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Inc Earnings Call

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PRESENTATION

Operator

Good morning, ladies and gentlemen, and welcome to the Enbridge Inc. and Enbridge Income Fund Holdings Inc. 2016 fourth-quarter financial results conference call.

I would now like to turn the meeting over to Jonathan Gould, Director of Investor Relations. You may begin, sir.

Jonathan Gould - Enbridge Inc. - Director, IR

Great. Thank you, Brandon. Good morning and welcome to the Enbridge Inc. and Enbridge Income Fund's fourth-quarter 2016 earnings call. With me this morning are Al Monaco, President and CEO; John Whelen, Executive Vice President and Chief Financial Officer; Guy Jarvis, Executive Vice President and President, Liquids Pipelines; Perry Schulhaus, Vice President, Liquids Business Development and President of Enbridge Income Fund; and Wanda Opheim, Senior Vice President and Chief Accounting Officer.

The call is webcast and I would encourage those listening on the phone line to view the supporting slides, which are available on our website. A replay and podcast of the call will be available later today and a transcript will be posted on the website shortly thereafter.



The Q&A format will be the same as always. We will take questions from the analyst community first and then invite questions from the media. I'll ask that you wait until the end of the prepared remark to queue up for the questions. Please limit your questions to two per person, then reenter the queue if you have any additional queries. Also, the investor relations team will be available after the call for any follow-up questions that you might have.

On slide 2 before we begin, I'd like to point out that we will refer to forward-looking information in connection with Enbridge and the subject matter of today's call. By its nature, this information contains forecasts, assumptions, and expectations about future outcomes. So we remind you that it's subject to the risks and uncertainties affecting every business, including ours.

This slide includes a summary of the significant factors and risks that could affect Enbridge or could affect future outcomes for Enbridge, which are discussed more fully in our public disclosure filings available on both the SEDAR and EDGAR systems.

So with that, I'll turn it over to Al Monaco.

Al Monaco - *Enbridge Inc. - President and CEO*

Okay. Thanks, Jonathan. Good morning, everybody. You should be looking at the agenda for today's call on the slide you have there. I'm going to start by recapping 2016 and then get into our business update, including the status of our secured capital program and the new investment we announced this morning.

John is going to take you through the financial results and our funding position. And I will wrap up with an update on the Spectra combination and our post-close investor outreach plan.

So moving to slide 4, this slide captures in one spot how our 2016 accomplishments position us well for the future. We had an excellent year on safety and reliability, and the work our teams have done to achieve industry leadership has paid off.

Despite significant industry challenges, we are very pleased with the solid numbers we put up in 2016. A big contributor was great performance on our liquids mainline. In fact, we hit record throughput in December. And 2017 and beyond look good as well.

Our CAD27 billion secured CapEx program is on track. We've put CAD2 billion into service last year, with another CAD6 billion slated for this year. We continue to add to the secured growth portfolio, most recently with the Hohe See project that's otherwise referred to as High Seas in the English translation, so I'll use that. That's the offshore wind project in Europe. More on that one later.

As you know, we have been focused on further strengthening the balance sheet. We have not been shy about bringing in new equity to fund our secured capital commitments, so we are in very good shape right now. And of course, with the Spectra transaction, we are now positioned extremely well strategically across a number of fronts.

Turning now to slide 5, let's look at the financial highlights. As I said, we are very pleased with the results, especially given the commodity price downturn, the Alberta wildfires, and the difficult execution environment that we are in.

What the bars show here is that after accounting for the wildfires, adjusted EBIT and ACFFO per share were up strongly at 14% and 12% for the year, right on top of the midpoint of our guidance. And recall as well that ACFFO and EPS reflect a CAD2.3 billion common equity pre-funding we did earlier last year.

This is a strong result and there's a couple of things that stood out in hitting the numbers. First, I think the team did a great job of getting our systems back online as quickly and as safely as possible after the fires. Secondly, we did very well on managing discretionary costs. We are always focused on this, of course, but extra effort this year for sure.



Let's cover the business update now on to slide 6, and I'll start with our near-term outlook for the mainline and how we are positioned going forward. The slide shows mainline capacity and throughput. There's a few takeaways here to highlight. As you can see with the yellow line, we've added low-cost incremental capacity that's been very effective for our customers in meeting WCSB volume growth.

And the system is getting pretty close to full utilization. We are off to a good start this year, as January ex-Gretna volumes were 2.65 million barrels per day, another record. Our ability to achieve this utilization doesn't just happen; it's driven by our integrity program and very careful maintenance planning that provides customers with effectively additional capacity, high reliability, and reduced downtime. And our downstream connections through Flanagan South and Southern Access Expansion provide outlets when we see constraints in the upper PADD II market.

We're also looking actively for ways to optimize the light and heavy crude balances on our system to reduce heavy apportionment. In fact, we've got a few options right now, Guy and his team do, ready to go for about 100,000 barrels per day of light capacity with other options that should be ready to go in Q2.

The other thing that's apparent from the picture you see here is that we are very near maximum capacity. That should be the case for a couple of years at least. In 2019, the replacement of Line 3 will provide industry with another 375,000 barrels per day of new capacity, which we would expect to be fully utilized, given the forecast growth out of the basin.

Now, as you know, there are a number of new pipelines in development that could come into play over the next few years. So the natural question is: How much capacity is required and what does it mean for our mainline? So I'll talk about that on slide 7.

As to the amount of ex-Alberta capacity that producers and refiners want to commit to, that will ultimately be their call. But based on the current supply outlook, we believe that our post-Line 3 capacity along with future expandability and one of the other pipelines being proposed provides enough capacity well into the latter half of the next decade.

But what really drives our confidence in our mainline is the competitive position and the further incremental expansion potential that we are depicting here on the map. The size and scale of our system provides the most competitive tools to the best markets.

We've got unmatched storage and operational flexibility that our customers look to. We are connected to 3.5 million barrels per day of refining markets, which provides producers with great optionality, including the most competitive refining center for heavy crude, the US Gulf.

Over and above Line 3, we have over 400,000 barrels per day of low-cost and highly executable expansion opportunities in the queue that can be staged to match the supply profile. In fact, we are working out plans to add about 175,000 barrels per day of capacity that could be available commensurate with the Line 3 replacement in 2019. And of course, there are no long-term contractual commitments required by producers to underpin these expansions, which provide them with very good flexibility.

Over to slide 8 now for an update of our 2015 to 2019 secured capital program. The chart illustrates here strong execution on costs and schedule, with another CAD10 billion or so put into service in 2015 and 2016.

Last month, the first phase of the regional oil sand optimization projects the Athabasca Twin was also placed into service. Of the remaining inventory, we are on budget despite the challenging environment that you see. You can check out the green squares there to identify that for each of the projects.

On to slide 9 and a bit more detail on the projects. On the Wood Buffalo extension, the Fort Hills shippers and Suncor recently provided us with their timing and notice on first oil, which is in December. Pipeline construction is substantially complete. We will be earning AFUDC until we are in service there, so our investment economics don't change with this in-service date and are very attractive on this project.

Solid progress on Line 3 replacement on both sides of the border. Of course, in Canada, you know we received federal approval for the project. In Minnesota, scoping of the EIS is complete, and preparation of the draft is currently underway. We expect EIS to be out for comment in April and the routing review, of course, will follow the EIS process.



On the Bakken Pipeline System, otherwise known as DAPL as you know, the final easement was released and we've now closed on our 27% investment. Construction on the remaining segment is underway, and the pipe could be in service as soon as Q2.

