THOMSON REUTERS STREETEVENTS

EDITED TRANSCRIPT

ENB.TO - Q3 2017 Enbridge Inc, Enbridge Income Fund Holdings Inc, Enbridge Energy Partners LP and Spectra Energy Partners LP Earnings Call

EVENT DATE/TIME: NOVEMBER 02, 2017 / 1:00PM GMT

CORPORATE PARTICIPANTS

Jonathan Gould *Enbridge Inc. - Director, IR*

Al Monaco *Enbridge Inc. - President and CEO*

John Whelen *Enbridge Inc. - EVP and CFO*

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

Bill Yardley *Enbridge Inc. - EVP and President, Gas Transmission and Midstream*

CONFERENCE CALL PARTICIPANTS

Rob Hope *Scotiabank - Analyst*

Jeremy Tonet *JPMorgan - Analyst*

Linda Ezergailis *TD Securities - Analyst*

Tom Abrams *Morgan Stanley - Analyst*

Robert Kwan *RBC Capital Markets - Analyst*

Vikram Bagri *Citigroup - Analyst*

Ben Pham *BMO Capital Markets - Analyst*

Robert Catellier *CIBC World Markets - Analyst*

Andrew Kuske *Credit Suisse - Analyst*

PRESENTATION

Operator

Welcome to the Enbridge Inc., Enbridge Income Fund Holdings, Enbridge Energy Partners, and Spectra Energy Partners third-quarter financial results conference call. My name is Delem and I'll be your operator for today's call. (Operator Instructions). Please note that this conference is being recorded.

I would now like to turn the call over to Jonathan Gould, Director, Investor Relations. Jonathan, you may begin.

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

Great. Thank you, Delem. Good morning and welcome to the Enbridge Inc. and sponsored vehicle joint third-quarter 2017 earnings call. With me this morning are Al Monaco, President and CEO of Enbridge Inc.; John Whelen, EVP and Chief Financial Officer; Guy Jarvis, EVP and President of Liquids Pipelines; and Bill Yardley, EVP and President of Gas Transmission and Midstream.

Our joint call will again include discussion for all of the Enbridge entities, including Enbridge Inc., Enbridge Income Fund, Spectra Energy Partners, and Enbridge Energy Partners. This will allow us to provide a consistent, enterprise-wide strategic and financial perspective, while at the same time weaving in specific commentary on the strategy and performance of each of the sponsored vehicles. Note that we have developed supplemental information for each vehicle to ensure that we continue to provide full, transparent disclosure.

Some of this information is appended to the presentation today and has been posted to the various company websites. As per usual, this call is webcast, and I encourage those listening on the phone line to follow along with the supporting slides. A replay and podcast of the call will be available later today, and the transcript will be posted to the website shortly thereafter.

In terms of Q&A, given the broad agenda and limited time we have, we will prioritize calls from the investment community only. If you are a member of the media, please direct your inquiries to the communications team, who will be happy to respond immediately.

We are again going to target keeping the call to roughly an hour, and may not be able to get to everybody. So please limit your questions to one, and a follow-up as necessary. But as always, we will ensure that our Investor Relations team will be available for your more detailed follow-up questions after this call.

Before we begin, I'd again point out that we will refer to forward-looking information on today's call. And by its nature, this information contains forecast assumptions and expectations about future outcomes, so we remind you that it's subject to the risks and uncertainties affecting every business, including ours. This slide includes a summary of the significant factors and risks that could affect Enbridge and its affiliates, and are discussed more fully in our public disclosure filings available on both SEDAR and EDGAR.

So with that, I'll now turn the call over to Al Monaco.

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

Good morning, everyone. Just a couple things before we get into the quarter. First, I want to acknowledge our people in Texas and Florida for their incredible response to the hurricanes. We were not only able to maintain safe and reliable operations, but more important was the human response that our people showed for each other and the community.

Secondly, since the closing of the Spectra transaction in late February, we've been focused on integration, project execution, and strengthening the overall position, so I will recap our progress for 2017 at the end of the call.

I'll start with an overview of the quarterly results, then our business update. John will take you through the financial results in more detail as usual, including the sponsored vehicles and our funding summary.

So moving to slide 4. As you can see, results were up significantly, driven by the new Spectra assets and projects coming into service. Q3 was solid, with ACFFO at $0.82 a share, in line with our expectations, and above Q2. And remember, Q3 is typically a lower quarter due to seasonality, particularly now with two large utilities.

Our three crown jewel businesses delivered good results. Liquids had a good quarter, with volumes ramping most of the way back up after the Q2 upstream disruptions. November nominations are very strong, which should allow us to capitalize on the optimization work we completed earlier this year. Regional oil sands systems will benefit from Norlite and JACOS, which both came into service.

We're pleased as well with the gas pipeline segment, where the Texas Eastern and Algonquin systems again provided good results, which is one of the reasons why the Spectra portfolio was so attractive to us. We saw strong cash flows, as well, from Alliance, as growing liquids production seeks ex-Alberto markets. Sabal Trail, as well, came into service in Florida this last quarter. And the gas utility businesses performed as expected.

Outside the core businesses, we had some weaknesses in G&P volumes and narrower base of spreads limited arbitrage opportunities in energy services.

