03-Nov-2023

Enbridge, Inc. (ENB)

Q3 2023 Earnings Call

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MANAGEMENT DISCUSSION SECTION

Rebecca Morley

Vice President, Investor Relations, Enbridge, Inc.

Good morning, and welcome to the Enbridge, Inc. Third Quarter 2023 Financial Results Conference Call. My name is Rebecca Morley, and I'm the Vice President of Investor Relations. Joining me this morning are Greg Ebel, President and CEO; Pat Murray, Executive Vice President and Chief Financial Officer. And the heads of each of our business units, Colin Gruending, Liquids Pipelines; Cynthia Hansen, Gas Transmission and Midstream; Michele Harradence, Gas Distribution and Storage; and Matthew Akman, Renewable Power.

At this time, all participants are in a listen-only mode. Following the presentation, we'll conduct a question-and-answer session for the investment community. As per usual, this call is being recorded and webcast, and I encourage those listening on the phone to follow along with the supporting slides. We'll try to keep the call to roughly one hour. And in order to answer as many questions as possible, we'll be limiting questions to one plus a single follow-up if necessary. We'll be prioritizing questions from the investment community. So if you're a member of the media, please direct your inquiries to our communications team who would be happy to assist you. As always, our Investor Relations team will be available following the call for any follow-up questions.

On to slide 2, where I'll remind you that we'll be referring to forward-looking information on today's presentation and Q&A. By its nature, this information contains forecasts, assumptions, and expectations about future outcomes, which are subject to the risks and uncertainties outlined here and discussed more fully in our public disclosure filings.

We'll also be referring to non-GAAP measures summarized below.

And with that, I'll turn it over to Greg Ebel.

Gregory Lorne Ebel

President, Chief Executive Officer & Director, Enbridge, Inc.

Thanks very much, Rebecca, and good morning, everyone. Thanks for joining us. I'm pleased to be here today to review another strong quarter. We're also excited to share a number of new announcements that further enhanced our long-term value proposition, and, of course, provide an update on our businesses. Pat will then walk you through the financial performance, our capital allocation priorities, and our outlook. And lastly, I'll close with a few takeaways. And as always, the Enbridge team is here to address any questions you may have at the end.

Q3 was another solid quarter for Enbridge. Strong operational performance across the business drove strong financial results that were consistent with our expectations. As such, we're pleased to reaffirm our EBITDA and DCF per share guidance. As part of the pre-funding for the gas utilities acquisition, we successfully raised over CAD 8 billion in September. And when combined with the assumed debt, we have over CAD 14 billion of required funding in place, which significantly de-risks our financing plan associated with the utility acquisition, which we expect to close on a staggered schedule through 2024.

Adjusted for pre-funding of the acquisitions, our debt to EBITDA for the quarter is right at the bottom of our stated 4.5 to 5 times range. On an unadjusted basis, you'll note debt to EBITDA at 4.1 times.

System utilization across the business was really strong. In our Liquids business, we're relaunching and upsizing an open season on Flanagan South Pipeline, which should further strengthen our Mainline path. And that we're also set to initiate an open season for the Gray Oak Pipeline in the fourth quarter and will offer full path Permian service by exports through Enbridge Ingleside Energy Center.

In Gas Transmission, we initiated an open season on the Algonquin Gas Pipeline System to provide additional service to New England, where reliable and affordable gas is desperately needed. And our teams continue to demonstrate their ability to execute. We're on track to successfully place approximately CAD 3 billion of secured capital into service by year-end and our Fécamp and Provence Grand Large French offshore wind projects remain on budget and are still expected to come into service in Q1 2024.

From a regulatory perspective, we expect to file the Mainline tolling agreement with CER before year-end. And our Ontario Gas Utility rebasing process is well underway, and we expect the OEB will issue a decision on 2024 rates by year-end. Together with Dominion, we have filed applications for all key US federal and state required regulatory approvals to complete the pending US gas utility acquisitions and all are still expected to close in 2024.

Last but not least on the execution front, we continue to make progress on our emissions, social, and diversity, and inclusion goals and remain committed to global ESG leadership.

As you're aware, in the third quarter, we added visibility to our growth outlook through the aforementioned gas utilities acquisitions. The assets have an embedded rate base CAGR of 8% and cost recovery mechanisms that result in improved capital efficiencies.

And in our Renewables business, we're excited to announce our European offshore wind acquisition, which we will discuss in greater detail in a few minutes. We're continuing to execute on our tuck-in M&A strategy and are excited to welcome the Morrow RNG operations team to Enbridge. These fully-contracted landfill gas-to-RNG facilities further establish Enbridge in the RNG space. All-in-all, 2023 has been a great year so far, operationally and financially. As mentioned earlier, we remain on track to achieve our guidance and deliver on our growth commitments.

Before we dig into the details of the quarter, I'd like to revisit our investor value proposition that we laid out earlier this year. Our business is stable, and we remain committed to delivering predictable cash flows. The balance sheet is strong and remains a key priority. We have a long track record of sustainably returning capital to shareholders and will continue to grow our dividend. We have visibility to our near-term and medium-term growth outlooks with conventional and lower carbon opportunities embedded throughout the business. All of our project announcements, during, and subsequent to the quarter, are individually and collectively aligned with that value proposition. Each will generate an attractive risk adjusted return that is regulated or backed by long-term offtake agreements.

Looking forward, our 5% EBITDA medium-term growth outlook that we set out at Investor Day is significantly de-risked. And today's announcements enhance Enbridge's lower carbon footprint across multiple business units while increasing DCF per share. Together, these value drivers have underpinned 20 years of dividend growth and average annual shareholder returns of approximately 11%, and we expect this to continue. We're confident that our recent acquisitions enhance each component of our value proposition.

Now let's take a minute to review the quality of our cash flow profile. Post-closings of the gas utility acquisition, Enbridge's EBITDA mix will be approximately 50% Natural Gas and Renewables, and 50% Liquids. During the quarter, we've seen continued volatility in interest rates and foreign exchange markets. But our long standing, active risk management strategy is designed to allow us to continue to deliver results in all market cycles. 98% of Enbridge's earnings are currently generated from either cost of service as noted, or take or pay contracted assets, and that will only improve as we close the gas utilities transactions.

We actively manage our forward interest rate exposure through risk mitigation policies, which leave us with just 10% of our debt portfolio exposed to floating rates through the end of 2024. 95% of our customer base is investment grade, and 80% of our EBITDA comes from assets with built-in inflation protection against rising costs. This enables our business to deliver consistent, high quality cash flows, which drive predictability in all economic cycles. And we take tremendous pride in our 17-year track record of achieving our guidance, and we look forward to continuing that trend this year.

