nor delegate its rights, interest or obligations without the prior written consent of the other party; provided that either party may transfer its interest to any parent or affiliate without the prior approval of the other party, but the transferor shall not be relieved of or discharged from any obligations hereunder by such transfer. There are no representations, conditions, agreements or understandings with respect to this Guaranty or affecting the liability of the Guarantor or the Guaranteed Party other than as set forth or referred to in this Guaranty. Neither this Guaranty nor any of the terms hereof may be terminated, amended, supplemented, waived or modified orally, except by an instrument in writing signed by the party against which the enforcement of this termination, amendment or supplement, waiver or modification shall be sought. Notwithstanding anything else herein set forth, this Guaranty constitutes the entire agreement between the parties hereto and supersedes and replaces any previous guaranty delivered by the Guarantor to the Beneficiaries for the benefit of the Guaranteed Party with respect to the Obligations outlined herein. **THIS GUARANTY SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF MINNESOTA.** The Guarantor irrevocably submits to the exclusive jurisdiction of the courts of Minnesota in any action or proceeding or arising out of or relating to this Guaranty and waives any objection to such jurisdiction on the grounds that it is an inconvenient forum or any similar grounds. The Guarantor agrees that venue for any action brought by the State will be in Ramsey County District Court and waives any right to claim that this Guaranty is not valid and enforceable by the Beneficiaries. The Guarantor consents to the service of process in any action or proceeding relating to this Guaranty by Notice to the Guarantor in accordance with the provisions of Section 8 hereof.

*[Signatures follow on the next page.]*

This Guaranty is executed by the Guarantor’s duly authorized representative as of the date written below.

**ENBRIDGE INC.**

Per: \_\_\_\_\_  
Name:  
Title:

**ACCEPTED AND AGREED TO BY:**

**GUARANTEED PARTY-ENBRIDGE ENERGY, LIMITED PARTNERSHIP  
By: ENBRIDGE PIPELINES (LAKEHEAD) L.L.C.,  
its Managing General Partner**

Per: \_\_\_\_\_  
Name:  
Title:

**BENEFICIARY-STATE OF MINNESOTA**

By: \_\_\_\_\_  
Name:  
Title:

**ENBRIDGE ~~ENERGY PARTNERS, L.P.~~ INC.  
GUARANTY**

**GUARANTY**, effective as of the date executed by Enbridge ~~Energy Partners, L.P., Inc.~~ (the “**Guarantor**”), in favor of the State of Minnesota including all agencies and political subdivisions thereof (the “**State**”) and any person, including any Tribe (as defined below), damaged by an Occurrence (as defined below) (collectively, the “**Beneficiaries**” or, individually, “**Beneficiary**”).

**WHEREAS**, ~~North Dakota Pipeline Company LLC~~ Enbridge Energy, Limited Partnership, a Delaware limited ~~liability company~~ partnership (including its successor and assigns, the “**Guaranteed Party**”), is a ~~joint venture owned in part by~~ limited partnership in which the Guarantor has no direct ownership interest;

**WHEREAS**, the Guaranteed Party has requested, in Docket ~~Number~~ Numbers PL-~~66689~~/~~CN-13-473~~ 14-916 and PL-9/PPL-15-137, that the State, through the Minnesota Public Utilities Commission (the “Commission”) approve a Certificate of Need and a Route Permit for the construction and operation of the Minnesota portion of a crude oil pipeline between ~~Tioga, North Dakota~~ Hardisty, Alberta and Superior, Wisconsin (as constructed pursuant to a Certificate of Need and Route Permit issued by the Minnesota Public Utilities Commission, the “**Project**”);

**WHEREAS**, ~~as Guarantor is the controlling member of and directly owns a majority ownership interest in Guaranteed Party,~~ the Guarantor expects it will derive benefit from the Project;

**WHEREAS**, the State, through the Minnesota Department of Commerce-Division of Energy Resources (“**Department**”), has recommended that any approval by the ~~Minnesota Public Utilities~~ Commission of Guaranteed Party’s application for a Certificate of Need must be conditioned on the Guaranteed Party’s provision of financial ~~assurance~~ and other assurances with respect to the Obligations (defined below);