Year-to-date, we're in good shape, we think, especially given the handful of unusual items impacting EBIT, including warmer weather. That was about $30 million; and upstream upsets on liquids of about $50 million. And because we closed Spectra in late February, we missed the two strongest months for those assets.

We look forward -- we're expecting continued growth in Q4 from the liquids mainline, new projects coming in, ongoing synergy capture and the impact of seasonality. So we're reaffirming our full-year ACFFO guidance of $3.60 to $3.90 a share. John will review this later, but we're pleased with the performance of our sponsored vehicles this quarter: operationally, distribution coverage, and of course financial strength.

Switching now to the business update, I will begin with the competitive positioning of our mainline. First, post- the Spectra deal, the Canadian mainline now contributes about 15% of overall EBIT, but obviously it's still important to our outlook. We like how things are shaping up, actually, on the mainline in both the near term and well into the decade. Next.

The chart shows WCSB production growth from completion of upstream projects that are already in execution. Even with the Line 3 Replacement in 2019, pipe capacity in the near term and medium term will be tight, and that's usually handled with overflow met by rail.

So we're very focused on safely moving as many barrels as we can. Guy and his team, I think, have done a great job in optimizing capacity. Over the last two years, we have developed optimization solutions capable of moving about 250,000 barrels a day of extra heavy.

In addition, we have recently implemented solutions to restore 45,000 a day of capacity on Line 4. All this bodes pretty well, we think, for running at high utilization through the remaining term of CTS in 2021. Post-CTS, we're confident in the competitiveness and financial outlook for the mainline. That's because the system serves 2.8 million barrels per day plus of on-system and downstream connected pipe demand. That's connected to markets that provide very strong netbacks for Western Canadian producers.

The mainline's reach and flexibility is unmatched, in our view; and tolls are expected to remain low and attract spot barrels.

As we look at renewing the CTS agreement in the coming years, we will have an eye to making sure that we keep it very competitive. We also have low-cost incremental expansion capacity, we mentioned before, of about 500,000 barrels per day that comes with minimal permitting along with downstream expandability of our Flanagan South and Seaway system, which provides a low-cost, full-path route to the Gulf.

And now with the potential reversal of Capline, we could see access to the Eastern Gulf Coast refining market, which would be great for Canadian producers and heavy refiners in the region. As we know, the Western Gulf is being well served by our system and growing. Permian and Eagle Ford volumes are flowing into the Western Gulf.

In a nutshell, our throughput outlook looks strong through the remainder of the CTS term. And in the longer term, the mainline will remain highly competitive.

On to slide six and our project update, beginning with Line 3. Just as a reminder, Line 3 is a key piece of infrastructure that supplies the US Midwest and Gulf Coast markets, and ultimately it's critical in maintaining low gasoline prices for Americans. It also modernizes infrastructure with the newest and most advanced pipeline technology to ensure the utmost in safety and environmental protection.

We kicked off several spreads in Canada, and in, as well, a segment in Wisconsin. And we had previously completed, as you can see on the map, a couple of other sections. The dry summer certainly helped us make good progress on construction.

In Minnesota, the regulatory process is in flight, and we have transparency on timelines and making good progress there. We'd expect a final decision from the Minnesota PUC in Q2, and that's the basis for our projected in-service date of the second half of 2019.

Slide 7 summarizes other milestones we achieved in the quarter. A couple weeks ago, we received our amended Presidential Permit for the Alberta Clipper pipeline. That's important for a couple reasons. First, it validated once again our approach to environmental stewardship and transparency with stakeholders. And it enables full utilization of our mainline system interest in the future, so a good outcome there.

On NEXUS, we got FERC approval for construction. It's huge milestone for the team. They've been obviously readying for execution, targeting their Q3 2018 in-service date. Equally important, though, we're focused on doing a top-notch job from an environmental and community engagement perspective, and we're using existing infrastructure to the fullest extent possible.

We really like the fundamentals of the project. It's a critical outlet for Marcellus and Utica gas, but also for Michigan and Ohio markets, and of course in Ontario to serve our 3.5 million gas distribution customers. It comes with strong demand pull contracts, and it's well-positioned to attract growing gas-fired generation in power load. In fact, there is about 1.7 Bcf of interconnects being requested in Ohio.

Another good story is Valley Crossing. Construction there is moving along very well. Massive gas supply growth and changing gas flows on the continent make this a really emerging region and one of the largest gas hubs in the future. Valley Crossing will be a critical link between growing Permian and Eagle Ford supply basins and increasing demand in Mexico.

We also like the network connectivity with Texas Eastern and with Gulf Coast Express upstream where DCP -- that's where we have a 50% interest -- is a partner in developing that project.

Lastly, on the Rampion offshore wind project in the UK, all 116 turbines are now in, totaling 400 megawatts of capacity. First power expected later this month, and full operation is scheduled for the first half of 2018. So good progress this quarter on key projects and execution.

Let's go to slide 8 now and the bigger picture on the capital program. We continue to show this slide because it is a good scorecard, and illustrates the success we've had in organic expansions and extension. It also shows our portfolio as diversified by size, region, and commodity, which is very important in reducing the overall execution risk of the portfolio.

