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PRESENTATION

Operator

Good morning ladies and gentlemen. Welcome to Enbridge Inc.'s 2016 financial reporting update conference call. I would now like to turn the meeting over to Adam McKnight, Director of Investor Relations.

Adam McKnight - ***Enbridge Inc. - IR Director***

Thank you Sylvia. Good morning, everyone, and thank you for joining us on today's call to discuss the upcoming changes to our financial reporting format. With me this morning are John Whelen, Executive Vice President and Chief Financial Officer, Wanda Opheim, Senior Vice President Finance, and Chris Johnston, Vice President and Controller.

This call is webcast and I encourage those listening on the phone 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 to our website shortly thereafter. Additionally, a supplemental financial information package will be posted to our website immediately after the call. It will contain historical information for 2014 and 2015 prepared under the new reporting format and will be located within the investment center under the events and presentations section.

Given the nature of today's call, we will be limiting the Q&A portion to the analyst and investment community, and I would ask that you wait until the end of the call to queue up for questions. Please limit questions to two per person, then reenter the queue if you have any additional queries. As well, we ask that the subject matter of your questions be limited to our new financial reporting format and its impact on the presentation of historical financial results. As well, the Investor Relations team will be available after the call for any follow-up questions that you might have.

Before we begin, I'd like to point out that the numbers presented and discussed here today are unaudited and will refer to non-GAAP measures, including adjusted earnings before interest and taxes, or EBIT, available cash flow from operations, or ACFFO, and adjusted earnings. These measures have no standardized meaning prescribed by US GAAP and are not US GAAP measures, and therefore may not be comparable with similar measures presented by others. This slide includes a summary of our non-GAAP measures which are discussed more fully in our public disclosure filings available on both the SEDAR and EDGAR systems.

And with that, I will now turn the call over to John Whelen.

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

Thanks Adam. Good morning everyone. Thank you for joining us. Wanda and I are here to talk about Enbridge's new financial reporting format that we will be rolling out with the release of our first-quarter financial results on May 12.

As I discussed back in December on our 2016 guidance call, a drop-down of our Canadian liquids business and the adoption of ACFFO as a key performance metric were catalysts for us to reassess how we should measure and present the consolidated financial performance of the Company going forward. We were looking for an approach that would clearly illustrate the financial performance of the asset managed with each business, and better illuminate the drivers of consolidated cash flow and dividends to investors.

Our new approach takes an operation-centric view. We have eliminated the Sponsored Investments segment where we used to report the results of EEP and Enbridge Income Fund, and will now break out our reporting across five redefined business lines which you see on this slide.

Earnings before interest and income taxes, or EBIT, will be the measured years to measured performance at the segment level and will reflect EBIT generated by all assets managed within that business segment, irrespective of where they are owned and financed within the Enbridge Group. Financing charges, income taxes and the impacts of non-controlling interests will no longer be captured within each segment. Rather, they will be reported on a consolidated basis as a deduction from consolidated EBIT in the determination of bottom-line earnings. The changes in segmentation and reporting format will impact both our MD&A presentation and Enbridge's financial statement notes.

Specifically, in the MD&A, we will speak to EBIT instead of earnings in describing the performance of the segments and will include a separate discussion on consolidated financing charges, consolidated income taxes, and non-controlling interests.

The financial statement notes will also reflect the new segmentation and reporting format. Notes that have historically included information broken down by segment will be amended. For instance, long-term debt previously usually reported by segment, but given interest, will no longer be allocated to individual segments. This note will now show long-term debt broken down by issuing entity within the Enbridge Group.

In our MD&A disclosure, we will continue to normalize segmented results for the impact of unusual nonrecurring or non-operating items, consistent with our current policy and the approach used in deriving adjusted earnings. For business segment reporting, adjustments will occur at the EBIT level, and going forward, our MD&A reporting at the segment level will focus on adjusted EBIT with a full reconciliation to EBIT as derived from our GAAP statements.

We will also continue to report adjusted earnings and adjusted earnings per share and provide a complete reconciliation of adjusted earnings to GAAP earnings, including the impacts of any adjustments below the EBIT line.

Finally, we will present an alternate view of ACFFO that builds directly from consolidated adjusted EBIT to clearly establish the link between business unit performance and the bottom line cash flow that supports our dividend.

That's a fair amount to absorb right out of the gate. The supplementary package which Adam referenced at the beginning of the call includes reconciliations that bridge between the old and the new reporting formats using recent historic results, which should help clarify how the changes actually impact the statements and the related disclosure.