WHEREAS, consistent with the Department’s recommendation, the Commission has granted the Guaranteed Party’s application for a Certificate of Need as modified to require the Guarantor provide this Guaranty;

**WHEREAS**, in the event that the Guaranteed Party is unable or unwilling to fully and completely fulfill its Obligations, ~~and as a means to satisfy the Department’s recommended financial assurance condition,~~ the Guarantor agrees to be fully and completely responsible for all of the Guaranteed Party’s unsatisfied Obligations that result from ~~an Occurrence~~ a Default (as defined below); and

**WHEREAS**, the Guarantor assures the State that it has the financial resources to be fully and completely responsible for all of the Guaranteed Party’s Obligations.

**FOR VALUE RECEIVED**, receipt of which is hereby acknowledged, the Guarantor agrees as follows:

1. **Definitions.** For the purposes of this Guaranty, the following terms have the following

meanings:

(i) “**Damages**” means (A) any amount the Guaranteed Party is legally liable to pay to a Beneficiary resulting from an Occurrence pursuant and according to the terms of (a) a written settlement agreement between the Guaranteed Party and a Beneficiary or (b) a final non-appealable order or judgment by an agency, political subdivision, or court of competent jurisdiction- or (B) any action the Guaranteed Party is legally liable to take to remedy a Performance Default according to the terms of (a) a written settlement agreement between the Guaranteed Party and the State or (b) a final non-appealable order or judgment by an agency, political subdivision, or court of competent jurisdiction.

(ii) **Default**” means any Payment Default or any Performance Default.

~~(iii)~~ “**Notice of Payment-Demand**” means (A) a written notice by ~~a~~any Beneficiary to the Guarantor after the occurrence of a Payment Default or (B) a written notice by the State to the Guarantor after the occurrence of a Performance Default, in each case setting forth a description of the applicable Damages, the applicable ~~Payment~~-Default, the remaining amount of Damages required to be paid in connection therewith with respect to any Payment Default, and containing a statement that the Beneficiary is giving a Notice of ~~Payment~~-Demand pursuant to this Guaranty.

~~(iii)~~iv) “**Obligations**” means any Damages, or monetary obligations incurred during the pendency of any insolvency of the Guaranteed Party, regardless of whether allowed or allowable in such proceeding.

~~(iv)~~v) “**Occurrence**” means any release from the Project, however occasioned, including, but not limited to, through accident, rupture, spill or other similar incident-.

~~(v)~~vi) “**Payment Default**” means the failure or inability of the Guaranteed Party to pay any Damages (a) when due pursuant and according to the terms of the applicable written settlement agreement between the Guaranteed Party and a Beneficiary or final non-appealable order or judgment by an agency, political subdivision, or court of competent jurisdiction or (b) if no payment term is provided, within 60 calendar days of Damages being determined pursuant to Section 1(i).

(vii) “**Performance Default**” means the failure or inability of the Guaranteed Party to perform any required modifications included within the Certificate of Need or the conditions included within the Route Permit issued by the Commission to the Guaranteed Party for the Project, as reflected in [cite Commission Orders], including without limitation, implementation of the Landowner Choice Program for existing Line 3 and establishment of the Decommissioning Trust Fund for the Project, as determined pursuant to a final non-appealable order or judgment by the Commission or court of competent jurisdiction.

(viii) “**Tribe**” means any federally recognized Indian tribe with a reservation under the jurisdiction of the United States Government located in Minnesota.