We brought 9 billion into service so far this year; most recently, JACOS, Chapman Ranch Wind Farm, Dawn to Parkway gas pipeline expansion, several extensions and optimizations on the Texas Eastern and Algonquin network. We've also got a few more to come in online this year, the biggest one being the Wood Buffalo extension. Actually, that one was completed earlier in the year, on time and on budget, and we're waiting for the Fort Hills facility to start production ramp-up in December. We've got a bit of work left to do here, as you can see, but we can pretty much call the 2017 program complete. Great success, and a tribute to our team that execute these projects.

A final business update is on slide 9, and it relates to our gas utilities. Now, if you step back for a moment to the strategy for some time has been to further build our presence in gas utilities. And the Spectra deal gave us a great, low-risk way to do that with Union Gas, which frankly we'd been coveting for quite a while. EGD and Union operate independently today. And given the complementary nature of those two great franchises, it makes sense to combine them.

Strategically, it creates a bigger platform to grow and it also creates an opportunity to capture efficiencies. That will be good for rate payers and for shareholders. The two utilities are currently each under their own performance-based ratemaking structures today, or custom IR. And later today, we will be taking a step towards amalgamating Enbridge Gas and Union, and defining their next ratemaking model.

Putting the utilities together requires OEB approval through what is referred to as the MAAD's application process. That's the same one that supports amalgamation of electric utilities. We'll have further details in the application and the specifics around the rate and capital recovery mechanisms will be in a subsequent filing later this month.

But generally, the model we are looking at is already established by the OEB for electric LDC mergers. And it includes things like a 10-year term; a price cap, where starting point revenues increase annually by a prescribed inflation-based factor; capital recovery for spending in excess of the specified threshold; and a 50-50 sharing of benefits for results that are 300 basis points above the allowed ROE after five years, so no sharing within the first five; and, of course, a continuation of natural gas cost pass-through.

We'd expect the regulatory review will take the better part of 2018, and the new framework to be in place for 2019. So, somewhat early days on this, but we are very pleased to have moved this forward quickly.

And with that, I'll hand it over to John for his review of the quarter.

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

Well, thanks, Al, and good morning, everyone. I'll pick it up here on slide 10 with a look at the performance of our business in Q3. As you can see, consolidated EBIT for the quarter came in at just over $1.7 billion, up about $737 million over last year. The increase is of course largely driven by assets acquired in the Spectra transaction earlier this year, but is supplemented by positive year-over-year contributions from our legacy businesses and from new assets brought into service.

The stronger Canadian dollar relative to the third quarter of 2016 did impact reported year-over-year performance from our US businesses at the EBIT level. However, this translation impact was substantially offset by more favorable hedge settlements, which are picked up further down the income statement under eliminations and others.

So looking briefly at each of the businesses, quarter over quarter, EBIT from liquids pipelines was higher by $35 million, primarily due to higher throughput on the mainline system, steady contributions from regional oil sands assets, and new contributions from the Express-Platte system.

Mainline throughput for the quarter came in at about 2.5 million barrels per day ex-Gretna, up about 140,000 barrels per day over the same period last year, driven by a combination of growing production and higher downstream demand, and enabled by the mainline capacity expansion initiatives we completed earlier this year.

The mainline also benefited from higher surcharge revenue and higher effective rates on hedges used to convert US toll revenue on the Canadian mainline. These positive impacts in liquids were partially offset by the absence of EBIT from other liquids pipelines assets that we've sold since the third quarter of last year and a change in our reporting practice, where we no longer reflect in EBIT the impact of cash collected under take-or-pay contracts with make-up rights, but rather pick up this cash as a component of ACFFO. This is one of the main reasons you see for lower reported EBIT from the Mid-Continent sub-segment here in liquids.

Moving down the slide to gas pipelines and processing, the gas business generally continues to perform well. Much of the year-over-year growth is of course due to the assets acquired from Spectra. Earnings from these assets continue to grow, primarily as a result of contributions from expansion projects on the Algonquin and Texas Eastern systems and from the new Sabal Trail pipeline, which was placed into service earlier this year.

This growth has been offset to a degree by continuing weak performance from our gas gathering and processing assets in Texas, as weak commodity prices have impacted both volume throughput and realized processing margins.

Gas distribution results reflect a contribution from Union Gas where EBIT grew this quarter as a result of the Dawn-Parkway expansion coming into service, and other increases in delivery rates, partially offset by higher operating costs. While there were a few minor puts and takes, the contribution from Enbridge Gas Distribution was essentially flat relative to the third quarter of last year. While it plays up on our year-to-date results, weather was not much of a factor in the third quarter for either of our big utilities.

Energy services continues to be impacted by low commodity prices, which have affected location and quality differentials, and resulted in an absence of arbitrage opportunities on facilities where we have capacity obligations. Performance this quarter was particularly affected by the impact of hurricanes on the supply of, and demand for, crude oil in the Gulf Coast and at other key delivery points where we offer logistics services.

Finally, turning to the eliminations and other, the year-over-year improvement in this segment of about $69 million is primarily due to lower unrecovered centralized services costs as a result of the synergies we have captured to date, and the more favorable FX hedge settlements that I mentioned a moment ago, which resulted from both a stronger Canadian dollar and higher effective hedge rates.

So all in all, a solid quarter with contributions from the new Spectra assets pretty much right in line with expectations.