But I do want to emphasize at the outset that the changes we are introducing with this new financial reporting format only impact the presentation of results. They will not change previously reported consolidated GAAP earnings, adjusted earnings, or ACFFO.

So, turning to Slide 4, we really do believe that these changes will be beneficial. First and foremost, they will better align our reporting with how we actually look at the business and make decisions at the management level. Secondly, they will help readers better understand the key drivers of the performance of our business lines and how that translates into cash flow and dividends for investors. The changes should also serve to enhance consistency and continuity among the various reporting entities within the Enbridge family and allow for an easier comparison with many of our peers.

And with that by way of introduction I'm now going to turn it over to Wanda to provide a little more detail on how the old reporting format maps to our new approach and the changes that you will be seeing in our disclosure documents when we report the first quarter in about three weeks' time.

Wanda Opheim - ***Enbridge Inc. - SVP Finance***

Thank you John. As John discussed, the key change to our segment for reporting purposes is the elimination of Sponsored Investments, which was part of the old segmentation. Our new segment includes the five major business lines listed on this slide and previously discussed. This slide provides the structure for the next few slides which will map the assets within the old segment to the new segment.

We will begin with Liquids Pipelines. Under our old segmentation, the Liquids Pipelines assets were reported under several segments, including Sponsored Investments, with assets in both the Fund Group and EEP, and Liquids Pipelines, which included Liquids assets held directly by Enbridge. Under the new reporting format, the Liquids Pipelines segment will include all of the Liquids business assets regardless of ownership within the Enbridge family. There will be seven distinct sub-business categories within Liquids Pipelines that we will report on. Canadian Mainline, which includes Line 9, and is owned by The Fund Group, Lakehead System, inclusive of the Alberta Clippers, Eastern Access and mainline expansion projects owned by EEP, Regional Oil Sands System, which is owned by The Fund Group, the Mid-Continent and Gulf Coast line of business, which includes Enbridge's direct ownership in the Seaway, Flanagan South and Spearhead pipeline, as well as EEP's Mid-Continent assets. Southern Lights pipeline, which includes the Canadian and US pipelines owned by The Fund Group, Bakken System will include both The Fund Group and EEP's Bakken assets and EEP's North Dakota system, and lastly, Feeder Pipelines and Other reflects the operating results of the remaining liquid assets that are owned directly by Enbridge, including Southern access extension, and also includes other Liquids assets owned by The Fund Group, including the South Prairie region.

To assist in understanding the mapping of the assets between the old and new segments, in the supplemental package that we are providing today, there is a bridge of the historic Sponsored Investments amount for The Fund Group and EEP to the new segments.

Moving on to the Gas Distribution segment, the only change to this segment is the addition of Noverco, which was previously part of Corporate and holds our interest in Gaz Metro. Also, while we will be reporting the segment on an EBIT basis, as Enbridge Gas Distribution is regulated and EBIT is not entirely reflective of its performance, in our MD&A, supplemental information will be included on EGD's earnings.

Much like the Liquids Pipelines segment, the new Gas Pipelines and Processing segment will include all of the gas pipelines and processing assets across the enterprise, including those held by our sponsored vehicles. The seven sub-business categories for this segment to be reported on are listed on this slide. As noted, it includes the assets held by Enbridge and the Alliance Pipeline, which is owned by The Fund Group, and US Midstream, which is the US gathering and processing asset held by EEP and [MAP]. Given the public ownership of both EEP and MAP, the impact to Enbridge's earnings from this business is not significant.

Under the old segmentation, our renewable generation and power transmission assets were picked up within the Gas Pipelines Processing and Energy Services segment and through the sponsored investment segment. Going forward, all 1,800 megawatts of our renewable power assets and the Montana-Alberta transmission line will be aggregated and reported on within the new Green Power and Transmission segment. Our recently announced UK offshore wind project, Rampion, will also be included in this segment.

And finally, Energy Service was part of the old Gas Pipelines Processing and Energy Services segment. And now under a new segment, the aggregate results of the energy services will be reported on.

I am now on Slide 11. And it brings together all of the new segments and sub-business categories for each segment we just reviewed. Going forward, within our MD&A, we will include GAAP EBIT and adjusted EBIT for each segment together with a schedule outlining any normalizing items to arrive at adjusted EBIT.