Turning to the acquisition of the three premier US gas utilities that we announced during the quarter, this transaction represents a generational opportunity for the company. Upon closing, Enbridge will be North America's largest natural gas utility platform, delivering approximately 9.3 bcf of natural gas per day to approximately 7 million customers. Enbridge was able to secure historically attractive acquisition multiples on the assets, creating long-term value for our shareholders. And as a reminder, we agreed to pay approximately 1.3 times the estimated 2024 rate base and approximately 16.5 times price to earnings based on 2023 estimates, both of which are significantly below recent precedent and subsequent transactions.

Pro forma, these gas utilities further enhance the stability of our already industry leading risk profile by adding incremental regulated earnings, and those earnings will grow alongside CAD 1.7 billion of annual low risk, quick cycle rate based investment. Each of the utilities is located in gas supportive jurisdictions and has an attractive capital structure allowing us to earn constructive returns with favorable equity thickness. Since the announcement of the deal, we've made significant progress on the financing of these acquisitions.

So let's move on to that now. The all-in purchase price of the transactions is CAD 19 billion, inclusive of CAD 6 billion of assumed debt, which initially left approximately CAD 13 billion left to finance. Immediately following the announcement, we issued CAD 4.6 billion of common shares and issued an additional CAD 3.7 billion of hybrid notes, which received partial equity treatment from rating agencies. In combination with the assumption of debt, we have approximately 75% of the required financing in place, significantly de-risking the funding plan. The remaining financing needs are very manageable and can be satisfied through the various tools available to us, including the issuance of senior unsecured notes, asset recycling, the reinstatement of Enbridge's DRIP program, or initiating at-the-market common share issuances. We'll make use of that flexibility and the staggered closing timelines to optimize the financing plan and factor in changes to the macro-economic environment.

Now let's jump into the business unit updates, starting with Liquids. In Liquids Pipelines, our highly competitive system remains heavily utilized, with record third quarter volumes on the Mainline and significant apportionment levels in the month of November. In May, we reached a settlement for the Mainline tolling framework and those tolls took effect on July 1. We expect to finalize that settlement with industry and submit a joint application to the Canadian Energy Regulator before the end of the year, with the expectation that the new tolling settlement will be approved and implemented in the first quarter of 2024.

We relaunched and upsized our previously announced FSP open season. In addition to contracting throughput on Flanagan South, the open season volumes also secure long-haul throughput on the Enbridge network from Western Canada to the Gulf Coast.

In the Permian region, we saw a new record for export volumes through Ingleside again this quarter, giving us further verification of, and confidence in, our Gulf Coast strategy. In order to support further growth in the Permian and meet our customer needs, we expect to initiate an open season on our Gray Oak Pipeline by the end of this year and will add 2 million barrels of storage at our Ingleside terminal in 2024.

Now let's take a look at our Gas Transmission business. Starting in Canada, the engineering work on Woodfibre LNG is progressing, and we expect to hit our 60% engineering milestones and to fit our preferred return in the second half of 2024. We also closed the previously announced acquisition of Aitken Creek Gas Storage on November 1. This asset is well-positioned and will enhance our service offering to our customers and support our LNG export strategy in BC.

And in the US Northeast, we've initiated an open season on the Algonquin Pipeline, which will provide much needed supply to New England, and it will help stabilize energy prices in the area. All told, we're continuing to progress on over CAD 11 billion of high-quality investments in the Gas Transmission business and capitalize on strong North American gas supply and demand fundamentals.

Moving to our Gas Distribution business in Ontario, we continue to see growth in our distribution business, which is supported by a population growth and customer additions. We are on track to exceed our customer additions forecast of 42,000 for this year. Ontario population is expected to grow by approximately 2.5 million people over the next decade. All of those people will need access to cost-effective, reliable energy and Enbridge will be there to provide it.

And as we mentioned on the previous call, the Ontario government has publicly promoted that natural gas will play a critical role in supplying the province's energy mix. The need for natural gas and customer growth at Enbridge Gas will continue to underpin our estimated CAD 1 billion of annual capital investment in Ontario for the foreseeable future.

On the regulatory front, the Ontario Energy Board approved our partial settlement to support the establishment of our 2024 rates, and we expect them to issue a final decision on the remaining items by the end of the year. We look forward to providing a comprehensive update alongside our year-end results.

Next, let's take a closer look at some of the developments in our Renewable business. I'm pleased to announce that the acquisition of additional ownership in Hohe See and Albatros Offshore Wind farms, which are located approximately 100 kilometers off the northern coast of Germany. These are assets we know well and where we have been at and have a strong relationship and partnership with EnBW.

The acquisition will almost double our ownership of the assets, and it's expected to be immediately accretive to DCF. The step-up in ownership of Hohe See and Albatros will materially grow the size of our renewable power business and continue our track record of investing in assets that generate utility-like cash flows, while working towards our net-zero commitments.

In France, we're on track to bring a gigawatt of new generation online by 2025. At Fécamp, we'll install about half of the turbines. And at Provence Grand Large, all turbines have been installed and all floaters have been secured. All three projects are on budget. Fécamp and PGL are expected to be in service during the first quarter of 2024, and Calvados continues to make good progress towards its 2025 in service date.

Now let's take a deeper look at the equally attractive investment in renewable natural gas we announced today. Enbridge has entered into an agreement with Morrow Renewables to acquire seven high-quality operating and fully contracted landfill gas-to-RNG assets located in Texas and Arkansas. The facilities we are acquiring currently collect, compress, treat, and sell approximately 4.5 bcf of pipeline-quality renewable natural gas each year. And as the landfills continue to grow, that production number will continue to grow at approximately 3% annually with minimal required capital investment.

RNG fundamentals are strong in the United States and indicate continued growth in demand over the long term as gas utilities increasingly continue to set RNG blending targets. This was the perfect opportunity to meaningfully add to our RNG portfolio, with an accretive Enbridge-like tuck-in, which has long-term, full volume offtake agreements with Shell Energy North America, and BP.

Unique to this deal, and in keeping with our commitment to protect our balance sheet, we've staggered the purchase price over 24 months. This transaction represents a uniquely de-risked portfolio of operating scalable RNG assets that add immediate accretive DCF to Enbridge and accelerate progress towards our energy transition goals.

Finally, both this transaction and the increased ownership in the Hohe See and Albatros operating wind power facilities were fully contemplated when we announced the acquisition of the three gas utilities.

Now, let's turn to Pat to walk through the quarterly financials.

Patrick R. Murray

Chief Financial Officer & Executive Vice President, Enbridge, Inc.

Thanks, Greg; and good morning, everyone. I'm happy to announce that continued strong operational performance led to record third quarter EBITDA, which is up 3% year-over-year, and DCF per share, which is also up 2% year-over-year.