2. **Guaranty.** The Guarantor hereby unconditionally and irrevocably guarantees the full and

complete payment and performance of the Obligations. Any payment ~~by~~ performance by the Guarantor hereunder shall satisfy the Obligations to the extent of such payment or performance, and the Guarantor shall only have payment or performance obligations hereunder in the event of a ~~Payment~~-Default with respect to any applicable Obligations and to the extent a Beneficiary complies with the terms of this Guaranty with respect to such Obligations. With respect to any Payment Default, the Guarantor shall pay any Obligations within 60 calendar days after a Notice of ~~Payment~~-Demand is received by the Guarantor with respect to such Obligations pursuant to Section 1(~~ii~~)-iii). With respect to any Performance Default, the Guarantor shall commence performing any Obligations within 60 calendar days after a Notice of Demand is received by the Guarantor with respect to such Obligations pursuant to Section 1(iii), or as soon as reasonably practicable thereafter given the nature of such Performance Default.

3. **Expenses.** The Guarantor agrees to pay reasonable out-of-pocket expenses, including reasonable attorneys' fees and court costs, incurred by the Beneficiaries in any litigation, arbitration or proceeding to enforce its rights under this Guaranty, but only to the extent that the Guarantor is found in such litigation, arbitration or proceeding to be in default or in breach of any of the terms of this Guaranty.
4. **Limitations.** The liability of the Guarantor under this Guaranty shall be and is specifically limited to payments or performance expressly required to be made in accordance with this Guaranty and out-of-pocket expenses payable pursuant to Section 3 of this Guaranty. For the avoidance of doubt, this Guaranty does not create any new obligations of the Guaranteed Party or waive any applicable defenses pursuant to the terms of this Guaranty.
5. **Term.** This Guaranty will remain in full force and effect until: (i) all Obligations have been fully satisfied ~~or, performed, or~~ extinguished, or (ii) such time the State consents in writing to the termination of the Guaranty.
6. **Nature of Guaranty.** The Guarantor's obligations with respect to any Obligation are absolute and will not be affected by (1) any change in the name, ownership, objects, capital, constituting documents or by-laws of the Guarantor or the Guaranteed Party, or (2) any amalgamation, sale, merger or re-organization of the Guarantor or the Guaranteed Party. In the event of a sale of the Guaranteed Party to a non-affiliated entity, the Guarantor's obligation with respect to the Obligations hereunder may be assigned upon written approval of the State, through the ~~Minnesota Public Utilities~~ Commission. If any payment to the Beneficiaries for any Obligation is rescinded or must otherwise be returned for any reason, the Guarantor will remain liable hereunder for such Obligation as if such payment had not been made. The Guarantor hereby waives all suretyship defenses of every kind and all payments required hereunder shall be made in accordance with the terms hereof. Notwithstanding the foregoing, in any action or demand for payment under this Guaranty, the Guarantor reserves the right to assert all rights, counterclaims and defenses that the Guaranteed Party may have against the payment of any Obligation, other than defenses (1) arising from the bankruptcy, insolvency, incapacity, dissolution or liquidation of the Guaranteed Party, (2) expressly waived in this Guaranty, (3) arising from the lack of due authorization, execution or delivery by the Guaranteed Party of this Guaranty, and (4) previously asserted by the Guaranteed Party and successfully and finally resolved in favor of the Beneficiaries by a court of competent jurisdiction and last resort. Nothing in this Guaranty prohibits or limits the Guarantor from being named as a party in any action to determine



Damages before a ~~Payment~~-Default has occurred, and the Guarantor expressly agrees not to raise ~~Payment~~-Default as a basis to be dismissed from any action to determine Damages. The Guaranteed Party, however, must be named in any action to determine Damages. The Guaranteed Party shall use good faith efforts to resolve actions to determine Damages through settlement agreements with the Beneficiaries.