Slide 11 summarizes how that performance translated into available cash flow. ACFFO for the quarter was just over $1.3 billion, up about $482 million from Q3 of last year, largely as a result of the factors driving EBIT growth which I just went through. I'll focus my comments on the key elements affecting ACFFO quarter-over-quarter here.

Maintenance CapEx spend was up over the third quarter of last year, largely due to the incremental maintenance spend on assets acquired from Spectra. But it's currently trending a little lower than expectations, in part due to timing, and in part due to lower IT spending as we look to integrate supporting IT systems post-merger.

Cash interest expense is higher both due to the merger and due to incremental interest on debt incurred to fund projects that have now been brought into service. Lastly, cash distributions from equity investments increased due to a full quarter of distributions from the Bakken Pipeline and from Sabal Trail.

On a per-share basis, ACFFO was lower relative to the third quarter of 2016 primarily due to the shares issued as consideration for Spectra. All in all, strong operating performance and timely project execution has driven very solid cash flow growth quarter over quarter.

Turning to slide 12 now. We do expect that we'll see a significant uptick in the fourth quarter for a number of reasons.

Firstly, I mentioned earlier that liquids pipelines -- mainline's volumes were up this past quarter. We're seeing that trend continue in Q4. November nominations are as strong as we have ever seen, as refineries are coming back off seasonal turnaround, and new oil sands production is scheduled to come online.

Secondly, we will see uplift from a full quarter of cash flow from the new projects that came into service earlier this year. We've got another $5 billion coming online in Q4, some of which Al noted earlier.

We will also benefit from additional synergy capture. We're extremely focused on cost containment as we continue to transform the organization. We're slightly ahead of our first-year target at this point.

Lastly, it's worth pointing out the increasing seasonal nature of our business. This is even more pronounced now with the Spectra acquisition. It's partly a function of now owning two large, weather-sensitive utilities in Ontario. But there are also natural winter peaks in other businesses, which together will tend to generate significant uplift in earnings and cash flow from Q3 to Q4 in any given year.

That said, there are some potential headwinds that may affect our results at the margin over the balance of the year. We've seen much warmer weather than usual in our utility franchise areas so far this year, and there's a risk of that trend continuing through the fall and winter.

There could also be a little downward pressure from the Texas US G&P business and from energy services, where it's been much harder this year to generate margin opportunities in the face of historically tight location, quality, and time differentials.

Taken all together, we still expect to come in within our current ACFFO per share guidance range, as Al mentioned earlier, of $3.60 to $3.90 per share.

So moving on now to the performance of our sponsored vehicles, which as Al said, across-the-board really delivered very strong results this quarter. And we'll start with the highlights for ENF and the Fund Group on slide 13.

Fund Group ACFFO was up $40 million compared to the third quarter of 2016, driven by a strong performance from liquids pipelines. The Canadian mainline benefited from the higher throughput I mentioned earlier, combined with a higher residual benchmark toll and higher surcharge revenue. And we do expect even stronger performance from the liquids business in the fourth quarter, given the anticipated ramp-up in volume throughput on the mainline that I just discussed.

On the gas side, we continue to see robust demand for firm seasonal service on the Alliance Pipeline, and we expect the system to continue to be well utilized heading into the fourth quarter.

Green power was down relative to the third quarter of 2016 due to lower-than-expected wind resources. But after a strong second quarter, year-to-date results are in line with expectations.

So overall, another solid quarter which keeps the Fund Group right on track to deliver ACFFO within our 2017 guidance range of $1.9 billion to $2.1 billion, and maintain a payout ratio well within target.

The distributions paid by the Fund Group translated into earnings at ENF of $77 million. Dividends from ENF were 10% higher than Q3 of 2016, reflecting a 10% increase to the monthly rate back in January of this year. And ENF remains well-positioned to generate further 10% increases in the dividend on an annual basis through 2019 as new liquids pipelines come into service.

Turning now to Spectra Energy Partners, or SEP, which announced its third-quarter results this morning. As you can see on slide 14, ongoing EBITDA distributable cash flow were up sharply over the third quarter of 2016. The story here, in many respects, is similar to previous quarters this year: solid performance from base assets, and strong growth from new projects coming into service.

In total, SEP is on track to place more than $2 billion of low-risk transmission projects into service in 2017, which are immediately accretive to DCF and bolster the Partnership's low-risk asset base.

SEP continues to increase its distribution by $0.0125 per share each quarter, which this quarter translates to an increase of approximately 7.4% relative to Q3 of last year. SEP has now delivered quarterly distribution increases to investors for 10 consecutive years, all while maintaining consistently strong coverage ratios. SEP's performance continues to be right on track with expectations, and our guidance remains unchanged at this time. We now expect full-year coverage for 2017 to be at the high end of the previously provided guidance range of 1.05 to 1.15 times.

Moving along to slide 15 and highlights for Enbridge Energy Partners. Overall, adjusted EBITDA at EEP was down approximately $30 million compared to the third quarter of 2016, which was in line with expectations post- the restructuring of the Partnership, given the expiration of surcharges on the North Dakota system and the absence of ongoing earnings from the G&P business which it sold earlier this year, and as well the sale of the Ozark Pipeline.