In Liquids, our systems remain highly utilized. The Mainline transported just under 3 million barrels per day, a record for third quarter volumes. In the Gulf Coast, Ingleside also posted record volumes, and we realized a full quarter of contributions from the increased economic interest in Gray Oak and Cactus II. Overall, strong operating performance in Liquids was partially offset by the lower toll on the Mainline, which took effect on July 1.

Gas Transmission is down slightly, primarily due to lower ownership interest in DCP Midstream following our transaction with P66 last year. Performance at the utility was down slightly as well due to the reversal of storage and transportation favorability that we noted for investors earlier in the year would recur over Q2 and Q3.

Our Renewable business performed in line with expectations. We benefited from development fees earned on the generation projects from our North American renewable onshore development acquisition in 2022, partially offset by lower wind resources year-over-year.

Energy Services results improved versus 2022 due to the expiry of transportation commitments earlier this year and lower commodity backwardation. Below the line, in DCF, higher interest expense, the timing of maintenance capital and higher NCI distributions to our Athabasca Indigenous Investment Partners offset some of the EBITDA benefit this quarter. Our results, once again, underline the low-risk nature of our businesses and the predictability of our financial and operational results that support our capital structure.

With that, let's talk about how we're tracking to guidance. As Greg mentioned, we're reaffirming our 2023 financial guidance again this quarter. Our business outlook remains unchanged, and we continue to expect high utilization across our asset base. We've executed a number of tuck-in acquisitions throughout the year, which will contribute to our fourth quarter EBITDA, but we expect these tailwinds to be offset by the impact of a lower Mainline toll, and the equity pre-funding of the US gas utilities. All told, we expect to finish the year with another quarter of strong operating performance, which alongside our risk management initiatives, provides us confidence that we will achieve the full-year guidance laid out for you last year, even when taking into account the equity issuance in early September.

Let's turn to our medium-term outlook, which we're also reaffirming. As we look forward, business optimizations remain a key area of focus for us, and we'll continue to look for opportunities to optimize within our upcoming rebasing framework and Mainline agreements. In the second bucket, the LDC acquisition bolstered our secured organic growth projects by adding an incremental CAD 1.7 billion of low risk, annual rate base investments post-closing.

And finally, we're judiciously deploying our investment capacity. We've added another CAD 2 billion of tuck-ins this quarter with the additional ownership of Hohe See and Albatros wind farms and the RNG assets, bringing us to CAD 3 billion for the year. We continue to execute the strategy we laid out at Investor Day and allocate capital to deliver the quality growth we committed to. Prudent capital allocation is core to our value proposition, and we will continue to evaluate opportunities for organic growth and opportunistic tuck-in M&A that maximizes shareholder returns.

Let's move on to our capital allocation priorities, which continue to follow a deliberate and disciplined approach. While we've been active in the M&A space, each transaction fits very well into our long-term strategy and adds additional low capital utility-like growth to our portfolio. The funding plans we have laid out highlight our continued commitment to our stated guardrails. We carefully structured the financing of the US gas utilities to be flexible, and as importantly, to maintain our leverage within the 4.5 times to 5 times range.

Furthermore, the plan articulated in September, during the announcement of the LDC acquisition, had contemplated additional tuck-ins before the end of the year. The associated incremental low-risk cash flows will help to preserve our balance sheet strength and support our growing dividend for years to come, while staying within our DCF payout range of 60% to 70%. And as always, we are constantly evaluating opportunities to recycle capital at attractive valuations.

Let's turn to our secured capital. Today, our secured growth program sits at CAD 24 billion. New to our backlog this quarter is the addition of CAD 1.7 billion of annual rate base investment in announced US gas utilities post-closing. We concluded a three-year program, keeping with how we present our Ontario utility growth program, and we expect that level of annual investment to continue through the decade.

By the end of the year, we expect to place approximately CAD 3 billion of organic capital into service, primarily through our Ontario customer additions and GTM modernization program. Our robust secured growth program is diversified geographically across our business units and is expected to be deployed over the next five years. This diversity of location, timing, and business unit helps mitigate against the impact of delays or inflation on any one single large project.

And with that, I'll turn it back to Greg to close the call.

Gregory Lorne Ebel

President, Chief Executive Officer & Director, Enbridge, Inc.

Well, thanks very much, Pat. And as we wrap up here for questions, I want to leave you with a few key takeaways. Enbridge's resilient low-risk business model is supported by our scale, diversification, and high-quality cash flows, which enables us to deliver reliable growth in all market cycles. Balance sheet strength is always a priority for us, and we're committed to our debt to EBITDA range of 4.5 times to 5 times, while continuing to return capital to shareholders through sustainable dividend growth.

As we discussed today, the US gas utility acquisitions will enhance each of these takeaways by adding regulated earnings that enhance our cash flow quality, increase creditworthiness, and underpin our dividend growth for years to come. Our visible growth backlog incorporating conventional infrastructure investments and lower carbon opportunities, supports long-term shareholder returns, and positions us as a first-choice investment opportunity.

Finally, let me let you know that we'll be releasing our guidance at the end of November for next year, and we'll be hosting our Annual Investor Day in New York in March of next year as well. We look forward to seeing you there. But until then, thank you very much, and we look forward to taking your questions.

I think we're ready now to open up the lines for those questions.

QUESTION AND ANSWER SECTION

Operator: Okay. [Operator Instructions] The first question is from Robert Kwan with RBC Capital Markets. Your line is open.

Robert Kwan
Analyst, RBC Capital Markets

Q

Hey, good morning. If I can just start with capital allocation, and specifically, just the thought process around how you're looking at leverage and the tuck-in deals you've announced in light of the acquisition financing that's still outstanding and just given the current market environment.

And I guess, just one thing specifically, you mentioned the tuck-ins were contemplated as part of the utility disclosures. So if you can just confirm that the chart you had that had leverage kind of around that midpoint at the high end 4.75 times, that these deals would not be taking leverage into the high end the range.

Gregory Lorne Ebel
President, Chief Executive Officer & Director, Enbridge, Inc.

A

Yeah. Sure. Thanks, Robert. And, yes, definitively, that's exactly what we contemplated. So these – both before, during the utility acquisitions and now that is still where we are. I think it's equally important to point out – we'd obviously run by those possible transactions with rating agencies, et cetera, as well.

And then, from a capital allocation perspective, I think maybe just going back and thinking about, we've been very deliberate over the last couple of years to swiftly and methodically move the corporation to a much less risky setup in a very utility-like setup, right? So recall that we first sold the Canadian G&P assets. We then went down the route of lowering our position in DCP and swapping those positions for very utility-like pipelines, lowering both any volume exposure and commodity exposure, and then went on to achieve this year what is really a utility-like Mainline toll settlement, and then, next the utilities as well.