Strategically for us, this is important because it provides another conduit into the Gulf Coast refinery market. It also lines up very well with our value proposition: long-term contracts with strong customers, expansion potential, and a very solid economic project for both us and EEP.

Enbridge will provide the initial funding for EEP, and a joint funding arrangement will be negotiated as part of EEP's strategic review, underway right now. So no external funding required by EEP and has been provided for the financing plan that John will talk about.

The last project highlighted here is High Seas offshore wind project that we announced this morning. All permits for this project have been secured, and construction is slated to begin later this year.

Let me provide some additional color on the renewable strategy and the project itself. Slide 10 is just a reminder of how renewable energy fits our strategy and the value proposition. It's clear that we are going to need all sources of supply to meet growing global energy demand, and that includes renewable supply.

The cost of wind power is becoming even more competitive due to larger turbines better technology, and understanding of wind resources. You can see from the chart here that we've grown the business prudently over time. Our 1,900-megawatt portfolio makes us one of the largest wind and solar players in Canada.

That has allowed us to gain development and operational experience over the last decade, which we think is critical in establishing a sustainable business platform rather than just a collection of assets. We think it makes sense to have renewables as part of our opportunity set and as one element of contributing to and extending our growth rate.

Given the plethora of opportunities we have in front of us, even more post-Spectra, renewables compete for capital and need to meet the same stringent investment criteria as the rest of our business. The table that you see here illustrates the key criteria.

So for a renewables project, that generally means long-term PPAs where offtake is contracted, power prices being predetermined, and manageable capital cost risk. The bottom line to that is that the long-term risk adjust for returns for renewables need to line up, and they do, with the rest of our businesses.

So that's the context for the newest project. On to slide 11. Just a bit of background here. European offshore wind is one of the fastest-growing energy segments today, and we've become part of this over a very short period of time, not simply because there's a significant push for greater component renewables in the supply mix in Europe.

That means that we can achieve strong commercial underpinnings, and the supply chain is now very well developed. These conditions allow us to leverage our renewables knowledge, major projects capability, and experience in working offshore in the Gulf of Mexico.

With High Seas, our fifth European offshore wind investment, we have roughly 1,100 megawatts of net capacity under development expected to come in service nicely over the next few years. We really like this project for a bunch of reasons, actually.

First, in EnBW, we have a great partner who is experienced in European energy and offshore wind. At CAD1.7 billion, it's a meaningful investment. It comes with a 20-year PPA for 100% of the volume. The project has been derisked, with the vast majority of capital being locked down with fixed-price contracts, and importantly, it comes with an embedded 112-megawatt organic expansion.

Financially, the project has a solid return and we've got a new accretive near-term source of new cash flow with an expected ISD in 2019. Importantly, equity pre-funding for the project has been fully provided for through our preferred share and hybrid financings completed in December.

Finally, I think this is a good example of how we are already making progress at securing some of the CAD48 billion pool of probability-weighted growth projects we talked about when we announced the Spectra combination. And that inventory will support our 10% to 12% dividend growth projection beyond 2019 post-Spectra.

With that, let me turn it over to John to discuss the financial results of both Enbridge and the Enbridge Income Fund.

John Whelen - *Enbridge Inc. - EVP and CFO*

Thanks, Al. And good morning, everyone. I'll pick things up here on slide 12 with a look at the performance of our businesses in both the fourth quarter and for the full year, focusing on adjusted EBIT, or earnings before interest and taxes, at the segment level.

As you can see, it was a strong year overall. Adjusted EBIT was up CAD80 million quarter over quarter and a little over CAD500 million for the full year. These operating results put us in the top half of the EBIT guidance range we announced in late 2015 and reflect positive year-over-year contributions from our largest lines of business.

The MD&A and news release provides a good breakdown of the performance of all the various subsegments. I'll focus on some of the key factors that drove the results for each segment, starting at the top of the table with liquids pipelines.

For the full year, adjusted EBIT generated by Liquids Pipelines was up CAD574 million over 2015, driven by a few key factors. Firstly, strong performance from both the Canadian Mainline and Lakehead Systems, which, as Al has already noted, delivered a record throughput despite the impact of the Alberta wildfires in the second quarter and enabled by the systems expansions placed into service last year.

Secondly, increased contributions from our Mid-Continent pipelines, where toll revenue increased due to higher take-or-pay volumes under existing contracts and lower apportionment on the mainline upstream of the Flanagan South pipeline. Finally, it benefited from higher contributions from our Regional Oil Sands Pipelines, reflecting new assets placed into service in the second half of 2015.

Fourth quarter, EBIT was up by CAD62 million compared with the fourth quarter of last year, driven by higher contributions from the Lakehead System, which benefited from record deliveries and a higher toll compared to Q4 2015, and by growing contributions from the new regional oil sands and feeder pipelines. However, these positive impacts were partially offset by a lower Canadian residual benchmark toll in the fourth quarter of this year and a lower effective foreign exchange hedge rate, which both served to reduce the EBIT generated by the Canadian Mainline when compared to the prior-year quarter.

Shifting down to gas distribution, the story here is pretty straightforward. Adjusted EBIT was up nicely: CAD48 million for the full year and CAD22 million on a quarter-over-quarter basis, driven primarily from the growth in the rate base that resulted from the completion of the GTA system reinforcement project that was brought into service at the beginning of this year as well as lower operating and maintenance expense and the benefit of unbudgeted customer growth.

Moving to gas pipelines and processing, adjusted EBIT was up about CAD30 million for the full year and CAD7 million quarter over quarter. Both year-over-year and quarter-over-quarter variances were largely driven by the same factors.

On the upside, strong performance by the Alliance Pipeline, which generated higher operating income under its new service delivery and tolling model, an increased contribution from our Canadian midstream segment, which benefited from the acquisition of the Tupper plants in April, and a significant uptick from our offshore systems in the Gulf Coast, where EBIT was higher as a result of improved throughput on some of the systems and the impact of new assets placed into service, including the Heidelberg lateral, which commenced operations at the beginning of this year.

Offsetting these positives was the weak performance of Enbridge Energy Partner's gas gathering and processing business, which continued to struggle in 2016 in the face of low commodity prices, which affected drilling and production volumes in the areas those assets serve.



Moving down one more line, EBIT generated by green power transmission was down CAD6 million for the quarter and CAD10 million year over year. While wind resource was stronger at our US facilities, this was more than offset by generally weaker resource on our facilities in Canada and by the impact of icing events in the first and fourth quarter, which affected operations on some of our Eastern Canadian facilities.

Energy Services was up CAD17 million compared to the fourth quarter of 2015, but was down CAD33 million on a year-over-year basis. During the quarter, we did see more opportunities for profitable tank management strategies, which helped that picture. However, full-year results were still down substantially from 2015, reflecting a generally weaker commodity price environment, which limited opportunities to benefit from differentials.

Finishing off EBIT look, eliminations and others, or E&O, reflects a net unfavorable variance of CAD22 million quarter over quarter and CAD103 million year over year. The negative variances on this line item, both for the year and the quarter, are primarily due to a couple of factors. Higher corporate operating and administrative expenses that weren't recovered from business units as well as increased settlement losses on foreign exchange hedges not allocated to specific segments.

Just as a reminder, E&O is the segment where we pick up hedge settlement gains and losses on the economic FX hedges we have in place against our US assets. Payouts on settlement of these hedges increased in 2016 as the Canadian dollar weakened relative to the average hedge rate, contributing to the negative variance. Importantly, these negative settlement impacts are offset by the impact of translating earnings from our US dollar operations at the weaker Canadian exchange rate, which shows up, of course, in the EBIT of those segments with US operations.