However, to arrive at consolidated adjusted EBIT, one final new piece is required, which is eliminations and other, E&O. E&O includes the elimination of transactions between segments and certain other amounts not allocated to the segments. E&O will have three subcategories: Operating and Administrative Expenses(O&A), "Realized Foreign Exchange derivative gains and losses" and P"Other". O&A will primarily include administrative expenses not allocated to the segments and elimination for transactions undertaken between segments.

Realized Foreign Exchange Derivative Gains and Losses includes the impacts of derivative contracts to sell US dollars forward as part of our enterprise hedging program. This program is used to manage foreign exchange exposure from the translation of earnings from our US-based businesses. This is an enterprise program managed at the corporate level to provide predictable consolidated results.

Historically, we allocated the impacts of the hedging program directly to each segment with US businesses. Under the new financial reporting format, the impacts of this hedging program will not be allocated to a business segment. Instead, the results of our US businesses will be translated at the average exchange rate and the impact of the corresponding hedging program will be reflected in E&O.

There will be instances where the impacts of hedging transactions will reside within the business segment. This will occur when the hedges are undertaken within a segment to manage transactional-based foreign exchange exposure. Hedging of Canadian Mainline revenues denominated in US dollars would be an example of this.

And finally, "Other" includes new business development activities, general corporate investments, elimination adjustments and other amounts not related to a specific segment.

So, now that we have described all of the changes, let's bring it all together with some numbers. This table shows 2015 adjusted EBIT for each of our segments and adjusted E&O to arrive at adjusted EBIT on a consolidated basis for 2015, reflecting the new financial reporting format.

From adjusted EBIT, we will deduct, on an adjusted basis, a number of items. First, Interest Expense, which includes all financing charges inclusive of interest-rate hedging actions across the enterprise net of capitalized interest. We will provide details by legal entity of the debt balances and interest costs in our financial statement. The second deduction will be income taxes for the entire enterprise. The third deduction is non controlling interest which represents the claim on earnings by minority investors from assets which Enbridge consolidates but does not fully own. And the final deduction is preferred dividends paid on preferred shares issued by Enbridge Inc., to arrive at our familiar adjusted earnings metric as previously reported. This performance overview will be included in our MD&A.

As John mentioned at the outset, a further benefit of the change to adjusted EBIT is the clear link it provides to ACFFO. Going forward, within our MD&A, we will provide a reconciliation of adjusted EBIT to ACFFO. The reconciliation for 2015 is shown on this slide with 2015 ACFFO, as previously reported. To supplement the reconciliation, depreciation and amortization and maintenance capital broken down by segment will be included in the MD&A.

The changes to the financial reporting format are effective January 1, 2016. For both Enbridge Inc. and Enbridge Pipelines Inc., the 2016 first-quarter reporting package will be presented under the new format. Additionally, we will be amending and filing our 2015 financial statement and MD&A for Enbridge Inc. under the new format on May 12, along with our first-quarter 2016 reporting package. The amended financial statements are audited and will include updated disclosure for events subsequent to the original February filing date.

Enbridge Income Fund's affiliate, Enbridge Income Partners LP, which owns the operating assets of The Fund Group, adopted the new reporting format in 2015, and therefore no amendments are required to the historic financial statements or MD&A for this entity.

As the amended financial statements and MD&A cannot be filed until after the release of the first-quarter results, we will be posting a supplemental financial information package to our website after the call. The package is intended to help prepare for the upcoming Q1 earnings release under the new format to be filed May 12. The supplemental package will contain re-segmented 2014 and 2015 historical results on both a consolidated and segmented basis. It will include tables that will take you from consolidated adjusted EBIT to adjusted earnings, consolidated GAAP EBIT to adjusted earnings, and by segment.

As I mentioned, reconciliations will be provided to "bridge" between our new disclosure and our previous disclosure with respect to our assets held by our Sponsored Investments. Additionally, it will include two ACFFO reconciliations he one you have seen in the past, which reconciles cash provided by operating activities to ACFFO, and the new one, which provides a clear bridge between adjusted EBIT and ACFFO.

The historical information being provided today is on an annual basis. We will provide 2015 quarterly information on May 12.

And lastly, we have provided some additional information to facilitate your modeling.

I just wanted to close by adding that we are quite excited to roll out the new financial reporting format with our Q1 results and hope you will find it helpful in understanding and projecting our business performance. We will now open the line for Q&A.

QUESTION AND ANSWER

Operator

(Operator Instructions). Jeremy Tonet, JPMorgan.