Performance at the Lakehead mainline was right in line with expectations, reflecting its regulated and largely cost-of-service tolling framework. In the Bakken region, demand for transportation on the legacy North Dakota system in Clearbrook, Minnesota, remain strong. And the results benefited from a full quarter of contribution from EEP's interest in the Bakken Pipeline System that was placed into service on June 1 of this year.

Distribution coverage was solid this quarter and in line with expectations following the restructuring: just over 1.5 times on a cash basis, and 1.2 times including non-cash PIK distributions. With a solid third-quarter result, EEP's right on track with updated guidance that we provided back in April.

I will wrap up my section here on slide 16 with a brief update on funding, where we continue to make very solid progress. Since the end of the second quarter, we have raised close to $4.3 billion of long-term capital, including approximately $3 billion highly cost-effective hybrid securities which received 50% equity credit from the rating agencies. That brings the total to over $10 billion of new capital, almost all of which was issued after we closed the Spectra transaction at the end of February.

Enbridge continues to enjoy ready access to low-cost funding. And we fully appreciate the cost of capital benefit that comes with four strong, investment-grade credit ratings at the parent company.

Included in the $10 billion of capital raised thus far in 2017 is significant common equity or equivalent funding that we've raised through hybrid securities offerings, DRIP programs at Enbridge and our sponsored vehicles, and through the monetization of non-core assets, all of which has strengthened our balance sheet and improved our financial flexibility heading into the end of the year.

And we continue to be committed to further bolstering of the balance sheet through steady deleveraging as we continue to build out our secure growth program, with a target to achieve a consolidated debt to EBITDA ratio of less than 5 times, post-completion of the Line 3 replacement project.

And I will be providing an updated outlook of our financing requirements and funding plans when we get together to review our strategy and outlook at Enbridge Days in December.

And with that, I'll turn it back to Al for closing remarks.

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

Okay. Thanks, John. We will close it off here with some general comments. We've had quite a busy year in 2017. We're most of the way through. We have closed the Spectra transaction in under six months, which allowed us to move very quickly on bringing the companies together. Integration is obviously a big effort. But we're making good progress on that synergy capture is nicely on target, or slightly ahead. Given the timing of the closing and other unusual items, it's been a bit of a noisy year. But we do expect to be within the full-year ACFFO per-share range, as we talked about.

Despite a challenging permitting environment, our secured project inventory is getting executed. We're on track to bring roughly $12 billion of new projects into service this year. And we have added to that inventory with almost $4 billion of new growth projects since the Spectra announcement. We covered that last quarter.

We have also bolstered our financial strength and flexibility that John just went through with the $10 billion in capital raise and $3 billion of equity equivalent. And of course there's the $2.6 billion of asset sales through this period. And so, we've done what we said we were going to do on that front.

We have also spent a lot of time focused on streamlining the (technical difficulty) enterprise on sponsored vehicles. We simplified DCP; we brought in MEP; and we restructured EEP. And as we've said before, we will continue to monitor progress and evaluate any future opportunities to simplify.

So all in all, we're pleased with the progress this year. It's been an important transition year for us, and which will set us up well for the future.

The last slide, on 18, is really just a reminder about Enbridge Days, which is happening on December 12 and 13 in New York and Toronto. This is where we will provide some greater detail around strategy and positioning and our outlook. So we look forward to catching up with everybody in person in December.

So now let me turn it back to the operator to take questions for the quarter.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions). Rob Hope, Scotiabank.

Rob Hope - *Scotiabank - Analyst*

Taking a look at the mainline, just given the Capline reversal that has been announced, does that present some opportunities to potentially expand your assets in between the Chicago region and into Patoka? Or I guess longer-term partner with those owners to provide full-service path from the oil sands down to the Gulf Coast?

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

Well, maybe I'll go first, and see if Guy has something to add. For sure, the concept here, given our expandability that we have beyond Line 3 -- those are the projects that I mentioned around low cost and competitive positioning -- those should provide a good incremental capacity along with Line 3 to perhaps feed Capline. And as we said, that should give producers good access into the eastern part of the Gulf Coast. So, a little bit early days on Capline yet. They've just announced that potential reversal. So we will see how that goes. But for sure, it's one of the angles we're pushing hard on.

Guy?

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

Yes, I don't think I have too much to add to that, Al.

Rob Hope - *Scotiabank - Analyst*

All right, thank you. And maybe as a follow-up, just in terms of the Union and EGD merger, if this is consummated in 2019, will you have a rebasing year there, or should you be able to start earning above your ROE in that year?

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

Yes, good question. So, under this MAAD's process, actually, there is no rebasing, per se. The way it works is that the rates essentially get escalated from the last point in your rate mechanism, so there's no rebasing in that sense. So, we should be in good shape. Obviously, to generate synergies with this kind of thing takes some time. There's integration that needs to be done, and there's investments that we may need to make. So that's particularly why the 10-year time frame makes sense for us. So that's the way it works, Rob.

Rob Hope - *Scotiabank - Analyst*

Thank you.

Operator

Jeremy Tonet, JPMorgan.

Jeremy Tonet - *JPMorgan - Analyst*

I wanted to start off with a question for Bill Yardley, if I could. Bill, just wanted to touch base, as far as nat gas pipeline development in the US. There's a lot of concern out there in the marketplace around the difficulties of getting projects done here. And I'm just wondering if you could share a bit on how Spectra views that and how you see the landscape right now, particularly in Appalachia and New England.