So putting it all together, despite a few puts and takes, 2016 was a very solid year from an operating income perspective. Adjusted EBIT was close to CAD4.7 billion, up 12%, as AI mentioned, over 2015 and towards the higher end of our CAD4.4 billion to CAD4.8 billion guidance range for the year.

Slide 13 summarizes how the EBIT growth I just went through translated into bottom-line ACFFO growth. And I'll start with the quarter this time. As you would expect, the depreciation addback is up, given projects brought into service since the fourth quarter of last year. On the other hand, interest expense was higher as a result of the incremental debt incurred to fund those projects that came into service.

Current income taxes were down CAD22 million quarter over quarter, largely due to some one-time tax optimization strategies that were introduced in the third quarter. And distributions to noncontrolling interest were up, reflecting higher distributions to the public out of the Fund Group.

Other non-cash adjustments were down CAD64 million relative to Q4 2015. This was primarily due to the impact of some accounting true-ups on recognition of unrealized foreign exchange gains, which serve to drag down reported ACFFO on a quarter-over-quarter basis, which shouldn't impact the go-forward run rate.

For the full year, many of these same factors were at work. Higher depreciation addbacks were offset by higher interest expense and by the full-year effect of higher distributions to the public out of the Fund Group. You will also note that maintenance capital for the full year was lower in 2016. This is partly due to some planned leasehold improvement work that was deferred, but also reflects some efficiency introduced to our information systems maintenance program, which we expect will create ongoing savings.

Cash taxes for the full year were down by CAD68 million, coming in lower than we had originally guided, primarily due to the optimization strategies I just noted. However, we don't expect to see this benefit repeated in 2017.

Cash distributions in excess of equity earnings were down CAD61 million year over year. While earnings from equity accounted for in investments were up year over year, the distributions from those entities didn't increase at the same pace, which is why this line shows a negative variance. And finally, a positive variance of CAD186 million in other non-cash adjustments primarily reflects tolls and fees collected in cash, but did not record in EBIT.

All in all, the strong EBIT growth did translate to solid bottom-line cash flow growth for the full year. ACFFO per share came in at CAD4.08, about 10% up over last year and solidly within the guidance we provided at the outset of the year. A strong performance in light of the impact of the wildfires and our larger and earlier-than-planned equity offering in the first quarter.

Moving to slide 14 and shifting to the results of Enbridge Income Fund and Enbridge Income Fund Holdings Inc., or ENF, for the quarter, Fund Group ACFFO was up CAD35 million, primarily due to strong earnings and cash flow performance from Alliance under its new tolling and service delivery model, as well as lower current income taxes, which resulted from the tax optimization strategies I referred to a moment ago when discussing Enbridge Inc.'s results.

Notwithstanding a relatively low overall Fund Group payout of about 82%, distributions paid to ENF were up CAD25 million compared to the fourth quarter of 2015, which enabled ENF to increase its dividend per share a full 10% from the rate that prevailed in the fourth quarter of 2015.

For the full year, Fund Group ACFFO was up very significantly over 2015, reflecting the transformational drop-down of assets to the Fund Group that we completed in September of 2015. The Fund Group's 2015 results only reflected four months of contribution from the transferred assets, so a big part of the year-over-year growth story still continues to be the drop-down.

This can be more clearly seen in the quarter-over-quarter picture. The underlying assets are performing well and generating solid organic growth in their own right. Altogether, for the full year, the Fund Group generated ACFFO of just over CAD1.8 billion, well ahead of our CAD1.75 billion to CAD2.05 billion guidance range and up over CAD1 billion year over year due to its larger asset base and growing contributions from Alliance.

Over the full year, total distributions paid by the Fund Group to ENF increased by CAD111 million to CAD252 million, providing the underlying support for ongoing dividend increases at ENF. ENF raised its monthly dividend by 10% in September 2015 at the time of the drop-down and again in January 2016. As you can see here, reported 2016 dividends per share were up 17% on a year-over-year basis compared to dividends paid in 2015 as a result of these two increases.

And we just announced in January another 10% increase in ENF's monthly dividend to CAD0.171 per share or about CAD2.05 per share on an annualized basis, reflecting the Fund Group's strong historical performance and its outlook for the coming year.

And on that topic, I'm looking ahead to 2017 on slide 15. The outlook remains very strong. We are projecting that Fund Group will generate ACFFO between CAD1.9 billion and CAD2.1 billion this year. The growth is expected to be driven primarily by higher volumes on the Canadian Mainline system in the absence of the wildfires that disrupted operations last year, projected increase in the Canadian residual benchmark toll starting in April, and the impact of new capital projects coming into service.

Those projects include the Wood Buffalo extension, which is part of the larger regional oil sands optimization project. As I mentioned the delay of the startup of Wood Buffalo until December. The delay has modestly dampened our outlook for Fund Group ACFFO in 2017.

However, the underlying contract will permit a full recovery of equity return and debt cost during construction through ongoing tolls. And the delay will not have a meaningful impact on project returns or the longer-term projected cash flow profile of the Fund Group.

Our updated outlook fully supports the 10% dividend increase we announced in early January. And our longer-term projections for Fund Group ACFFO continue to support annual increases in ENF's dividend of approximately 10% per share through 2019.

Moving on to slide 16, and before I turn things back over to AI, I wanted to briefly highlight some of the progress we've made over the course of the year to strengthen the balance sheet, diversify our funding sources, and improve Enbridge's overall financial flexibility.

In total, we raised over CAD10 billion Canadian equivalent in new long-term capital across the Enbridge Group through public markets. This included large and successful follow-on common share offerings by Enbridge Inc. and Enbridge Income Fund holdings earlier this year and over CAD1 billion of new common equity raised through our DRIP and PIK programs.

We successfully refinanced and turned out a large portion of construction-related bank debt and commercial paper. And further diversified our sources of term funding, raising term bank debt through Asian financial markets on attractive terms.

In the fourth quarter, we further bolstered the balance sheet, issuing CAD750 million of rate reset preferred shares here in Canada and another \$750 million through the hybrid security issuance in the US public market. Both of these securities receive 50% equity credit from Moody's and Standard & Poor's. Including these hybrids, over the course of the year, we raised total close to CAD5 billion in common equity or common equity equivalent funding.

At the same time, we have been enhancing our net financial flexibility through asset sales. You will remember at the time of our announcement of the Spectra acquisition we set a target of divesting CAD2 billion of non-core assets within a year.

As you can see from the chart on the right-hand side of this slide, we have been making good progress. In total, we have either sold or have agreed to sell roughly CAD1.7 billion of miscellaneous or other non-core investments.

All of these transactions are expected to be closed by the end of the first quarter. And we continue to pursue a number of attractive opportunities and are confident that we will comfortably meet and potentially exceed our stated target.

These monetizations free up equity capital for redeployment into growth projects, further bolstering the balance sheet. And together with the incremental long-term capital raised during the year leave us very well positioned from a financial perspective heading into the merger with Spectra.

With that, I'll turn it back over AI to wrap up.

AI Monaco - Enbridge Inc. - President and CEO

Okay. Thanks, John. And we are on slide 17 here. I'm going to conclude with an update on where we are on the Spectra transaction. The map here is really just meant to be a quick reminder of why the combination makes so much strategic and financial sense for us. I think you are all well grounded, so I won't go through this entire list, but maybe just point out a couple things.