And then, these transactions that we announced today fit very much in that same vein, long-term contracts, great offtakes, and the same on the – with the German power projects, and the same on the RNG facility, which is a little bit unique. Not everybody would do that with RNG, but we felt that's really important. And that's because that supports the 4.5 times to 5 times debt to EBITDA structure and continues to allow us to pay out dividends in that 60% to 70% payout range. And yeah, so I'd leave it there.

Pat, do you want to add anything to that?

Patrick R. Murray
Chief Financial Officer & Executive Vice President, Enbridge, Inc.

A

No. One thing I might add is that, as you mentioned, that 60% to 70% payout range, we brought that down over the last few years, too. So it's at the midpoint, which should allow us to continue to grow dividends up to the level that we grow cash flows over the next little while.

Robert Kwan
Analyst, RBC Capital Markets

Q

That's great. If I can just finish with the RNG strategy. Just where do you see this business going for you? Did you see this acquisition as being more opportunistic or something that you want to build upon in similar sizes? And I guess just generally, can you just talk about these facilities? Are they general landfills? And how do you think about just with the increasing separation of organics away from general landfills, what the risk there might be?

Gregory Lorne Ebel
President, Chief Executive Officer & Director, Enbridge, Inc.

A

For sure. And Cynthia's here, so maybe I'll let Cynthia start with that.

Cynthia L. Hansen
Executive Vice President & President-Gas Transmission and Midstream, Enbridge, Inc.

A

Sure, Robert. Thanks. So we're, as you know, excited about this RNG opportunity because, as Greg noted, this is an opportunity for us to have a utility-like return. So these are unique assets. And the market is fairly large and growing. So overall RNG, I think, last year, 2022, there's 75 bcf in North America, it's growing to around 95 bcf. So there's lots of growth. But, again, we'll be very disciplined with how we look at those opportunities.

What we like about Morrow is that, it positions us as a leader in the space, and that will understand and continue to be able to evaluate future growth opportunities. So it is a unique asset. There will be other opportunities like that. But, again, the discipline required to make sure it fits the type of utility-like structure and our ability to have those offtake agreements will be critically important as we go forward.

Robert Kwan
Analyst, RBC Capital Markets

Q

Okay. Just your thoughts on general landfill versus targeting something that is specifically organic?

Cynthia L. Hansen
Executive Vice President & President-Gas Transmission and Midstream, Enbridge, Inc.

A

Yeah. So you would remember that we had invested in Divert earlier this year, which specifically addresses that food waste component. So when we look at this opportunity, where this landfill or these seven landfills are located, there's a lot of growth opportunities just there. And as Greg said, there's an embedded kind of 3% growth with very little capital outlay. So you do have to be looking at where the landfills are located. And fortunately, these assets are in geographic areas in Texas and Arkansas, where we're going to see that growth. So we're not concerned that there's going to be any kind of cannibalization of that kind of other food waste growth.

Robert Kwan
Analyst, RBC Capital Markets

Q

That's great. Thank you.

Gregory Lorne Ebel
President, Chief Executive Officer & Director, Enbridge, Inc.

A

Thanks, Robert.

Operator: The next question is from Theresa Chen with Barclays. Your line is open.

Theresa Chen
Analyst, Barclays Capital, Inc.

Q

Morning. Greg, I wanted to ask about the remaining funding options for that CAD 4.5 billion related to the gas utility acquisition. Can you talk about your order prioritization for those really four tools in the toolkit? And specifically, related to the asset sales, can you just help us think about valuation, execution in this market as you rotate capital and optimize the portfolio given that there are other assets from some of your competitors that are in the market as well?

Gregory Lorne Ebel
President, Chief Executive Officer & Director, Enbridge, Inc.

A

Yeah, for sure. So, yeah, let's start there. Recycling has always been an important part of the financial complex and methodology here at Enbridge. And I wouldn't just think about it as a sale of assets, think about things like some of our partnerships that we've done with indigenous communities. We did that last year. Those continue to create really great opportunities for us to recycle capital, and, still, frankly, be involved in the projects and maintain operational strategic control. So that's an element.

Yeah. And you look across the size of the company, we've got various pipe assets. You can look at wind assets and renewables. I don't think we are restricted in any way shape or form in terms of what we'll look at. And you're right, there's a market out there for selling assets. But we think the way that we've structured virtually all of our assets now that they are low-risk utility-like and will be very attractive as opposed to, say, selling G&P assets in this type of market. So that's one.

And then, two, we've still got some hybrid move – ability in there. That's something obviously we'll look at on unsecured notes. And then, we do have the possibility of using the DRIP and the ATM. So that's probably the route I would go down. But, again, you've got to judge this based on what you see in the economic environment from a macro perspective.

What I'm really happy about is we are a long ways down the trail of securing that financing, and it'll be into 2024 and target, say, the end of 2024, we have all these assets in the house. So I think we've structured this well by getting three-quarters of it off the table and setting ourself up well with multiple avenues to achieve the last 25%.

Theresa Chen
Analyst, Barclays Capital, Inc.

Q

Got it. Thank you.

Gregory Lorne Ebel
President, Chief Executive Officer & Director, Enbridge, Inc.
A

Thank you.

Theresa Chen
Analyst, Barclays Capital, Inc.
Q

And turning to the Liquids business, related to the Flanagan South open season, really interesting to see the upsizing given that I'm sure your shippers, like everyone else, is evaluating the in service of TMX sometime next year. But not only is there enough for the previous open season, but it's been upsized now. Can you talk about what's driving that demand to bring barrels all the way to the Gulf Coast? And your conversations with the shippers as this open season progresses?

Colin K. Gruending
Executive Vice President & President-Liquids Pipelines, Enbridge, Inc.
A

Hey, Theresa. It's Colin. Yeah, thanks for the question. We're less surprised. I think the fundamental in play here is a demand pull for Canadian heavy to the PADD II and PADD III markets we've seen for many, many years. It's been growing and growing and growing. So you see some demand pull. I think you also see some supply push. It basically represents contracted egress in the sense that you have a verification ability through the Mainline to get on to FSP.

And that you see the pricing basis is very wide now. And I think it's expected to be wide through the decade as egress will become constrained again. So I think it's less surprising maybe than you're observing, but – and, of course, you're building EHOT, the terminus of that in Houston. And it's a very competitive path. So I think, bottom line, it underscores the resilience of the Mainline system.

Theresa Chen
Analyst, Barclays Capital, Inc.
Q

Makes sense. Thank you.

