



STATE OF MICHIGAN
EXECUTIVE OFFICE
LANSING

RICK SNYDER
GOVERNOR

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LT. GOVERNOR

January 26, 2018

Dear Pipeline Safety Advisory Board Members,

Thank you very much for the resolutions sent to me following the December meeting. I appreciate the opportunity to hear the advice of many members of the Pipeline Safety Advisory Board and would like to take this opportunity to respond to all of you regarding the subject matter of the resolutions.

First, I would like to note that the chair was incorrect when she stated that the resolutions passed. I note that under Executive Order 2015-12, Section III.F, "the Board shall act in making its recommendations by a majority vote of its *servicing* members." (Emphasis added). As of December 9th, there were fifteen serving members of the Board. Since all the resolutions received fewer than eight votes in favor, none of the resolutions were actually actions by the Board. That being said, I appreciate the service of each of you, and would like to address the topics of the resolutions.

The first resolution asks that the State immediately propose an amendment to the November 27, 2017 Agreement with Enbridge that would require it to shut down Line 5 operations in the Straits until all areas of the Dual Pipelines can be inspected for gaps in the external coating and all gaps are repaired. As a practical matter, such further inspections and repairs cannot be completed until the summer of 2018 at the earliest. While the coating gaps remain of key concern and must be addressed, review of the recent hydrotest results of Line 5 though the Straits indicated there is not a risk of imminent failure, and that test was done when these coating gaps existed.

With all respect, I do not believe an immediate and extended shutdown of the pipeline in the middle of the winter is a proper approach that safeguards the health and welfare of Michigan citizens. This month, the Federal Motor Carrier Safety Administration made a Regional Declaration of Emergency under 49 CFR 390.23 in response to anticipated home heating fuel shortages, notably propane, due to Winter Storm Frankie's severe weather. That area included 38 states, of which Michigan is one. An immediate and unexpected shutdown of the pipeline for several months would very likely create a propane supply crisis like Michigan faced in the winter of 2013/2014, potentially jeopardizing the health and safety of Michigan residents.

The resolution appears to attempt to address this issue by proposing that the Agreement also be amended to require Enbridge to supply propane to Michigan markets at a reasonable cost while the pipeline is out of operation. Since Enbridge strongly maintains, based upon the hydrotest and in line inspection results, as well as the operation of cathodic protection, that the gaps in external coating do not present a threat to the integrity of the Dual Pipelines, it is highly unlikely that Enbridge would agree to voluntarily suspend pipeline operation for months, pending further external coating inspections and repairs. I am also unaware of the basis to carry out the recommendation that Enbridge be required to supply propane to the public if the pipeline ceases operation.

Second, I note the resolution asking that the State seek to revise the "Sustained Adverse Weather Conditions" portion of the November 27, 2017 Agreement. As you are aware, there

was no requirement for a shutdown due to any weather conditions prior to the November 27, 2017 Agreement. I will simply say I appreciate the points made, but given the amount of negotiating time and effort that went into that specific provision, a request to re-open that provision would be extremely unlikely to result in an agreement to move in the direction envisioned by the resolution.

Third, I turn to the resolution that urges Michigan to undertake a more thorough assessment of Michigan-focused alternatives, including alternative pipeline capacity re-routing options and ways to supply propane and oil to meet Michigan's needs currently met by Line 5. The State is already taking steps to address, in greater detail, the issues of alternative means of supplying propane within Michigan and transporting Michigan produced crude oil to market. Among other ongoing efforts pertaining to this issue, State agency staff are working to independently verify key Michigan-centric data and assumptions contained within the Final Alternatives Analysis Report, setting up consultations with key customers to discuss how a potential shut down of the Dual Pipelines would impact their Michigan operations, and are gathering additional information about the logistical capabilities of major oil and propane terminals in and around Michigan. In addition, the State is considering the possibility of obtaining the services of outside transportation consultants to better define the feasibility and costs of alternatives to meeting Michigan propane and Michigan-produced crude oil transportation needs that would not depend upon Line 5.

With respect to the broader suggestions that the State conduct a detailed analysis "on the public need for Line 5 in Michigan" and "a more robust study of alternative pipeline capacity to re-route the portion of Line 5's flow dedicated to Michigan's needs", the resolution is not clear as to what is being proposed. In particular, it is not clear: (a) who would conduct these analyses, (b) how the scope of the work would be defined, (c) what it would cost, (d) who would pay for it, and (e) how it would be completed by the June 25, 2018 deadline proposed in the resolution. The State would welcome clarification of the suggestion by the proponents of the resolution and comments from other members of the Board.

Finally, given that in discussions with Dr. Meadows, it appears that a final risk analysis may not be completed before September 15, I do plan to reach out and ask Enbridge to modify the date for a final agreement to be reached (or the state will take another path) from August 15, 2018 to September 30, 2018.

Thank you again for your service on the Board. I know each of you has put significant time and effort as Board members, and have done a great deal of work as a service to the State. I appreciate that very much and look forward to further communications from the Board.

Sincerely,



Rick Snyder
Governor