Essentially, we are going from 3 to 6 strategic business platforms which are going to drive out that CAD48 billion in risked opportunities beyond 2019. It extends the industry-leading ACFFO growth rate and the visibility of our 10% to 12% annual dividend growth outlook into the mid-next decade, further bolsters the balance sheet, the funding flexibility, and diversification of cash flows. And all of this is captured without sacrificing the strong value proposition, commercial underpinnings, and the high predictability of cash flows that you have become to know us for.

We felt pretty good about this combination back on September 6 when we announced it, but even more positive today. And here's why I say that. Firstly, commodity prices since then have stabilized, and we are more bullish on a sustained recovery. Very good news for our customers, but it also means more infrastructure is going to be required.

Second, the political landscape in North America has shifted to let's call it a more balanced tone for energy and infrastructure development. We've seen strong conviction from the federal and provincial governments in Canada in recent months to advance infrastructure. And we see that happening as well in the United States on economic growth and a positive stance on energy. We are very well positioned to benefit from all of these dynamics, particularly given our greater exposure to the US market post-Spectra.

So there's clearly a renewed momentum, we think, here that we think is going to be positive for our future. We are obviously very eager to get the transaction closed and get to work on new opportunities. So let me talk about where we are on that on slide 18.

We have updated this slide since the last call in December. Both Enbridge and Spectra shareholders voted overwhelmingly in favor of the transaction. The OEB provided its confirmation, and we received approval from the Committee of Foreign Investment in the United States.

Yesterday, we were very pleased to receive clearance from the FTC, so that's a great outcome. And it means that the only remaining regulatory approval relates to the Canadian Competition Act. The upshot of all of that is that we remain confident that we will be able to close in the first quarter.

We're working hard on integration planning, moving now to slide 19. So let me just spent a minute on that. A key driver, as you know, of any combination is successful integration. And the Enbridge and Spectra teams, I'll say, have been working very well together and focused on planning since we announced the deal. We have got dedicated integration planning resources to ensure a smooth transition.

We are now ready for closing and running the business on a combined basis. We call that day one. We also focused on the next hundred days, and we have mapped out the key milestones and execution plans. We are also making headway in developing execution plans to capture the CAD540 million in pre-tax annual run rate synergies that we talked about by 2019.

Also, we have now announced the senior leadership and management team for the business. We are very pleased as well to have a group of great leadership people with diverse experience and perspectives leading our Company. So I think we are in good shape here overall, and the teams are ready to take the integration plans live.

Finally, slide 20 captures our investor communication plan for post-closing. One of our first tasks out of the gate is going to be preparing a combined 2017 outlook for the business. We expect to communicate that outlook in May along with the Q1 results. At that time, we will be able to formalize the dividend top-up announcement for the year and provide our 2017 guidance for Enbridge.

We also expect to hold an initial investor conference later in the quarter, most likely before the summer, to provide an upgrade on integration, synergy capture, and a high-level walk-through of the combined business. Towards the end of the year, we will hold our usual full Enbridge day investor conferences, which will roll out our combined long-range plan, financial outlook, as well as 2018 guidance and dividend plan.

We have had a lot of positive feedback and significant new investor interest as a result of this transaction. So we want to continue building on that momentum, and we are looking forward to communicating more with the investment community as a combined company in the very near future.

So with that update on the transaction, I will turn it back to the operator for questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Robert Kwan, RBC Capital Markets.

Robert Kwan - RBC Capital Markets - Analyst

I'm just wondering, as you think about the announcements at EEP, can you just talk about what drove the decision to make the statement that you didn't see bringing EEP back up top as an option? And just generally some thoughts on the sponsored vehicle strategies you are going for?

Al Monaco - Enbridge Inc. - President and CEO

Sure. Well, essentially, Robert, maybe I should start off. We recognize there's a lot of rollups going on out there, but recognize that no two situations are alike. And we've studied this at length. The strategic review that we started out with for EEP did assess that alternative, and that's the conclusion we came to.

A couple reasons. First of all, we do believe still that the MLP structure can be an effective tax-advantaged vehicle. I think that has been proven in the past, and there are many instances today where that vehicle is effective in a number of cases, including the Enbridge Income Fund. And we know SEP at Spectra is a very capable vehicle.

It's also proven for us to be a pretty good source of capital. And we pull that lever when it makes a lot of sense. And for us, we view it as having a good alternative source of capital. Obviously, that cost of capital has to be effective, and for EEP, it hasn't been, necessarily, over the last couple of years.

From Enbridge's perspective, though, the transaction, the rollup transaction would need to make financial sense for Enbridge shareholders and would need to be attractive there, too. One of the factors that I think differentiates us somewhat with some of the other situations is the fact that our tax position is different than some.

In our case, we have limited ability at this point to utilize a step-up that would come with a rollup like that, at least for the time being. So those are the factors that went into our assessment, and that's why we are assessing other alternatives right now in the case of EEP.

Robert Kwan - RBC Capital Markets - Analyst

I guess, Al, just can I ask a really quick follow-up? You just mentioned limited ability to use a step-up. But you said kind of right now. Is there something in the works that might cure that in the relatively near to medium term?

Al Monaco - Enbridge Inc. - President and CEO

I would say probably not. If you look at our tax position today in the United States, that's not really utilizable at this point. And remember, too, with the Spectra transaction, one of the things we talked about in terms of our tax position is that we will be able to utilize some of the losses that we have outstanding right now against Spectra's income going forward. So it's not something that I would say is in the immediate term.

Robert Kwan - RBC Capital Markets - Analyst

Okay. And if I can just finish with a mainline kind of tolling question, you commented that you expect the Canadian residual toll to increase. And I guess just based on the timing, I suspect that refers to -- or is that referring to an expected reduction in the Lakehead toll? And if that's the case, is that the cost-of-service portion or the index-based based on the PPI?

And then more broadly, as you think about the Lakehead toll going forward, do you have any thoughts, if we see US tax reform reduce the corporate tax rate, what you think FERC might do as it relates to cost-of-service-based tolls and the index-based toll?

Guy Jarvis - Enbridge Inc. - EVP Liquids Pipelines and Major Projects

I think I'll take that in a couple parts. First, in turn, we do expect that the EEP tolls will be going down with their filing on April 1 of this year. A couple contributors. First off, some of the macroeconomic factors that are driving their tolls that you referenced are lower than would have otherwise been expected.

The strength of our throughputs, actually, in 2016 means that there's not much of a volume true-up from the cost-of-service elements rolling through their toll. So as that toll comes down, we will benefit with the Canadian residual toll.

I think in terms of your question around the tax implications around MLPs and whatnot, we really haven't dove into that in the context of what that means for the EEP toll versus the Canadian residual toll. We are very active through various associations and keeping on top of that matter, but have nothing definitive in terms of exactly how that translates down to the toll.



Robert Kwan - *RBC Capital Markets - Analyst*

Guy, actually, my question was less about the whole can MLPs collect tax in tolls. More so just around a pure reduction in the corporate tax rate and what you think FERC might do to adjust just the cost-of-service buildup of a lower tax collection due to a lower tax rate.

Guy Jarvis - *Enbridge Inc. - EVP Liquids Pipelines and Major Projects*

Yes. It's hard to imagine how they would address that, the way the index tolling is working right now. I think the index toll is designed to leave some of that risk and reward with the pipeline companies for changes like that. So I think our position would be that the index tolling mechanism deals with a situation like that.

Robert Kwan - *RBC Capital Markets - Analyst*

That's great. Thank you very much.