Colin K. Gruending
Executive Vice President & President-Liquids Pipelines, Enbridge, Inc.
A

Thank you.

Gregory Lorne Ebel
President, Chief Executive Officer & Director, Enbridge, Inc.
A

Thanks, Theresa.

Operator: The next question is from Robert Catellier with CIBC Capital Markets. Your line is open.

Robert A. Catellier
Analyst, CIBC World Markets, Inc.
Q

Hi. Good morning. I wondered if you could start with...

Gregory Lorne Ebel
President, Chief Executive Officer & Director, Enbridge, Inc.
A

Morning.

Robert A. Catellier
Analyst, CIBC World Markets, Inc.
Q

...giving us a description of how you think the recent Supreme Court opinion on the Impact Assessment Act will impact your appetite for asset development in Canada?

Gregory Lorne Ebel
President, Chief Executive Officer & Director, Enbridge, Inc.
A

Yeah. Robert, I think it's a little bit early. Obviously, you can read a lot of tea leaves on this. The federal government says they're going to make some adjustments and fix that. I'm not sure exactly what that means. And so we'll have to consider that over the coming months and years. So that's one.

I think you also have to think about it from the clean electricity standards. And none of this really immediately solves the – just the overall getting certificates to move forward with major pipelines from my perspective. So I think it's status quo at this point in time. I don't see it impacting any of the projects that we have in a big way in Canada. As you know, most of those are intraprovincial. So whether it's things going on in Ontario or our major projects in British Columbia, they're within the province. And so I don't see a major issue from that perspective.

But I just think it's early days, Robert. We'll have to see. It's not easy to build anything, anywhere. And as such, that's where we kind of like having that portfolio of businesses where we can pick and choose with the best returns and the most accretive projects across multiple jurisdictions. But, yeah, I think time is going to tell. I wish I had a better answer for you, Robert. I just don't think it's clear yet where they're going to go.

Robert A. Catellier
Analyst, CIBC World Markets, Inc.
Q

All right. Okay. And then, similar question in the US. As you look at US offshore wind projects having some difficulty with supply chain and everything else, how does this play into your gas transmission assets, including the Algonquin open season? And what do you think is possible with respect to that open season in terms of the scale of what you might accomplish?

Gregory Lorne Ebel
President, Chief Executive Officer & Director, Enbridge, Inc.
A

Yeah. I'll let Cynthia answer. But I guess, just from a macro perspective, I think we've been extremely careful at Enbridge of considering pace. And I think the pace of the transition, I think it served us very well by sticking with gas assets, with liquid assets, with keeping our renewables business going. So I really do think we've – you've heard us pitch it for a long time on all-of-the-above strategy and that's going to continue.

But, if anything, the last 24 months, whether it's activities in Europe, the war between Russia and Ukraine, or the war in the Middle East, the instability that's out there has really underlined the need for North America infrastructure, and North America infrastructure that looks at exports as well to helping the stable regions. And probably one of the worst served areas is the Northeast.

So, Cynthia, do you want to speak to that?

Cynthia L. Hansen
Executive Vice President & President-Gas Transmission and Midstream, Enbridge, Inc.
A

Yeah. Thanks, Greg. We have been participating in many technical conferences with FERC and others to just address those issues. And these are near-term reliability concerns. So, yes, there will be more in the future potentially for those concerns if you see any wind development at scale there. But this is really to – this open season is to address near-term issues, as well as some peaking issues that are starting to create these problems and dynamics in the Northeast.

So we have two different options that we're speaking to the – our customers up in the Northeast for this Project Maple, Salem receipt and then another Ramapo receipt. So what we see for that opportunity, one would be up to 500 dekatherms per day. The other receipt is 250 dekatherms per day. So there's been a lot of interest. We're having great conversations. We've got open season close on November 17.

So more to come as we work with our customers to find what's the best receipt point, what's best buildout is. But we'll continue to do that. The in service dates for these projects is targeted to be in 2029. So lots of work to go. And I'm sure we'll continue to have more and more discussions as we see more of that energy transition in the US Northeast.

Gregory Lorne Ebel
President, Chief Executive Officer & Director, Enbridge, Inc.
A

And, Robert, the only other thing I'd add and it's kind of related. I really don't see North American offshore as something that's attractive to us. It would not fit our risk parameters. From a return perspective, a risk of getting it done very different than what we've seen in Europe with really long-term contracts, with things that actually get done on time. I think people often forget there's only one operating offshore wind facility in North America, I think still today. And it took a decade and a half to get that. Maybe there's two, but they're small. So that just to be clear, that's not something that we find attractive.

Robert A. Catellier
Analyst, CIBC World Markets, Inc.
Q

No. I understand that last point. I was just saying the dynamics offshore for offshore wind are actually playing into your hands with your gas assets. But thanks for those answers. Thank you.

Gregory Lorne Ebel
President, Chief Executive Officer & Director, Enbridge, Inc.
A

Thank you.

Operator: The next question is from Jeremy Tonet with JPMorgan. Your line is open.

Jeremy Tonet
Analyst, JPMorgan Securities LLC
Q

Hi. Good morning.

Gregory Lorne Ebel
President, Chief Executive Officer & Director, Enbridge, Inc.
A

Hey. Morning.

Jeremy Tonet
Analyst, JPMorgan Securities LLC
Q

All right. Just wanted to come back to the conversation of capital allocation, if I could, especially in light of rates moving up sharply here and just wondering how that has impacted your thoughts on the different components of capital allocation. Particularly as it relates to acquisitions on renewables, I think, there is a concern in the marketplace that the returns there are a bit more – are a bit lower. And so just wondering how you see that factoring in. At the same time, it seems like in midstream, there's a preference for return of capital here. So just wondering how that all kind of blends together in this new environment.

Gregory Lorne Ebel
President, Chief Executive Officer & Director, Enbridge, Inc.

A

Sure, I'll start. And then Pat can chime in. Look, obviously, we're not blind to interest rate moves. So from a direct exposure perspective, we have virtually no floating rate debt this year, and we're around 10% next year. So that's obviously an important factor to consider.

Secondly, most of our – virtually, all our regulated assets have some element of inflation and pass-through on interest rates, often impacting the return on equity, i.e., increasing it.

And then, the third point I would make is, obviously, higher interest rates mean that as we – the size of our company, gets so many opportunities coming at us, the business units have to hit a higher hurdle rate to make sure that those projects are accretive.

On the wind stuff specifically, though, I think that's why, you see that in both the asset – with the German offshore asset and even on the RNG stuff, long-term contracts are really important to make sure that you know what you're getting into and the returns before you finance it.

So, Pat, you want to add further to that?

Patrick R. Murray
Chief Financial Officer & Executive Vice President, Enbridge, Inc.