7. **Consents, Waivers and Renewals.** The Guarantor agrees that the Beneficiaries may, without giving notice to or obtaining the consent of the Guarantor, enter into agreements and transactions with the Guaranteed Party, amend or modify agreements with the Guaranteed Party, settle or compromise any of the Obligations, grant extensions of time and other indulgences, take and give up securities, accept compositions, grant releases and discharges, whether full, partial, conditional or otherwise, perfect or fail to perfect any securities, release any undertaking, property or assets charged by any securities to third parties and otherwise deal or fail to deal with the Guaranteed Party and others (including, without limitation, any other guarantors) and securities, hold ~~moneys~~monies received from the Guaranteed Party and others or from any securities unappropriated, apply such ~~moneys~~monies against part of the Obligations and change any such application in whole or in part from time to time, all as the Beneficiary may see fit, without prejudice to or in any way discharging or diminishing the liability of the Guarantor under this Guaranty, in each case, except to the extent that the same constitutes a discharge or release, whether full, partial, conditional or otherwise, of the Obligations to the Guaranteed Party. Except as provided in Section 2, the Beneficiaries may resort to the Guarantor for payment or performance of any of the Obligations whether or not any Beneficiary has previously resorted to any collateral security or proceeded against any other obligor principally or secondarily obligated for any of the Obligations. The Guarantor hereby waives notice of acceptance of this Guaranty, and also presentment, protest and notice of protest or dishonor of any evidences of indebtedness guaranteed hereunder.
8. **Demands and Notice.** If a ~~Payment~~-Default occurs with respect to any applicable Obligations, and any Beneficiary elects to exercise its rights under this Guaranty with respect thereto, the Beneficiary shall send a Notice of ~~Payment~~-Demand to the Guarantor pursuant to Section 1(~~iii~~) with respect to such Obligations. A Notice of ~~Payment~~-Demand conforming to the requirements of this Guaranty will be sufficient notice to the Guarantor to pay or perform under this Guaranty. Notices under this Guaranty will be deemed received if sent to the address specified below: (i) on the day received if sent by overnight express delivery, (ii) on the next business day if served by fax when sender has machine confirmation that the fax was transmitted to the correct fax number listed below, (iii) four business days after mailing if sent by certified, first-class mail, return-receipt requested. Any party may change its address to which notice is to be given hereunder by providing notice of same in accordance with this section.

To Guarantor:

Enbridge ~~Energy Partners, L.P~~Inc.  
200, 425 – 1st Street S.W.  
Calgary, Alberta, T2P 3L8  
~~1100 Louisiana, Suite 3300~~Canada  
~~Houston, Texas 77002-5217~~  
Attn: Credit Department  
Fax: (~~832~~403) ~~214~~231-~~9496~~5780

To State Beneficiary: Minnesota Department of Commerce  
85 7<sup>th</sup> Place East, Suite 500  
St. Paul, MN 55101  
Attn: Commissioner  
Fax: (651) 539-1547

9. **Representations and Warranties.** The Guarantor hereby represents and warrants that (i) it is a ~~limited partnership corporation~~ duly organized, validly existing and in good standing under the laws of ~~Delaware~~Canada, (ii) the execution, delivery and performance by the Guarantor of this Guaranty have been duly authorized by all necessary ~~limited partnership~~ action and do not violate the Guarantor's ~~Certificate of Limited Partnership or limited partnership agreement, each as amended to date~~ charter or by laws or any law, order or contractual restriction binding on the Guarantor, and (iii) this Guaranty constitutes the legal, valid and binding obligation of the Guarantor, enforceable against it in accordance with its terms (except as enforceability may be limited by bankruptcy, insolvency, and other similar laws affecting enforcement of creditors' rights in general and general principles of equity).
10. **Miscellaneous.** Neither the Guarantor nor the Beneficiaries may assign this Guaranty nor delegate its rights, interest or obligations without the prior written consent of the other party; provided that either party may transfer its interest to any parent or affiliate without the prior approval of the other party, but the transferor shall not be relieved of or discharged from any obligations hereunder by such transfer. There are no representations, conditions, agreements or understandings with respect to this Guaranty or affecting the liability of the Guarantor or the Guaranteed Party other than as set forth or referred to in this Guaranty. Neither this Guaranty nor any of the terms hereof may be terminated, amended, supplemented, waived or modified orally, except by an instrument in writing signed by the party against which the enforcement of this termination, amendment or supplement, waiver or modification shall be sought. Notwithstanding anything else herein set forth, this Guaranty constitutes the entire agreement between the parties hereto and supersedes and replaces any previous guaranty delivered by the Guarantor to the Beneficiaries for the benefit of the Guaranteed Party with respect to the Obligations outlined herein. **THIS GUARANTY SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF MINNESOTA.** The Guarantor irrevocably submits to the exclusive jurisdiction of the courts of Minnesota in any action or proceeding or arising out of or relating to this Guaranty and waives any objection to such jurisdiction on the grounds that it is an inconvenient forum or any similar grounds. The Guarantor agrees that venue for any action brought by the State will be in Ramsey County District Court and waives any right to claim that this Guaranty is not valid and enforceable by the Beneficiaries. The Guarantor consents to the service of process in any action or proceeding relating to this Guaranty by Notice to the Guarantor in accordance with the provisions of Section 8 hereof.