Bill Yardley - *Enbridge Inc. - EVP and President, Gas Transmission and Midstream*

Sure. So I think, first of all, I am more bullish than most, I would suppose. When you look at what our track record has been, I think you can point to fairly difficult projects being placed into service. So from an execution standpoint, yes, there's a lot of concern out there about can we get projects done. Well, there really hasn't been anything that we could point to that we haven't accomplished. Are things a little bit more expensive these days, or is it a little more challenging? Sure. But these projects are getting done.

And then if you look at the fundamentals, whether it is New England, whether it's the Gulf Coast, electric power generation fired by gas and the reliability discussion, those fundamentals all point to the need for more infrastructure, especially in the natural gas space. So, yes, I think there's an awful lot of opportunity. And I think we're -- we sometimes get down on ourselves when things are just simply changing a little bit and getting a little bit tougher. Yes, they are getting a little tougher, but we are executing.

Jeremy Tonet - *JPMorgan - Analyst*

That's helpful. Thanks. And meant to touch base on the Tetco adjustment that was in the quarter, and if you could expand there. But wanted to also touch based on ENF, and just with the downgrade here in general, I was wondering what thoughts you could share with us there. ENB is still negative by Moody's at the outlook there. So just wondering how comfortable you feel with where you guys stand with Moody's right now, especially because it when Line 3 eventually comes on, you have a much improved picture. But just wondering if you could share some thoughts there.

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

Jeremy, it's John Whelen. I'd agree with you; it's kind of an interesting thing because we do have a very strong strengthening picture as the projects come into service at ENF, and it's an extremely low-risk business. That said, we pay pretty close attention to balance sheet strength and credit metrics. And we will watch very carefully and develop our plans, near-term and longer-term, with that in mind going forward. So a focus on financial strength and stability will always be there. Different agencies look at things somewhat differently, but we do pay attention to all of them.

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

Certainly we're going to be very disciplined through the piece here. As John said, we've got solid plan. My view is that we approach funding conservatively and with strength and flexibility in mind. And obviously we will keep in very close contact with the agencies going forward.

Jeremy Tonet - *JPMorgan - Analyst*

That's helpful. Thank you.

Operator

Linda Ezergailis, TD Securities.

Linda Ezergailis - *TD Securities - Analyst*

I'm wondering, as we look at the potential for streamlining your organization, what are the most important factors you're looking at? I know that there's some desire by certain equity and fixed income investors and stakeholders for that streamlining. But are there any tax considerations, financing optionality? I guess just the pace of change, given that you're still integrating Spectra that might preclude you from simplifying sooner rather than later, or at any point?

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

Well, Linda, I guess the short answer is no. Sure, we're focused on integration and execution, and all the rest of it. But, frankly, it's our job to try and balance all of these things. And as we've said -- this was back actually when we had our mid-year conference -- we talked about streamlining, and how that was a priority. As I said in my remarks, I think we've made some good progress, but we're always looking at that part of the business and make sure that we are being prudent in how we manage it.

So I don't think there's anything with respect to the other part of your comment around tax. Obviously there's -- the environment for tax in MLPs -- in the MLP market in the US is a little bit in flux, but we watch that pretty carefully. And, as I said, we're looking at all kinds of things continually in the business.

Linda Ezergailis - *TD Securities - Analyst*

That's helpful. And just maybe an updated snapshot on how you are thinking of the potential for divestitures to contribute to your financing plans. With your $2.6 billion to date, you are ahead of your $2 billion plan. But you had identified additional ones in the past, and I'm just wondering how they might stack up versus your other options. And maybe just more broadly, if you can comment on the attractiveness of various financing options at this point.

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

Okay, well, I'll give perhaps a bigger-picture response to it, and we'll see if John has anything to add. We are constantly evaluating all of the financing levers that we have, and I think John alluded to that well. As far as the $2.6 billion, that was in excess of what we had initially forecast. And a lot of that has to do with the opportunities you see, as well. And it's a very good market, let's just put it that way, for asset valuations. So we're going to be very disciplined in that if there are assets that are going to attract good value, and we can redeploy that capital back into the business, then we're going to do that.

So the way I'd think about this one, Linda, is -- it is part of the levers. Whether it's the sponsored vehicle equities or monetizations, that's always something that we look at. When you combine two very large businesses like we have, we've got a much bigger inventory. And so we're combing through constantly where we may be able to generate some value and redeploy that capital. So, it's certainly one of the other levers that we have out there to have financial flexibility and generate some value.

Linda Ezergailis - *TD Securities - Analyst*

Thank you.

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

I don't think I've got anything further to add to that. We will look to raise the capital where it's most efficient and cost-effective to do so.

Linda Ezergailis - *TD Securities - Analyst*

Thank you.

Operator

Tom Abrams, Morgan Stanley.

Tom Abrams - *Morgan Stanley - Analyst*

I wanted to ask about your confidence in the fourth-quarter bridge to your ACFFO estimates. Is it -- a lot of it asset-driven, or are you banking on seasonality in there somewhere? Are we looking for better wind resources in green power? I'm not sure where that comes from. Maybe you could elaborate on that a little bit. And also as part of that, should we be worried about relatively warm weather here in October?