Operator

Robert Catellier, CIBC World Markets.

Robert Catellier - *CIBC World Markets - Analyst*

Thank you and congratulations on the FTC approval. That is a great outcome. I was wondering if you could help us with the remaining Competition Bureau review in Canada.

Specifically, can you let us know if the Express-Platte Pipeline was part of the FTC review? Or are there still competition issues there being addressed by the Canadian Competition Bureau?

Al Monaco - *Enbridge Inc. - President and CEO*

Robert, obviously we'd like to give you more information on that. I think all we can really say is that all the information that has been requested by the Bureau, we've provided. We continue to work with them.

So we really can't get into any specific matters that are under their review. It's their file. They are looking at it. And when they conclude their review, I'm sure they will be coming out with their views on it. So apologies for not being able to get into that detail. But it's just not something we can do right now.

Robert Catellier - *CIBC World Markets - Analyst*

Okay, then maybe a quick update on Line 3 permitting. There has been some advancement. Notably, there has been a draft EIS filed on Alberta Clipper. Can you maybe just walk through the way forward on Alberta Clipper and if you see that derisking on the combined capacity of those two pipelines?

Al Monaco - *Enbridge Inc. - President and CEO*

Right. Well, on Clipper, you are right. The environmental report was put forward. As we expected, it was very clean. So we don't really expect any issues on that front.



The timing, obviously, is still, I guess, a little bit uncertain. But generally, we feel that it's on track and the permit should be received later this year at some point.

Right now, of course, the workarounds that we've designed allow us to use the capacity on the system downstream of the border. So I think we are in good shape there. And as I said earlier on, certainly a more positive tone with respect to federal permitting in the United States. So we don't expect any issues there going forward.

Robert Catellier - *CIBC World Markets - Analyst*

Okay, thank you.

Operator

Rob Hope, Scotiabank.

Rob Hope - *Scotiabank - Analyst*

Thanks for taking my questions. Continuing on in the US, can you just give us some updated thoughts on the Line 5 easement concerns there, potential path forward as well as, broadly speaking, how you are thinking about the expiring easements for some of your legacy pipelines?

Guy Jarvis - *Enbridge Inc. - EVP Liquids Pipelines and Major Projects*

I'll tackle that one. So in terms of the Line 5 easement situation, we've been able to open up the channels of communication again with the tribe on that matter. And we are hopeful that those are going to lead us to find, again, an amenable long-term solution.

I think what we've learned is that (technical difficulty) integrity digs that are going to be doing on the system that are on the right-of-way in their territory. And it was really their concern at understanding exactly what was going on with the pipeline and those integrity digs that seemed to have led them to take a position that they had earlier in the year.

So we are pretty confident that we can get in and have a full engagement with them in terms of the safety of the pipeline and all the measures we take to keep it safe. And find ways that we do that on a sustainable basis with them so that they don't find themselves in a position of not having a good understanding of the pipeline that's in their territory.

And I think that's really -- if you ask what are we trying to do more broadly, I think it's that. I think we are taking steps to increase our engagement with all of our landowners to make sure that they understand the nature of how it is that we are managing the safety of our operations right down to their individual tract of property. So it is a significant step-up in terms of engagement that we believe we need to do, and we have been add it for the better part of two years now and we will continue to do that.

Rob Hope - *Scotiabank - Analyst*

All right. Thank you for that color. Is there any statistics you could provide just to give a sense of how much of your easements will be expiring over the next five years?



Guy Jarvis - *Enbridge Inc. - EVP Liquids Pipelines and Major Projects*

I don't have a broad base of statistics other than to suggest -- I can indicate that I think that the one that's nearest to expiry is still, I think, three to four years out into the future. And we're well advanced in talks on renewing that.

Rob Hope - *Scotiabank - Analyst*

All right, thank you.

Al Monaco - *Enbridge Inc. - President and CEO*

And I'll add a quick point on that. What we are seeing here perhaps has been elevated externally in terms of some of the questions which I think are quite legitimate. This isn't entirely new. And we have been, I'd say, very successful over the decades in dealing with renewals.

And it comes essentially down to what Guy said around collaborating with communities. And generally, we will work through these issues very well. In this particular case, there is, as Guy said, a concern around the particular tract. And we will work very collaboratively with that particular community going forward.

Operator

David Galison, Canaccord Genuity.

David Galison - *Canaccord Genuity - Analyst*

Thank you for taking my question. So just on the renewable side, so in the context of the criteria that you laid out for renewables, can you talk a bit about maybe the magnitude of the opportunities that you are seeing outside there, outside of the ones that have already been announced?

Al Monaco - *Enbridge Inc. - President and CEO*

I guess maybe, David, it comes back to the basic fundamental that's driving this. If you look at Europe right now, the target is likely to have -- you are probably going to see 50% of the power coming from renewables over the next decade or two here.

So there has been a lot of projects developed, but there's a lot more to come. And I think this will likely come about in several different countries, probably three or four main ones.

We are seeing lots of flow, actually, on this. The question really for us is not so much the size of the opportunity set, but making sure that the projects that we are pursuing fit the criteria that we had there. There's some activity that we are just not interested in in terms of the types of returns and the types of bids that you see in some of them. So we are going to be pretty selective, still, in making sure that the criteria that we establish get addressed when we're looking at these new projects.

So I'd say the opportunity set generally is quite large. And we've got a team in Europe looking at these opportunities, scouring and looking through them. And so hopefully there will be more coming along.

I wouldn't want to make a prediction as to how many megawatts or how many billions that really drives out for us over the next 5 or 10 years. The approach we take really is, if they fit the criteria, we will look at them. We've got so many other opportunities across the entire Company we can afford to be very selective in what we are looking at.



David Galison - *Canaccord Genuity - Analyst*

Okay. And then just to touch on the Line 3. So if things move along and the draft EIS is completed in April, are we still looking at 2019 timing? Like, can you give any color around whether it be early, mid, later half, or how you are thinking about that?

Al Monaco - *Enbridge Inc. - President and CEO*

Yes. I'm not sure we can be that specific. I think we are pretty comfortable saying 2019, but it's really going to depend on a number of timing issues related to both completion of the EIS and then the routing review after that. And so, unfortunately, it's hard to say whether it's the beginning, middle, or end at this point. Being more specific, I just -- we just can't do at this point.

David Galison - *Canaccord Genuity - Analyst*

Okay, thank you very much.

Operator

Linda Ezergailis, TD Securities.

Linda Ezergailis - *TD Securities - Analyst*

Maybe I can just build on some questions around your offshore wind. When you announced your French wind investment last May, there was a suggestion that it was at a slightly earlier investment point compared to the Rampion project, and that over time maybe you would be able to move to almost a predevelopment stage and build those offshore wind projects in-house.

And I'm just wondering what your thoughts are in terms of maybe capturing some of those higher returns potentially by investing earlier in the process. Because this investment here seems to be more of a financial investment at this point.

Al Monaco - *Enbridge Inc. - President and CEO*

Well maybe just on your last point, to clarify, I think the fact that it is somewhat derisked, I guess, if you look at where we are on the project I don't think should imply that we wouldn't be involved in the development and operations and execution. The whole premise of this particular one was to move us up the curve exactly to what you are pointing to, which is to become more and more involved.

And the condition that we had on this investment is that we become equal partners, and that means development, operations, execution. So we have people dedicated to exactly that.

More broadly on your question, Linda, I think it's a good point. This always is a balance between taking on more risk and potentially a higher return being at the very front end of these development projects versus perhaps investing a little bit later in the cycle when the project is derisked. I think, generally speaking, as we get more and more capable on the development side, we will probably get into building an inventory of those kinds of opportunities.