*[Signatures follow on the next page.]*

This Guaranty is executed by the Guarantor’s duly authorized representative as of the date written below.

**~~ENBRIDGE ENERGY PARTNERS, L.P.~~**

~~By: Enbridge Energy Management, L.L.C.  
as delegate of ENBRIDGE Energy Company, INC.  
its Sole General Partner~~

~~By: \_\_\_\_\_  
Per: \_\_\_\_\_~~

~~Date: \_\_\_\_\_~~

~~Name:  
Title:~~

**ACCEPTED AND AGREED TO BY:**

**GUARANTEED ~~PARTY-NORTH DAKOTA PIPELINE COMPANY LLC~~ PARTY-ENBRIDGE ENERGY, LIMITED PARTNERSHIP**

**By: ENBRIDGE PIPELINES (LAKEHEAD) L.L.C.,  
its Managing General Partner**

~~By: \_\_\_\_\_  
Per: \_\_\_\_\_~~

~~Name:  
Title:~~

**BENEFICIARY-STATE OF MINNESOTA**

~~By: \_\_\_\_\_  
Name:  
Title:~~

~~55235288~~

## Attachment 1C: Enbridge Risk Consequence Calculation

For the Line 3 Replacement Program in Canada, Enbridge estimated the total potential impact, expressed in dollars, of the consequence of a mainline release using a consequence model that presents the potential impacts as the sum of four categories of impact: Health and Safety, Environment, Business and Reputation, and is expressed as \$/release. The consequence model was developed using historical information, third party consultants, and Enbridge subject matter experts. Enbridge will use the same consequence model to estimate potential impacts of a release on the Line 3 Replacement Project in Minnesota as well.

The consequence model is a function of the calculated volume released, product type and receptors potentially impacted in the event of a release. Receptors include high consequence areas, population sensitive areas and water bodies.

In order to determine the areas of highest consequence, the calculated volume for any given location on Line 3 Replacement is determined by assuming a full bore rupture with a conservative response time of 13 minutes to detect the rupture, shutdown pumps and close valves. The volume released prior to the valves being closed is considered the “initial volume out” and is calculated based on the design flowrate of the line for 13 minutes. Once the valves are closed, it is assumed that all product contained within the pipeline that is not isolated by elevation or the presence of remote-controlled sectionalizing valves will be released from the pipeline. The volume released once the valves have been closed is considered “stabilization loss”. The total release volume is therefore [initial volume out] + [stabilization loss].

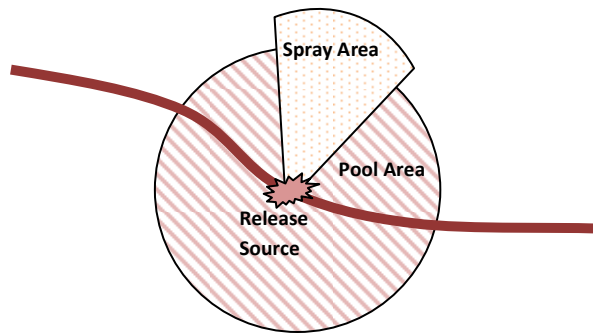
Using the calculated release volume, type of product, and receptors in vicinity to the pipeline, consequence costs are determined for each of the four categories of impact based on non-linear functions which are calibrated to align with Enbridge historical costs.