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

Yes, so that's another great question. Generally speaking, no, we're not looking at wind as a big variable. It's obviously -- it moves up and down, quarter to quarter. But that's probably not the biggest issue, and we're certainly not relying on wind or solar resources to beef up Q4. As we said, it primarily has to do with the uptick on the liquids side of the business that we talked about earlier. So the nominations that Guy's business has seen in November are very strong. And sometimes that doesn't always translate into throughput, but it is certainly a pretty good indicator.

The seasonality you mentioned is a big factor, just given where we're headed into winter time. I think generally it really is the utilities. There's a little bit of seasonality in the gas side of the business for interim spot sales, but generally it's the utilities that perk up in Q4.

On that note, you mentioned warmer weather. I think it's probably a little bit early to tell. We had, I think, probably a little bit warmer than normal in October, but that's not a big contributor to the quarter overall. Overall, it really is about November and particularly December.

And then a couple of other things. That projects coming in; I mentioned Wood Buffalo, that's an important one. And then we're going to see more accumulation of synergies as we carry on in Q4. So I think we're generally pretty confident that we'll be within the range. But those are some of the things that would move the dial from Q3 to Q4.

Tom Abrams - *Morgan Stanley - Analyst*

Thanks for that enumeration. If I could follow up with somewhat unrelated question, and that's just on SEP's backlog which I don't think has changed very much in the past. You have executed tremendously on it, hasn't changed that much in the past several quarters. Absent -- once you bring those things on in 2018-19, assuming you're going to spend $600 million, $800 million, or $1 billion a year just to get 5% type DCF or EBITDA growth, what kinds of things -- a question was asked earlier -- what kinds of things might you be looking at to surpass that kind of backlog, and provide even better growth than that mid-single-digits?

Bill Yardley - *Enbridge Inc. - EVP and President, Gas Transmission and Midstream*

Yes, I think that's a fair question. I would say, by this time, we would have liked to have had something secured, for sure. It's Bill Yardley, by the way. But I would say our origination team is a lot closer in some of the projects that we're looking at. Not just some of the things we've outlined by name, like in New England; but also follow-on projects, whether it's in the Southeast, Florida, the Gulf Coast.

The ideas that we're generating along the Gulf with the Texas Eastern infrastructure and the Valley Crossing infrastructure -- there's been a lot of border crossings, but there's got to be a lot of gas to get -- or a lot of infrastructure to get the gas to these supply hubs. And these aren't cheap. So I think we talk about singles and doubles. What used to be $100 million, $200 million, $300 million projects are now $0.5 billion, $1 billion projects.

So that, coupled with the discussion around reliability, which in order to ensure gas's reliability, you've got to have firm transportation to these power plants. I just think there's a -- it's a target-rich environment overall for the infrastructure play right now.

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

Maybe I'll just add a comment, Tom, to that. SEP is pretty important in the Enbridge family these days, just given the strength of the vehicle and the great assets in it. And Bill has just gone through some of the things they're working on.

We also look to potentially drop down assets in the future. I think we have mentioned this before; certainly Valley Crossing. We've got some other assets within the Enbridge family that could make some sense on the gas side that are very similar to the assets that Bill has done a good job of developing and generating good predictability cash flows.

We tend not to predict too far out into the future, especially when it comes to dropdowns because those are dependent obviously on the financing capability of the vehicles. But generally good, solid, three-year outlook, with some good upside to extend growth through other means, I guess, later on.

Tom Abrams - *Morgan Stanley - Analyst*

Excellent. All right. Thanks a lot, guys. We'll see you in December.

Operator

Robert Kwan, RBC Capital Markets.

Robert Kwan - *RBC Capital Markets - Analyst*

Just want to drill down on a couple of things. First just on funding and your statement around being committed to strong investment grade credit ratings. I'm just wondering: does that apply to all four rating agencies?

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

Yes, it does apply to all four. It's John, Robert. We want to have solid ratings there. We want to have strong access to capital. We think we've got that. We've certainly got a value proposition that makes sense. And we will be focused on all of those at Enbridge and across the group.

Robert Kwan - *RBC Capital Markets - Analyst*

So, I guess specifically, you are willing to take whatever steps Moody's needs to maintain Baa2 at the ENB level?

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

I think we want to be careful when you say whatever steps, Robert. We're going to obviously prudently delever the Company, as we've always said, over the right period of time. And so we're going to be very focused on getting there. We think it's very much an investment-grade profile, the company that we have. And our plans will reflect that, and we'll be going through them with each of the agencies in due course here.

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

And I would just add on one more point on that, and to reiterate. We've got a lot of levers here. There was a question around asset monetizations and that front. So, we've got a lot of flexibility to achieve what John's talking about, around strong investment-grade ratings across the group and across the agencies.

Robert Kwan - *RBC Capital Markets - Analyst*

Understood. If I can just finish, then, with the statement that you're continuing to evaluate streamlining the business, as well as the sponsored vehicle strategy. I know you've touched a little bit on it. But specifically is there any willingness to undertake a transaction where the arithmetic results in cash flow dilution, even if it's just modest dilution, but you clean up the structure with the aim of driving valuation multiple accretion?