And ultimately, as I said earlier, we want this to be a sustainable growth platform. And that means being involved, most likely, in various points in time around the development curve. So I think ultimately we'd like to get to what you are alluding to.



But we are always careful, given, again, the number of opportunities we have to select the ones that fit best at the time. And this one certainly works out well for us because it's a very strong return project. But for us, it has been relatively derisked, I guess is the way we look at it.

Linda Ezergailis - *TD Securities - Analyst*

Thank you. And maybe just as my follow-up question. Looking at US tax reforms, I realize it's early days, but your presence in the US is going to be growing significantly shortly.

And I'm just wondering what your preliminary thoughts on the range of possible effects for Enbridge -- I realize there are some positive and negative puts and takes, probably -- on not just a corporate tax rate reduction, but also a loss of interest expense deductibility offset by a better ability to deduct capital investments. And within that, does this affect your views on the potential degree of accretion of your pending Spectra merger?

John Whelen - *Enbridge Inc. - EVP and CFO*

Those are all things that, obviously, we're looking at and examining and will look to optimize going forward. I think to answer your last question first, I don't think it's going to have any kind of a material impact on our outlook for the accretiveness of the transaction at the end of the day.

We're going to have to watch. Obviously, it's a developing situation, and it's a little unclear exactly how any new tax legislation will be implemented. Generally, a lower tax environment is better. But we will have to see how it plays out over time.

I'd say it's probably too early to tell, but there's a lot of things strategically that we will look at in terms of our financial structure and financial planning to hopefully manage those efficiencies going forward.

Operator

Vikram Bagri, Citi.

Vikram Bagri - *Citigroup - Analyst*

On offshore wind projects, we've seen some pretty significant decreases in CapEx on turbines and even higher, close to 30% reductions, in operating cost. But that is somewhat balanced by a decrease in subsidies.

So how should we think about return on your offshore wind investments in Europe? Is it still in high-single digits? And if you can provide some color on opportunity to reduce CapEx further on announced projects? And any color on updates on French offshore wind project?

Al Monaco - *Enbridge Inc. - President and CEO*

Okay. Well, first of all, you mentioned something about high-single digits. I have to be upfront: we wouldn't be that excited about high-single-digit equity returns on our offshore wind projects, that's for sure.

As to what you are pointing out, I think it's a good observation. With any kind of industry like this that has been developing now for a couple of decades, there's a phase of, I guess, initial subsidy. But we never really anticipated that those subsidies, whether it's in Europe or elsewhere, would continue indefinitely.

And I think that as costs come down, as I said earlier, the size of turbines and understanding wind resources and so forth, that allows for lower subsidization. But for sure, we are going to monitor those two aspects of it, the degree of subsidization and the cost structure. They have come nicely together, I guess I would say, for the projects we are involved with.

On the French projects, we continue to be very excited about this. I think we've said in the past on calls that the commercial underpinnings for the French projects, the three very large ones there, are extremely attractive. In fact, probably the best commercial underpinnings that we've encountered. And we are in there, of course, with a great partner as well.

So perhaps the only other thing to add there is that they are nicely spaced out over the next several years in terms of their FIDs and execution plans. So they provide a nice level of growth for us over the next five to six years, once those get FID'd. And they are not quite at FID stage yet, but hopefully they will get there hopefully by the end of this year.

Vikram Bagri - Citigroup - Analyst

Great. And as a follow-up, I understand you will discuss updated guidance once the acquisition closes. But longer term, I'm looking at ENB stand-alone 2019 ACFFO per-share guidance of CAD4.50 to CAD5.

Assuming Spectra's acquisition is accretive to ACFFO per share, I was wondering what is baked into that guidance? Does that include some of the risk projects going forward? And also if that includes your French offshore investment going forward?

Al Monaco - Enbridge Inc. - President and CEO

Just to clarify, are you talking out to 2019?

Vikram Bagri - Citigroup - Analyst

Yes.

Al Monaco - Enbridge Inc. - President and CEO

Okay. So I'm not sure; the number that you had there sounded light. It's CAD5.50 to CAD6 that I believe the guidance we've provided. And what that includes essentially for 2019 is all of our secured capital projects between the two companies.

So it really doesn't include any of the risk probability projects, the CAD48 billion we were talking about, which really would come into play post-2019. So hopefully, that helps your thinking around it.

Vikram Bagri - Citigroup - Analyst

Great. That's all I had, thank you.

Operator

Ted Durbin, Goldman Sachs.

Ted Durbin - Goldman Sachs - Analyst

Could you give us a sense of the asset sales, how much EBITDA or EBIT was associated with the asset sales?

Al Monaco - Enbridge Inc. - President and CEO

I'm not sure if we have the EBITDA forecast. I guess maybe, out of the ones that John talked about in his remarks, the EBITDA that's related to those has been reflected in, I guess, the incomes line guidance related to the sale of the EPSI system. The other ones that are being referred to in John's comments are, I would say, probably fairly minor in terms of EBITDA contributions.

Would you expand on that, John?

John Whelen - Enbridge Inc. - EVP and CFO

Yes, I think that's right. Wanda, do you have the EBIT for EPSI, roughly?

Wanda Opheim - Enbridge Inc. - SVP and Chief Accounting Officer

Yes. The EBIT for EPSI would have been around CAD50 million.

Al Monaco - Enbridge Inc. - President and CEO

As I said, that's baked into the guidance that John talked about for the fund.

Ted Durbin - Goldman Sachs - Analyst

Okay, that's helpful. And then any thoughts on -- you had spoken to maybe increasing the amount of asset monetizations beyond the CAD2 billion. Where your head is on that?

Al Monaco - Enbridge Inc. - President and CEO

Okay. Well, as John referred to, we could exceed that amount. But really, it's going to depend on what we see for valuations. I think it's a pretty good market, honestly, with respect to interest we are seeing in some of our assets that are not as core to us that may be core to somebody else. So pretty good interest there.

We are not driven, necessarily, by exceeding the CAD2 billion. But certainly, if we get some interest in some of the things that we have that people might be keen on, then we will certainly look at that.

At the end of the day, we've got so many growth opportunities out there, if we can find something at a very strong valuation that somebody's keen on, and redirect that I guess released equity into organic programs that we have between Spectra and ourselves, then that would certainly be a good trade.

Ted Durbin - Goldman Sachs - Analyst

Great. And then if I could ask one more just on the synergies as you get closer to close here. The timing of realizing the CAD540 million on a year-by-year basis between now and 2019?

Al Monaco - Enbridge Inc. - President and CEO

Yes. Getting into that level of granularity is not going to be possible at this time, Ted. I will say that it will be fairly even is our guess through the next couple of years. Obviously, these things take a bit of time to ramp up. I will say we are pretty confident in the CAD540 million, that's for sure.



The integration planning that we have done with Spectra up to this point -- and just as a reminder, that is only planning at this point; we can't execute, given the combination is not finalized. But certainly we feel good about it. It will probably be graduated through the next couple years. And that's where we are on it.

Ted Durbin - *Goldman Sachs - Analyst*

Okay, that's helpful. Thank you very much.

Operator

Patrick Kenny, National Bank Financial.

Patrick Kenny - *National Bank Financial - Analyst*

Maybe a question for Guy, but just back to Al's comments on how much new takeaway capacity is needed next decade, over and above Line 3. Just want to clarify what that means for the Line 61 mainline expansion, having just closed the Bakken Pipeline System. Are negotiations with shippers for twinning Line 61 somewhat on hold here until you see if TMX or KXL go ahead? Or will Line 61 be going head-to-head with KXL through 2017?