High consequence area receptor types include High Populated Areas, Other Populated Areas, Drinking Water Resources, Environmentally Sensitive Areas and Commercially Navigable Waterways. High Consequence Areas and other sensitive area receptors in proximity to the pipeline that may be impacted by a release have been identified using information from Municipal, State and Federal government bodies, and environmental agencies. It should be noted that high consequence areas and other receptors are varied in relation to the pipeline such that some sections of pipeline have no receptors and other sections have one to many receptors.

## Health and Safety Consequence

The Health and Safety consequence quantifies in dollars the impact of a release on the Health and Safety of the surrounding population and is based on the potential impacts of a release on people. The calculated Health and Safety consequence is a function of the volume released, type of product, and population receptors in proximity to the pipeline, including: High Populated Areas, Other Populated Areas and population sensitive areas such as hospitals, churches, malls, etc.

The Health and Safety consequence is based on an estimate of the number of fatalities which could result from ignition of released product from a given section of pipe.<sup>1</sup> As illustrated below, the liquid product release consists of a spray ignition event and a pool fire event. The hazard area associated with the spray ignition event and with the pool fire event is calculated using the calculated release volume.



The number of potential fatalities in a release is calculated as the sum of the number of individuals impacted by a pool fire and the number of individuals impacted by spray with ignition.

The pool fire model and the liquid spray models both consider:

- The number of people potentially impacted based on population density and average number of people within each affected population sensitive areas
- Probability of ignition and escape based on product type and population density and population sensitive areas in proximity to the pipeline

The pool fire and liquid spray models have the following form:

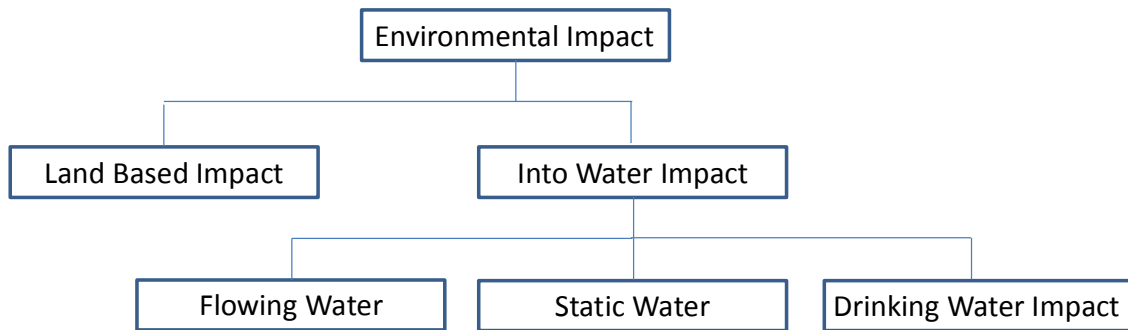
$$\text{Health and Safety Impact} = \text{Number of People Impacted} \times \text{Probability of Ignition} \times (1 - \text{Probability of Escape})$$

<sup>1</sup> The cost calculations for the Health and Safety model are based on the U.S. Environmental Protection Agency's ("EPA") assigned value of a life. This provides a consistent means for estimating costs associated with the potential loss of life caused by pipeline release followed by an explosion and/or fire.

## Environmental Consequence

The Environmental consequence quantifies in dollars the costs to clean up the environmental damage caused by a release, including the costs of emergency response, containment, and site clean-up and remediation.<sup>2</sup> The clean-up cost is measured separately for all the environmental receptors potentially impacted, namely; flowing waterbodies, static waterbodies, Drinking Water Resources, Environmental Sensitive Areas, and other areas of environmental significance. The calculated environmental consequence is a function of the volume of product released, type of product, and environmental receptors in proximity to the pipeline. In the case of potential flowing water impacts, the environmental clean-up cost is also a function of the distance that the product could travel in the waterbody.

The following figure outlines the methodology used to assess the Line 3 Replacement environmental impact at all points along the pipeline in Minnesota.