Jeremy Tonet - ***JPMorgan - Analyst***

Thank you for the enhanced disclosures. I know this must have taken a lot of effort by the team.

I just had a follow-up question on the DDA disclosures that you guys had mentioned, and it would be DDA by segment would be provided, and that would be very helpful. I was just curious if that would also include minority interest DDA if we are trying to get kind of EBITDA for ENB versus the subs for the different segments. I'm just wondering if that's something we are able to derive here.

Chris Johnston - ***Enbridge Inc. - VP, Corporate Controller***

So yes, depreciation and amortization -- Chris Johnston here -- in terms of what we will provide there. In terms of seeing the minority interest piece for depreciation and amortization, you have to look at the subsidiary statements to pick that up, so we wouldn't be showing that in our Enbridge documents. The minority interest is based on the external party holders in those entities. We wouldn't be breaking down each component of that minority interest.

Jeremy Tonet - ***JPMorgan - Analyst***

Okay. But using the subs documents, we should be able to piece that together is what you are saying?

Chris Johnston - ***Enbridge Inc. - VP, Corporate Controller***

Yes. Their depreciation amortization is disclosed.

Jeremy Tonet - ***JPMorgan - Analyst***

Got you, okay. Great. Yes, that's very helpful. Just looking to get EBITDA as it applies to the different entities, so that's very helpful. Thank you. That's it for me.

Operator

David Galison, Canaccord Genuity.

David Galison - ***Canaccord Genuity - Analyst***

Good morning everyone. I just had a question on some of the granularity. Would there be any changes to the different segments where you would provide the previously provided throughputs or volumes by asset group? Will there be any changes to that going forward?

Wanda Opheim - ***Enbridge Inc. - SVP Finance***

No, there really will not be any changes. We will still provide that level of information in our reporting package for the major assets.

David Galison - ***Canaccord Genuity - Analyst***

And then just on the updated 2015 disclosures that you're going to put out, the restated financials, will that just be on an annual basis or will there be quarterly breakouts as well?

Wanda Opheim - ***Enbridge Inc. - SVP Finance***

The amended financial statements for 2015 that we will be filing, that is just on an annual basis. But in the supplemental material that we will provide, we will provide quarterly information for you.

David Galison - ***Canaccord Genuity - Analyst***

Okay. Thank you very much.

Operator

Robert Kwan, RBC Capital Markets.

Robert Kwan - ***RBC Capital Markets - Analyst***

Good morning. Just questions here around your equity accounted for investments. So, in EBIT, and it looks like the presentation bears this out, but are you going to be booking the actual equity income in EBIT?

Wanda Opheim - ***Enbridge Inc. - SVP Finance***

Yes. The equity pickup will be reflected in EBIT for our equity investments.

Robert Kwan - ***RBC Capital Markets - Analyst***

Okay. Just to be clear, when you say pickup though, it's the equity income, it's not actually an EBIT number? It will be net of all financing charges and depreciation in tax?

Wanda Opheim - ***Enbridge Inc. - SVP Finance***

You're correct, Robert. It is the equity earnings.

Robert Kwan - ***RBC Capital Markets - Analyst***

Okay. And then just also on the equity investments in I guess Slide 13 here, the line item related to cash distribution is greater than equity earnings. Is there going to be an asset level disclosure as to how that is actually being derived, and I guess even if it's just the major contributors like Seaway and Alliance?

Chris Johnston - ***Enbridge Inc. - VP, Corporate Controller***

It's Chris here. When we go through our MD&A and we describe the variance that will arise in that balance from quarter-over-quarter or year-over-year, I think we will provide an analysis of that. But in terms of getting into standard reconciliation of the equity investment, the income for each of our investees as well as the cash received, I don't think we are planning on putting that level of detail in our MD&A unless it's necessary to explain why there is a variance.

Robert Kwan - ***RBC Capital Markets - Analyst***

Okay. So if there's a situation for example where we are trapping cash or cash is not actually being upstreamed because it's being retained for some sort of CapEx, we'll get that (multiple speakers)

Chris Johnston - ***Enbridge Inc. - VP, Corporate Controller***

Robert, you should be able to see that when we -- again, if there's no variance, then, again, you wouldn't be interested to know that there's a big change, but if there was, we would have that disclosed in the MD&A.

Robert Kwan - ***RBC Capital Markets - Analyst***

Okay. That's great. Thank you.