Guy Jarvis - *Enbridge Inc. - EVP Liquids Pipelines and Major Projects*

I think the best way I would characterize our approach right now is Al referenced an ability to potentially add some more capability out of Western Canada in 2019 that's commensurate with the startup of the Line 3 replacement. That is our primary focus right now is on dealing with those incremental opportunities. And the reason for that is we think we can do them without doing anything ex-Superior, like you are referring to.

Certainly, when we get talking about post-2019 capacity, all of our options are on the table. And I think as it relates to Line 61, it really will boil down to whether we are going with more of a staged approach or whether there is a desire for customers to have more of a larger solution coming at one point in time. So it is part of our mix. We are not actively pursuing it along the right-of-way any longer right now, but it is part of the mix.

Patrick Kenny - *National Bank Financial - Analyst*

Okay, that's great. Thank you. And then just lastly on Alliance here, wanted to get your thoughts, since it has been a full year now since the new tolling structure came into effect. And of course, we continue to see growth in the Montney and now the Duvernet, basically right on top of Alliance.

So just wondering what the vision here is for Alliance over the coming years, debottlenecking versus larger-scale expansion. And maybe how you see Alliance positioned in the Midwest market relative to some of the other pipeline proposals coming into the Midwest.

Al Monaco - *Enbridge Inc. - President and CEO*

Okay. Lots in that question, so let me start by saying that if you go back a couple of years here when I think there was some concern about filling up the line, contracting it up, I think we always believed that evacuating gas and the growth outlook that we saw at of the areas that you are talking about looked very attractive.

And along with that, I think Alliance has done a very good job of managing the cost structures. So both on the revenue side and the cost side, I think the outlook for Alliance becomes very strong and very competitive relative to some of the other opportunities.



The real meat behind that, I guess, is the fact that we can move liquids in the line. And it is very unique from that perspective and actually fits extremely well with where the basin is going in terms of NGL growth coming out of Western Canada.

We are looking at some potential right now around expansions. I won't be too specific as to whether or not that's debottlenecking or looping or that kind of thing. It's probably a little bit too early to tell. But for sure, I think Alliance is extremely well positioned to get liquids into the Chicago market.

Obviously, with Aux Sable sitting there, a very large fractionation position, it's extremely well positioned to make sure that it continues to move gas into that region. And the equation for producers is obviously not just a dry gas one. So the fact that you've got NGL is really the way to think of it almost, Alliance is a big gathering system for all this NGL into a very strong market with good fractionation capability in Chicago.

Patrick Kenny - *National Bank Financial - Analyst*

All right, thank you.

Operator

And at this time, we would like to invite members of the media to join the queue for questions. (Operator Instructions)

Linda Ezergailis.

Linda Ezergailis - *TD Securities - Analyst*

Just very quickly, I know you are going to be giving guidance in a little bit. But maybe even at just the Enbridge Income Fund level, you can help us get a sense of your long-term updated run rate on maintenance CapEx.

I know that some from 2016 slipped into 2017, as well as any sort of indications on how cash taxes might be trending. I know they are low and will likely continue to remain low. And then any commentary that you could make on those two line items with respect to either Enbridge on a stand-alone basis or potentially even combined, if I can throw that out.

Al Monaco - *Enbridge Inc. - President and CEO*

I think Wanda or John?

Wanda Opheim - *Enbridge Inc. - SVP and Chief Accounting Officer*

I can take that. On the Fund items for maintenance capital, we see that, as we think about our guidance, sort of CAD90 million to CAD140 million. That's kind of the range we would say for maintenance capital.

And on the current income taxes, as we think about what we have in our projections, a range of CAD65 million to CAD75 million. And at this time on Enbridge, we will probably just wait until we come out for the full guidance later in May.

John Whelen - *Enbridge Inc. - EVP and CFO*

I would agree with that, Linda. I think that's the logical time to come out and give better guidance once we're a combined Company, and we will be under the hood, so to speak.

Linda Ezergailis - *TD Securities - Analyst*

Okay. And then maybe just as a very quick follow-up. On your mainline, given your commentary on integrity dates and dealing with Line 5 and potential renewables with permitting, that would not have materially changed your maintenance outlook for the mainline from a CapEx perspective, correct?

Al Monaco - *Enbridge Inc. - President and CEO*

That's correct.

Linda Ezergailis - *TD Securities - Analyst*

Okay, thank you.

Operator

Ashok Dutta, Platts.

Ashok Dutta - *Platts - Media*

I had a couple very quick questions. Al, you mentioned about adding another 100,000 barrels of light crude by Q2. Is that going to be primarily directed towards PADD II? And what kind of super interest do you have in hand?

Al Monaco - *Enbridge Inc. - President and CEO*

I think Guy is probably ready to answer that one.

Guy Jarvis - *Enbridge Inc. - EVP Liquids Pipelines and Major Projects*

Like Al mentioned, really what we are referencing there is we have now created and made available to our shippers the boundaries of a quality of crude that we think we can ship as a medium blend and potentially utilize some of the light capacity in our system that becomes available from time to time.

It's not a single crude; it's a range within which refiners or producers or marketers could blend and create a specific crude. So I'm aware that we have customers on all parts of our system evaluating how they might be able to use that. So I wouldn't say that it's specific to any one group.

Ashok Dutta - *Platts - Media*

Okay, thank you. And the next question. Al, you also said, and if you could just walk me through this. So over and above Line 3, you said that you were looking at adding another 175,000 barrels by 2019. Could you explain how that is going to come about?

Al Monaco - *Enbridge Inc. - President and CEO*

Okay. Well, Guy, do you want to provide some more detail on it?



Guy Jarvis - *Enbridge Inc. - EVP Liquids Pipelines and Major Projects*

Actually, I don't want to provide a whole lot more detail --

Ashok Dutta - *Platts - Media*

Okay.

Guy Jarvis - *Enbridge Inc. - EVP Liquids Pipelines and Major Projects*

-- Because we're in conversations with our customers about that at this time. And when we have the details hashed out with our customers, we will be more than happy to share it at the time.

Al Monaco - *Enbridge Inc. - President and CEO*

But what we are talking about there is essentially expansions or incremental offerings within the existing envelope of the mainline and greater efficiencies and so forth that would add increments that are driven by when the supply profile kicks in. So it's really modifications, you could look at it that way, to the existing system. And Guy is right; we probably shouldn't get specific about what types they are at the moment.

Ashok Dutta - *Platts - Media*

Okay, and a last question. How is Line 9B getting along in terms of throughput volumes?

Al Monaco - *Enbridge Inc. - President and CEO*

Running pretty full at the moment, Guy. Is that right?

Guy Jarvis - *Enbridge Inc. - EVP Liquids Pipelines and Major Projects*

Yes.

Ashok Dutta - *Platts - Media*

All right, thank you very much. That's all.

Operator

Jeffrey Morgan, The Financial Post.

Jeffrey Morgan - *The Financial Post - Media*

Thank you for taking my question. Just wanted to come back from the comment from early in the call about existing capacity in Line 3 providing enough capacity into the next decade.

Is your view that some of the other pipeline -- that only one other pipeline proposal which is currently out there right now is necessary to meet the supply from the WCSB over the next 10 years? So there are three major projects: Trans Mountain, Energy East, Keystone, Xcel out there right now. Is your view that only one is necessary?