A

Yeah. I think that's right. I think when you think about your comment around certain renewable assets, maybe getting not the returns you need, I think we do see that in the market and those aren't ones we're interested in. The one we've just announced today is an asset we're very familiar with, have been operating and running it for a number of years. It's got a long contract left on it. So it's very specific in the Europe offshore opportunity for us.

And then, in North America, we continue to look for things to do. But, again, we're going to be very selective. They're going to have to meet a increased hurdle rate, as Greg talked about, and they're going to have to really fit into that risk, low-risk nature with lots of long-term contracts, EPC agreements, things like that. So I think we're very comfortable with the ones that we've announced today. And they'll have – the new projects will have to compete at an even higher clip than they have historically.

Gregory Lorne Ebel
President, Chief Executive Officer & Director, Enbridge, Inc.

A

And then, Jeremy, from a return on capital perspective, obviously, the dividend has always been a key component for us here at Enbridge. And I think we're very set up nicely and comfortable with our 60% to 70% payout. That's allowed us to fund businesses internally, but also make sure that we will reward shareholders and our owners who we're talking about decades of steady, reliable dividend growth and expect that to continue.

Jeremy Tonet
Analyst, JPMorgan Securities LLC
Q

Got it. Thank you for that. And just with offshore wind, a little bit more here, just wondering if you could confirm whether you're going to consolidate the newly acquired wind farm into EBITDA. It seems like, I think on the slide is a significant increase in EBITDA in 2024. So wondering on that there. And just to confirm, I guess, on last part there, as far as renewables that hold the most interest for you, where there could be future acquisitions, it's really European offshore wind and US, North American RNG kind of the two focal areas, if there's going to be future renewable purchases?

Gregory Lorne Ebel
President, Chief Executive Officer & Director, Enbridge, Inc.
A

Well, Matthew is here. Yes, remember, this is a German project, that we've been involved with. So there's – yeah, it will be consolidated into the Power business. I'm not sure we've got offshore renewables in Europe today that we're building out. And we're very comfortable with those and love those from the contracts that they have. But obviously, you'll recall that we bought a solar and renewable development business here in the United States last year, and we're very focused on building out those development projects that they have, too. So it may not be so much on the acquisition side. I'm sure we'll look at picking up stuff for the reasons you point out.

Matthew, do you want to speak to Europe and/or US onshore?

Matthew A. Akman
Executive Vice President-Corporate Strategy & President-Power, Enbridge, Inc.
A

Sure. Maybe just briefly to add, not a lot more to add, but I think the key is our strategy here has been really differentiated. As you can see, there's a lot of turbulence in the space. I think our strategy of being disciplined, focusing on contracted assets has really panned out for us here. And this is more of that – these assets that we're picking up today still have 17 years left on PPA, it's basically government backed. We have years of operating history, double-digit returns still on these. So they're very good returns and a great partner. That's the kind of stuff we'll do. We're going to be very, very selective, especially in offshore given what you're seeing out there.

And then with onshore, we're basically organically driven in the US. We've got some great projects that are advancing nicely. Still on track to realize project FIDs in the coming months on some of those. But, again, they always have to hit our return parameters. We have to de-risk them and ensure we have the right commercial constructs. But we do see more growth, particularly on the organic side in North America as we head into early next year, Jeremy.

Patrick R. Murray
Chief Financial Officer & Executive Vice President, Enbridge, Inc.
A

And maybe, Jeremy, I would just add. I think your question around consolidate may have been how we reflect in our financials. We'll still own just under 50% total equity account for this going forward. There is, as we noted, a piece of debt that comes with it, that'll be on our books, but otherwise, we'll just equity account for this asset.

Jeremy Tonet
Analyst, JPMorgan Securities LLC
Q

Got it. Very helpful. Thank you.

Gregory Lorne Ebel
President, Chief Executive Officer & Director, Enbridge, Inc.

A

Thanks, Jeremy.

Operator: The next question is from Linda Ezergailis with TD Cowen. Your line is open.

Linda Ezergailis
Analyst, TD Securities, Inc.

Q

Great. Thank you. Just stepping back a little bit, trying to understand there seems to be a growing amount of opportunities given your incumbency in certain regions. Where are – do you expect to see the most investing opportunities over the next years? Can you just stratify it between utilities, Renewables, RNG, carbon, hydrogen, ammonia? When might we see that ramping up versus your legacy Gas and Liquids Pipelines because you do have some Liquids initiatives going on as well, can you just help us understand that?

And then further to that, looking out over a medium term as well, is tuck-in going to be the tilt and the focus, do you think, given that you might get some immediate accretion from that versus the longer lead times for building? Or can you comment on the mix that you expect tuck-in versus greenfield, brownfield?

Gregory Lorne Ebel
President, Chief Executive Officer & Director, Enbridge, Inc.

A

Sure. A lot in there. Let me try to unpack it a little bit. So from an opportunistic perspective, from a dollar size perspective, I think you can look at our backlog, the biggest piece is in the Gas Transmission business. The second biggest piece is in the utility business. Now that we bring on the three utilities in the US, I think there's about $3.5 billion capital there through 2027. So those are the two big chunks.

But, as you point out, there's great opportunities on the Liquids side, which are super-efficient from a capital perspective. And therefore, very highly returning. And then, Matthew's business has got the development projects. So I think there's a little bit in every area. I would say in terms of tuck-ins, yeah, we look at everything. You know, we have big utilities to bring on side. But as Pat pointed out a little earlier, the tuck-ins have to meet some high hurdle rates from an accretion perspective. So it's a little bit of everything. I don't see us doing any major M&A here as we bring in the three utilities in the United States and make sure that they're fully integrated with the system.

But we see a lot of stuff, and I think that's a great opportunity for us to really hydrate those opportunities for the business units to sharpen their pencil on that front. And then, ultimately, we got to make sure that it stays within our 4.5 to 5 times debt to EBITDA and allows us to continue to grow the dividend. So, yeah, that's where I would do that. Pat, I don't know, would you want to add anything to that?

Patrick R. Murray
Chief Financial Officer & Executive Vice President, Enbridge, Inc.

A

Yeah, maybe just a comment on kind of the mix of tuck-ins versus longer build, I actually think we kind of like the mix that we have. You know, we think about the longer, lower multiple build projects we have in BC, where we've got – takes a little bit longer, but it's a good returning, very low risk, part of the cost to service type asset. Then you have to supplement that a little bit with some of these tuck-ins that have immediate cash flow that comes in right the door. And then add to that, you've got these new utilities in the US that have really quick capital. It's got kind of the benefit of both of them, which is, it's got the low multiple and it comes in quick and you get a return on it quick. So I think we like the actual complementary way that these all operate together and it's why I think we like that we have that optionality. So I think that's all I'd add to that, Greg.