The land based impact cost is a function of the total volume released, the type of land based receptors present, and the remoteness of the location and is calculated for all locations on Line 3 Replacement in Minnesota. A clean-up cost per barrel of product released has been determined for different terrain receptor types. A multiplier is used in the event that an environmentally sensitive area is present. A clean-up cost per barrel is used for calculating the clean-up cost in a static water body. The clean-up cost for a flowing water body is based on the volume of product released, the width of the water body in question, its velocity or speed, and its remoteness. Where applicable, a clean-up cost for municipal drinking water resources is applied based on the population density.

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<sup>2</sup> The main source for the cost values in the Enbridge environment consequence model is the EPA's Basic Oil Spill Estimation Model (BOSCEM). The BOSCEM model was developed to provide the EPA Oil Program with a methodology for estimating oil spill costs, including response costs and environmental and socioeconomic damages, for actual or hypothetical spills. The model incorporates spill-specific factors that influence costs / spill amount: response methodology and effectiveness, impacted medium, location-specific socioeconomic value, freshwater vulnerability, habitat/wildlife sensitivity, and location type. Enbridge augments the EPA BOSCEM model with additional analysis for potential oil releases into moving water. In this case, the Enbridge model calculates costs associated with surface clean-up, stream bank clean-up, and dredging. These enhancements go above and beyond the EPA BOSCEM model and were incorporated to reflect Enbridge's experience with the Line 6B release at Marshall, Michigan.

### **Business Consequence**

Business consequence quantifies in dollars the costs incurred by businesses located in proximity to the pipeline and costs of a release to Enbridge. Costs incurred by businesses located in close proximity to the pipeline include property damage and business disruption. Costs to Enbridge resulting from a release include lost revenues from lost throughput from the pipeline involved in the release, immediate repair and reclamation costs, lost product costs, regulatory fines, and legal fees. Potential impacts to Commercially Navigable Waterways are included in the quantification of business consequence. The calculated business consequence is a function of the volume released and type of product.

### **Reputation Consequence**

Reputation consequence quantifies in dollars the impact on Enbridge's reputation and is a function of the calculated volume out, health and safety receptors, environmental receptors, and business receptors that may be impacted in the event of a release.

Each identified receptor is assessed a score and the sum of all scores for a given pipeline is the reputation multiplier which is used against a fixed reputation value.

**Enbridge Inc.**  
**Update to Financial Resource Requirement Plan**

	<b>Enbridge Inc. (EI)</b>	<b>Enbridge Energy Partners, L.P. (EEP)</b>	<b>Total</b>	<b>Timing of Access (business days - estimate)</b>
Cash	\$0.6B (as per EI's consolidated Q1 2018 balance sheet– cash & cash equivalents)		\$0.6B	1 day
Credit Facility (available liquidity as at March 31, 2018)	\$5.3B	\$1.9	\$7.2B	1-3 days
Outstanding Commercial Paper (as at March 31, 2018)	Outstanding CP amount is reflected in credit facility number			-
Other ST Resources (explain)	\$6.3B (as per EI's consolidated Q1 2018 balance sheet – accounts receivable and other)		\$6.3B	30-60 days
<b>Total Short-Term</b>	<b>\$12.2B</b>	<b>\$8.8B</b>	<b>\$14.1B</b>	
Insurance	General Liability Insurance, includes Time Element Reporting Pollution (sudden and accidental) coverage US\$940,000,000 <small>Note 1</small>			Note 2
Surety Bonds				
Parent/Affiliate Guarantees (from Parent Co. to Authorization Holder)				
Other Financial Resources (explain)				
<b>Total Other</b>				

Notes:

- EEP is covered under the consolidated general liability program maintained by EI and as such insurance recoveries for events covered under the policy are available for them. The US\$940,000,000 limit represents current year coverage, which is reviewed and renewed on an annual basis and subject to insurance market conditions and experience that may impact the breadth and limit of coverage available.
- The insurance coverage available for EEP cannot be considered an accessible financial resource that responds to a release. Its purpose is to provide the impacted entity with eventual recovery of monies it has paid because of its legal liability for direct third- party bodily injury and property damage caused by the release and that financial recovery can extend over a period of months and years.