Al Monaco - *Enbridge Inc. - President and CEO*

Well, first of all, I think what I said was it really depends on what producers and refiners would like to see in terms of ultimate capacity. It will be their call.

But strictly speaking, as I said, if you look at the supply profile and you look at our expansion replacement capacity for Line 3 and one other pipeline, that should suffice based on the current supply outlook, out to at least mid-next decade. So that's how the capacity and the volumes line up at the moment.

But as I said, ultimately it will be up to the customers and producers to determine how much excess capacity they would like. And obviously, if volumes change and there is more growth coming out of the basin, that will change the outlook that we have for capacity that's needed.

Jeffrey Morgan - *The Financial Post - Media*

Okay, thank you.

Operator

Nia Williams, Reuters.

Nia Williams - *Reuters - Media*

Thanks for taking my question. You talked about Line 5 in Wisconsin and the easements there. Could you also talk a bit about what you are doing with regard to concerns about Line 5 in Michigan and the Straits of Mackinac? Is Enbridge taking concrete steps other than the two reports that are due to deal with this one?

Guy Jarvis - *Enbridge Inc. - EVP Liquids Pipelines and Major Projects*

I can jump in. So I think the best way to -- we are always taking concrete steps to manage the Straits of Mackinac. I think if you looked at our entire system, there's no other segment of our pipeline that gets more attention and more levels of integrity management than those two pipes under the Straits.

Going to it a little bit more broadly, our focus is with the task force that has been established in the state of Michigan. The state has engaged independent experts to do an analysis of the Straits and our integrity management program. And we are providing whatever information to that exercise that is asked of us, and stand ready to continue to engage on the safety with the state and with our federal regulators and anybody else.

Al Monaco - *Enbridge Inc. - President and CEO*

I think that's right. In a nutshell, fair to say that we are all over this, for sure, given the importance of the Straits and our desire to make sure that we are running the system well and preventing any incident.

Also note as well, aside from the task force that the pipeline regulator PMSA has done quite a detailed review, and as you can imagine we're always in contract with the regulator. And they are making sure that we are managing the system well.

Nia Williams - Reuters - Media

Okay, thanks.

Operator

Kelly Cryderman, The Globe and Mail.

Kelly Cryderman - The Globe and Mail - Media

I'm wondering if you can provide more detail about why the Wood Buffalo project is delayed from Q2 of this year to Q4.

Al Monaco - Enbridge Inc. - President and CEO

Well, in terms of the Wood Buffalo pipeline, of course our job is to make sure that it's ready for service, which essentially it will be very shortly. As I said, pipeline construction is just about complete. So that's what the task is for us.

Obviously, with very large projects like this on the upstream side from the Fort Hills' partners' position, there's a little bit of variability as to when first oil is achieved. And they have let us know that that's going to happen at the end of the year here. So that's when we will begin the in-service operations. But we are just ready to go ourselves, actually.

Kelly Cryderman - The Globe and Mail - Media

So it's not on your end, the delay? It's at Fort Hills?

Al Monaco - Enbridge Inc. - President and CEO

Oh, yes. Sorry. No, the pipeline will be ready to go probably by May, I think the time is, Guy. And we wanted to be ready in case the Fort Hills production was ready to flow then. As I said, we've been told by the producers that it will be later this year. So it's really -- from our side of it, the line will be ready.

Kelly Cryderman - The Globe and Mail - Media

And just one more follow-up. You mentioned in your remarks the more positive environment for energy development in Canada and the US. And I assume you are speaking about a more positive voice on energy development from the White House and from the U.S. Congress.

What about the opposition to new pipeline projects that remains at the state level, on the ground, among indigenous communities? Do you think that will become more important, less important, in this new, as you stated, more positive era for energy development?



Al Monaco - *Enbridge Inc. - President and CEO*

That's a very good question, actually, and I'm glad you asked it because it allows me to clarify this issue. Generally, it is more positive. If you look at what Canada has done in terms of new project approvals and the diligence that they are going through in terms of consultation and additional environmental work, I think that's very positive.

The stance in the US obviously has changed a bit now and they are certainly positive on energy generally. And remember that the way we look at life is that North America has a real competitive advantage, we believe, on energy. And I think the conditions are certainly improving at a macro level.

But really at the state level and in terms of communities, there is a lot of work still that needs to be done. And the way we try and attack that -- several perspectives: being very progressive on safety and environmental protection, ensuring that the public still has trust in what we are doing.

There's a lot of things that we are moving forward on in terms of advocacy. Focusing on the value of energy and how sustainably we develop it in North America and keep our communities safe.

So those are the things that we continue to work on: working closely with communities; listening to their concerns, which are legitimate; and then working with them to make sure that we are doing what we need to to keep the environment safe.

Kelly Cryderman - *The Globe and Mail - Media*

Thank you.

Operator

Ian Bickis, The Canadian Press.

Ian Bickis - *The Canadian Press - Media*

Thanks for taking my question. Sticking with that topic a little bit, on the Bakken deal, obviously it was delayed a little bit because of all the protests and everything. I was just curious if Enbridge ever considered pulling out of the deal? And if not, how you went through the thought process of balancing the questionable social license with the business needs there.

Al Monaco - *Enbridge Inc. - President and CEO*

I'm sorry. I missed a part of it. Were you talking about Dakota Access?

Ian Bickis - *The Canadian Press - Media*

Yes.

Al Monaco - *Enbridge Inc. - President and CEO*

Okay, all right. So look, there's obviously different points of view on that project. The way we looked at it -- and by the way, we expect to be a strong partner in this investment. We did a lot of work beforehand to assess the work that Energy Transfer had done in this area. And we were quite satisfied that they had done a pretty good job.

The way we looked at the project overall is from an energy security point of view, it's very important. And our customers are looking for ways to move crude in a safe way, and that's our job at the end of the day. I think it has been constructed with the best technology that's out there. And as I said earlier, I think Energy Transfer has put a big priority on safety, which is certainly very much in line with our view of things.

Good opportunities for workers on a project like that. And at the end of the day, very focused on stakeholder views. So we were quite satisfied. We did a thorough review of all the actions there, and I think all of that has been pretty much confirmed with all of the work that's been done subsequently by the courts in reviewing the challenges.

So we are pleased with the investment. We think it's strategic. We think it's important to energy security.

Ian Bickis - *The Canadian Press - Media*

Okay. And on the renewable side, with this project, do you have a percentage or you have a plan for further renewable growth or a target for how much renewables make up your whole portfolio?

Al Monaco - *Enbridge Inc. - President and CEO*

Yes. You may have missed the earlier comment on that. Broadly speaking, we think renewables for us, particularly offshore renewables in Europe, are a good opportunity. But they are only one opportunity in the very big inventory we have, particularly post-Spectra, we will have a very large opportunity set to pursue in oil pipelines, liquids, and natural gas pipelines, NGLs.

So renewables will be a component on that. We don't really put a target, per se, of how much we would like to invest in renewables, because I think that puts the cart ahead of the horse, I think. So we look at opportunities as they arise. But the fundamentals for renewables continue to be very strong.

Operator

Thank you. We will now turn it back to Jonathan Gould for closing remarks.

Jonathan Gould - *Enbridge Inc. - Director, IR*

Great. Thanks, Brandon. Nothing further to add at our end. But as usual, myself and the IR team will be available right away for any follow-up calls. So thank you, everyone, and have a great day.

Operator

Thank you. Ladies and gentlemen, this concludes today's conference. Thank you for joining. You may now disconnect.



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