Linda Ezergailis
Analyst, TD Securities, Inc.
Q

I see. This is a quick follow-up. Just trying to understand when we might start to see your FIDs on any sort of carbon capture or hydrogen or ammonia-related projects. Might we see something significant on that front over the next 12 to 24 months?

Gregory Lorne Ebel
President, Chief Executive Officer & Director, Enbridge, Inc.
A

Yeah. Maybe I'll let Colin jump in, I think 12 months might be kind of tough. Pace has been an important one, but it depends at least from the CCS here in Canada and the Gulf, you want to speak to those? And then chat a little bit on hydrogen, too.

Colin K. Gruending
Executive Vice President & President-Liquids Pipelines, Enbridge, Inc.
A

Yeah. No, it's a great question and we're working on a number of options, I think, as Pat just laid out. So in Canada at Wabamun, I think everybody's kind of ready for it. We need some policy conclusions from our federal government here, but I think everyone's in position to take investment decisions if those come through later in 2024, for example. And, if we want to put points on the board in Canada that would be a timely plus.

At Ingleside, on our ammonia project and Carbon Hub there, late 2024, early 2025, FID there. Yeah. Anybody want else anything?

Gregory Lorne Ebel
President, Chief Executive Officer & Director, Enbridge, Inc.
A

Well, I think we get hydrogen opportunities internally too. That's pretty new. But that's kind of late decade stuff. So got to be real careful on that front, I think things like the Renewables, things like the RNG and the CCS, I think those are more near-term opportunities. I think the hydrogen, the blue ammonia project is different given the players that we're working with there. Both our sequestration partners there with Oxy and the assets we already have there from a pipeline perspective. Then, of course, the great export facility we have there and a fabulous partner in Yara, who, this is their business, and their largest user of ammonia in the world. So that may be a little bit unique, but we're going to be careful on that front, Linda, as I said, it goes back to this pace issue. You want to – you don't want to be on the bleeding edge. You want to be on the leading edge. And we've got CAD 25 billion of organic projects set today. So delivering on those is our first and foremost priority.

Linda Ezergailis
Analyst, TD Securities, Inc.
Q

Thank you.

Operator: The next question is from Robert Hope with Scotiabank. Your line is open.

Robert Hope
Analyst, Scotiabank
Q

Morning, everyone. Two quick ones from me. Want to go back to the discussion on the tuck-ins. Just given the choppiness that we're seeing in the markets currently with the rising rates, as well as, well, call it, lessening availability of capital for some participants, have you seen the valuations for potential tuck-ins come down such that you may want to accelerate investment in them?

Gregory Lorne Ebel
President, Chief Executive Officer & Director, Enbridge, Inc.

A

Well, we've definitely seen some valuation come down. I wouldn't say we want to accelerate it. We've been very disciplined on that. As we said, historically, and, you got CAD 2.5 billion to CAD 3 billion of capacity available to be – to do tuck-ins. So that's going to be a good regulator for us as well. But, yeah, you've seen some multiples come down, but it depends on the assets, right? It depends on the contracting of those assets. It depends on the seller. Do they need to sell stuff? So I don't think you can universally look at that and say, maybe not tuck-ins, but obviously not tuck-in as buying the three utilities. But the price we got there was really fabulous. But you then saw follow-on transactions from other folks selling gas utilities, which were more typical 1.9, 2 times rate base.

So I think it just depends on the seller and the location, but I would say it's definitely, there's lots of opportunity out there and that lets us be very choosy while still staying within our 4.5 to 5 debt to EBITDA targets.

Robert Hope
Analyst, Scotiabank

Q

Thanks for that. And then just moving over to Dominion. While early days, kind of any incremental feedback you can give on your discussions with stakeholders there? Looks like HSR is good.

Gregory Lorne Ebel
President, Chief Executive Officer & Director, Enbridge, Inc.

A

Michele has been waiting for your questions. Over to you.

Michele E. Harradence
Executive Vice President & President-Gas Distribution and Storage, Enbridge, Inc.

A

Thanks very much. And thanks, Robert. You know, things are going really well on the – bringing the utilities in. We've – certainly, we filed all the key required applications federally and in the states of the jurisdictions for regulating the utilities. We've got a dedicated integration team that's set up with a senior leader on it that really has a lot of experience in the utility and in the integration side of things brought together the Spectra Energy and Enbridge, or Union Gas and Enbridge gas side of things. And we're really happy with the relationship we've got working with Dominion.

So I actually had the pleasure of probably 30 or more town halls across the three utilities following the announcement, and I've met with the chairs, commissioners, and customer advocates of the public utility commissions in each state, and I have to say the reaction has been universally positive. The commitment that Enbridge has to local communities, the important role natural gas has to play in the energy evolution. And really importantly, the best-in-class safety and reliability has all been super well received by employees, by all stakeholders. So we're feeling pretty good that we should be able to meet the timelines we've set out for ourselves. I mean, it's early yet to see anything from interveners, but we really don't expect to see any significant barriers to our expectation that we'd closed on all of them by end of 2024.

Just maybe a little more detail, we'd probably expect Ohio to go first, followed shortly after by Utah and Wyoming and then North Carolina we expect to close last. And that's not really due to any concerns. It's just the order is really a function of the regulatory processes in each jurisdiction. So things are going great.

Gregory Lorne Ebel
President, Chief Executive Officer & Director, Enbridge, Inc. A

Yeah. The only thing I'd add is, I'd also say that Dominion's been awesome from a coordination perspective, and quite obviously, they want to get the transactions closed, but, some through times, through the heat of negotiations, not everybody's on the same page and they've just been a class act and they want to make sure these are done well, both for the people, both for the business, and obviously, the customers we serve. And obviously, great alignment on making sure we do the right thing for our investors as well.

Robert Hope
Analyst, Scotiabank Q

Thank you.

Gregory Lorne Ebel
President, Chief Executive Officer & Director, Enbridge, Inc. A

Thank you.

Operator: The next question is from Ben Pham with BMO. Your Line is open.

Ben Pham
Analyst, BMO Capital Markets Corp. (Canada) Q

Hi. Thanks. Good morning. Can you comment on what was driving the strong Mainline volumes during the quarter and then the flow through to rail exports?

Colin K. Gruending
Executive Vice President & President-Liquids Pipelines, Enbridge, Inc. A

Hey, Ben. It's Colin. Yeah, thanks for the question. Yeah, the Mainline is super resilient. I think we've proven that over and over and over for decades. Strictly to the quarter, supply has been building. I think maybe that's been quietly lost in the equation here. So we've seen supply quietly grow, we're significantly apportioned during the last couple of the months to prove that point out.