Operator

Faisel Khan, Citigroup.

Faisel Khan - ***Citigroup - Analyst***

Thanks. Good morning. Just in terms of the disclosure around CapEx and net TP&E, will there be any sort of details around that by the different -- the new segmentation?

Chris Johnston - ***Enbridge Inc. - VP, Corporate Controller***

I think I can take that question. The segment information in the finance statements will continue to show the CapEx by segment as well as total assets by segment as required by GAAP.

Robert Kwan - ***RBC Capital Markets - Analyst***

Okay. But this new -- the new segmentation you have here will be what you reported in your annual report release going forward, including TP&E and CapEx, right?

Chris Johnston - ***Enbridge Inc. - VP, Corporate Controller***

That's correct.

Robert Kwan - ***RBC Capital Markets - Analyst***

Okay, got you. Then can you go back to where you accounted for the derivative activities to hedge your US dollar exposure?

Chris Johnston - ***Enbridge Inc. - VP, Corporate Controller***

Sure.

Robert Kwan - ***RBC Capital Markets - Analyst***

I'm sorry, where do you actually do that, and does that just get captured in the eliminations and other, or --?

Chris Johnston - ***Enbridge Inc. - VP, Corporate Controller***

Yes, that's right. You haven't seen the recast amended MD&A yet but when you will, you will see the description of the nature of the gross activity. All we are not doing now is we are not allocating to the segments, so you can clearly see it within the E&O segment when we describe it in the MD&A.

Robert Kwan - ***RBC Capital Markets - Analyst***

Okay. And the E&O segment also you said includes your corporate overhead as well?

Chris Johnston - ***Enbridge Inc. - VP, Corporate Controller***

That's correct. There would be operating and admin costs that would be resident in, and there were before as well in the Corporate segment.

Robert Kwan - ***RBC Capital Markets - Analyst***

Okay. I got you. And in terms of the new disclosure here, is this also sort of designed for internal management sort of performance to understand the performance of the Company? I know you guys already know where all the assets are, but -- or this is only intended for to make it more easier for the investment community? I'm just trying to understand. Was there also a push by management to put these segments in place to better understand and better forecast sort of returns and profitability with all these segments?

Wanda Opheim - ***Enbridge Inc. - SVP Finance***

The new segments are consistent with how we are managing the business, so it does align with our internal management reporting that we will have going forward for our businesses. So, it's very consistent. It's not being done just for external reporting.

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

I would say it's the starting point, if you will, for obviously a much more granular set of management reporting that we would look at in the normal course, but it will roll up at the same number. So the business lines and the management of the business lines is very much reflected in this perspective. And management will look at this as a starting point, but will then drive down to whatever layer of granularity is needed for the nature of the business, particular business line, that there.

Robert Kwan - ***RBC Capital Markets - Analyst***

Okay, makes sense. Thanks a lot.

Operator

Ted Durbin, Goldman Sachs.

Ted Durbin - ***Goldman Sachs - Analyst***

Thanks. Just a question on the ACFFO on Slide 13. The interest expense line there, that is a cash interest line that is picking up all of the subsidiary debt as well as the E&P level debt. Maybe just tell us what's in there and what's out of there. Does it have capitalized interest in it? That's kind of what is in that line?

Wanda Opheim - ***Enbridge Inc. - SVP Finance***

Yes. That interest expense line is completely consistent with the interest expense on the income statement, so it is net of capitalized interest, but it does reflect all of the interest charges for all of the entities. So it would include Enbridge Income Fund's interest, EEP's interest. So it is inclusive of everything for interest enterprise-wide.

Ted Durbin - ***Goldman Sachs - Analyst***

But coming back to the equity discussion, it wouldn't pick up anything that was equity earnings. That would be already netted out in the adjusted EBIT line (multiple speakers)?

Wanda Opheim - ***Enbridge Inc. - SVP Finance***

You are correct. The interest from an equity -- the interest expense within an equity investment is net in the equity pickup in the EBIT line.

Ted Durbin - ***Goldman Sachs - Analyst***

Okay, great. That was it for me. Thanks.

Operator

(Operator Instructions). And we have no further questions at this time.

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

The supplemental package that Wanda just discussed should be up on our website shortly. As well, as I mentioned, the IR team will be available to answer any questions that you might have as you go through the numbers. And lastly, we look forward to speaking with you all again in a couple of weeks on May 12 following the release of our first-quarter results. Thanks and have a great day.

Operator

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