Keep in mind, we're doing everything we can to move every barrel we can. We're incentivized to do so. It's a win-win for Enbridge and customers, and therefore, some of that spilled over into rail exports, right, to clear the market. Market's backwardated, so producers want to monetize their product quickly. And inventories are kind of average, historically speaking. So there's still a lot of demand pull utilizations, or high refineries from activity and also demand pull there from a dearth of foreign imports.

So I think most of the stars are aligned to support Mainline volumes here. And I think you'll see this in our late November guidance when we put segment guidance out, I think you're going to see strong Liquids EBITDA forecasted for 2024 on the back of what we were just talking about, Ben. So don't see a lot of TMX offload. I think that concept's being oversimplified generally, and I think we're going to see pretty robust volumes in 2024 as well.

Ben Pham
Analyst, BMO Capital Markets Corp. (Canada)

Q

Okay. Thanks, for that, Colin. And maybe on the balance sheet, can you update us on the remaining hybrid capacity room and dividend reinvestment program, are you able to share what's the key driver of initiating that? And how early, how late could you have to make the decision?

Patrick R. Murray
Chief Financial Officer & Executive Vice President, Enbridge, Inc.

A

So I think on the hybrid, I think originally we said we had in the range of CAD 4 billion to CAD 6 billion of hybrid capacity. You saw us do about CAD 3.5 billion, CAD 3.6 billion of that right after the announcement. So we've got some capacity there as we go through it. And, sorry, the last comment was on the DRIP? Yeah. I mean, I think we'll consider, as we talked about, all the options that we have, whether that be asset sales, more hybrids, as you just talked about, the fact that ATM or DRIP then we'll assess that. We haven't activated it as we speak yet. It's something we'll consider as we move through the year with our capital needs.

Ben Pham
Analyst, BMO Capital Markets Corp. (Canada)

Q

Can I maybe follow-up on that? Let's say you initiated the DRIP start in 2024 and you see a quick calculation that there's a need to 25%, that if we push into 2025, it can meet it. Is there opportunity for how your discussions with agencies in your funding plan that could work or you need to fulfill everything by the end of 2024, if that question makes sense?

Patrick R. Murray
Chief Financial Officer & Executive Vice President, Enbridge, Inc.

A

Yeah. I mean, I think we've had really good conversations around the fact that, we've committed, as we have to the equity markets and to our fixed income investors that we'll finance this appropriately. We'll get the projects in by the end of 2024, and we'll do what we have to do from a balance sheet perspective to make sure that we're in good shape entering 2025. I think 2025 is really the year that they're most interested in because that's when we'll have all the EBITDA. And so we've got some time to do this, Ben.

Remember also that, there's lots of different options we have as we move through this and we'll see which is most beneficial to our shareholders and our bondholders as we move through that.

Gregory Lorne Ebel
President, Chief Executive Officer & Director, Enbridge, Inc.

A

Yeah. I think, let's see how the other pieces go. Pretty highly confident in our ability as we've talked about given historics on recycling. And then as Pat said, you've got the other capabilities, and then you look at whether you need the DRIP or the ATM.

Ben Pham
Analyst, BMO Capital Markets Corp. (Canada)

Q

Okay. Got it. Thank you.

Operator: Our final question is from Brian Reynolds with UBS. Your line is open.

Brian Reynolds
Analyst, UBS Securities LLC

Q

Hi. Maybe to follow-up on some of the capital allocation questions, perhaps through the lens of how transformational M&A is going to impact some of the return of capital opportunities over the near term? Can you just update us on the dividend per share outlook of 3% to 5% as we think about 2024? Is that maintained or could we effectively see Enbridge optimize long term shareholder value by supporting the balance sheet as it executes some of these funding needs over the near term? Thanks.

Gregory Lorne Ebel
President, Chief Executive Officer & Director, Enbridge, Inc.

A

Yeah, absolutely. Look, I think we can do more than one thing at one point in time. And I think we've proven that historically by staying in that 4.5 to 5 times on the debt to EBITDA and the balance sheet structure, as well as return capital to shareholders. And the best way to do that is through dividend growth. And as we've said, we expect to grow the dividend consistent with our DCF. You've seen us do that over time, and I think you can expect to continue to see that. But I guess I would hedge a little bit from, yeah, we'll lay all that out for you in our guidance for next year. But I – we're very comfortable with where we are on dividend payout and where we are on the balance sheet. And that is all driven by the fact have deeply reduced any risk in the business by setting up utility-type structures in all of our businesses.

So we think that's the right structure. It's a bit unique than other folks. But, and you see that even this quarter. Some companies have G&P and have moved around. And they've seen valuations change from a G&P perspective because you've got volume risk and commodity risk directly or indirectly. We don't have that. You know, virtually none of it. We've got a little slug of DCP left, but instead, you've got a very risk resilient and reduced entity over the last several years. And again, we think that allows us to both do what we've been able to do on the balance sheet very comfortably and return shareholders capital through dividend growth.

Brian Reynolds
Analyst, UBS Securities LLC

Q

Great. Thanks. Appreciate that. And as a quick follow-up, the realized tolls seem to be much higher than the posted toll for the quarter. So can you just help us understand the drivers there? And as we think about the Mainline tolling settlement pushed from – to Q4 for October to – from October. Anything to read into that? And just to confirm, is there anything that effectively change between what was announced and what will be final? Thanks.

Colin K. Gruending
Executive Vice President & President-Liquids Pipelines, Enbridge, Inc.

A

Yeah. It's Colin. Maybe the latter point first. Yeah, no, we're working with industry to fully paper the settlement agreement from May. It's unchanged. I wouldn't read much into it. It takes time. And there's also other things that we've been working on, other applications and filings from others that it's trending well and we should have that filed before year-end.

I think on the performance, during the quarter, I think it's all of the above, volumes, toll, costs, everything. So we're managing that asset as industry incentivized us to do so. And I think you should expect more of the same.

Brian Reynolds
Analyst, UBS Securities LLC

Q

Thanks. I'll leave it there. Enjoy the rest of your morning.

Gregory Lorne Ebel
President, Chief Executive Officer & Director, Enbridge, Inc.
A

Thanks very much.

Operator: I'll now turn it over to Rebecca Morley for any closing remarks.

Rebecca Morley
Vice President, Investor Relations, Enbridge, Inc.

Great. Thank you. And we appreciate your ongoing interest in Enbridge. As always, our Investor Relations team is available following the call for any additional questions that you may have. Once again, thank you, and have a great day.

Operator: Ladies and gentlemen, this concludes today's conference call. Thank you for participating. You may now disconnect.