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

Well, I guess that's going to depend on so many things, Robert. I really don't want to speculate that much. Obviously the streamlining and simplification is something that we're looking at pretty carefully. And that -- whether it's modestly dilutive or not, I think that's just one of the factors we'll think about. So I wouldn't want to speculate on what we might do there, and how we might look at the valuation.

THOMSON REUTERS

Robert Kwan - *RBC Capital Markets - Analyst*

Understood. Thanks, Al. Thanks, John.

Operator

Vikram Bagri, Citi.

Vikram Bagri - *Citigroup - Analyst*

My first question is on mainline, probably for Guy. On slide 5, I understand the big increase in capacity in 2019 is due to Line 3 replacement. The other small increases, are they driven by BRAs and other smaller projects? And if so, I was wondering if there's a reason why further expansions beyond Line 3 come in smaller increments and over a longer period of time. Could you do it sooner and in one shot?

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

Yes. I think the introduction to your question is bang on. The foundation of our continuing mainline expansion is through these smaller-scale, staged increments of capacity that, generally speaking, are more readily executable and have fewer regulatory requirements attached to them. Several of those have the potential to move sooner than maybe what we represented in that profile, but there would have to be some commercial work done to get them advanced to that point in time.

Vikram Bagri - *Citigroup - Analyst*

Understood. And expanding on the question on Capline earlier, I was wondering if you have a view on availability of barrels at Patoka to justify the reversal. Would it require Line 61 twin? Or, if so, how do you think about -- I know Flanagan and Spearhead are expandable, as well, versus the reversal of Capline. Would you look to partner on Capline, or would you look to expand your existing Flanagan and Spearhead pipelines if Line 61 twin were to be built?

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

Yes. I think right now, Line 61 twin is really not on our radar screen. That's a very significant volume increase that would be required to support that. When we look at Patoka, you kind of have to look at our entire suite of assets. We have a number of ways we can get barrels into Patoka that are sourced off of the mainline. And we also have an ability with the Express-Platte system to get barrels into that market.

So we're engaging with our customers across that entire suite of opportunity that they might pursue to link up with Capline. In terms of partnering with Capline or not partnering with Capline, that's really a discussion for a later day if, in fact, the project can come together.

Vikram Bagri - *Citigroup - Analyst*

Great. And just lastly, you talked about reversal and probably repurposing the Southern Lights pipeline last quarter. Any updates on that or contracting on NEXUS?

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

In terms of Southern Lights, there's really no new update on that. It is a piece of the puzzle that we continue to evaluate, but nothing new to report.

Bill Yardley - *Enbridge Inc. - EVP and President, Gas Transmission and Midstream*

Yes, nothing new on NEXUS. I will say we did break ground, so we're under construction. And that usually brings the folks that are looking for incremental takeaway out of the Marcellus and Utica out to play in the contracting environment.

Vikram Bagri - *Citigroup - Analyst*

Thank you. That's all I had.

Operator

Ben Pham, BMO.

Ben Pham - *BMO Capital Markets - Analyst*

I wanted to ask a question about your dividend growth guidance. I'm wondering, with your yield at 5% -- and you highlighted a slide before where dividend growth would be more linear and free cash flow more lumpy -- are you perhaps considering or more willing to temper the dividend more in the near term? And as your projects come in, service, particularly Line 3, that you have a bit more of a ramp-up that you still achieve your guidance, but you can pay down debt or free up capital near term?

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

Well, I think, Ben, to be honest with you, just given we're right in the throes of putting together our plan, which is a long-term outlook, I think I'd prefer to wait till then at Enbridge Days, which is not too far away, to get into the policy issues. That way, we will have some financial outlooks to help bolster the discussion. I think as a general premise, it's hard to react to that, just given we're putting our plan together. So it really is plan-dependent, and we'll be covering that at Enbridge Days.

Ben Pham - *BMO Capital Markets - Analyst*

Okay. And maybe secondly, a couple questions on funding and Moody's and Enbridge Income Fund level. When you look at the cost of equity differences between ENF and Enbridge, and keeping in mind the Moody's of the potential rating changes. Does it still make more sense to issue equity at Enbridge Income Fund here at these levels or more at Enbridge Inc.?

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

It's John, Ben. That's something that we assess on an ongoing basis. You've seen us raise capital in different parts of the organization in the past. We will continue to evaluate on balance where we think it's going to be most cost effective to do it. We see relative valuations move around a little bit between the group, and that's why we always want to have the flexibility there.

So it's hard to say, until the point at which we want to raise some capital, where it will be most effective to do so. But obviously we will look at the valuations at the time, and make determinations then.

Ben Pham - *BMO Capital Markets - Analyst*

Okay. All right. Thanks, everybody.

Operator

Robert Catellier, CIBC.

Robert Catellier - *CIBC World Markets - Analyst*

I wanted to follow up on the development question. There's been some recent developments in the industry that require certain projects to review upstream and downstream greenhouse gas emissions as part of their review process. I'm wondering how this impacts the Company's expected growth plans. And in answering the question, can you address both costing and timelines? And also how it might impact how you risk-weight projects before including them in your backlog?

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

Okay. Well, Rob, it's Al here. We have seen this, actually, in a couple of instances. Line 3 had a very comprehensive review of emissions, upstream, downstream. So generally we've gotten through the process well. I think, from a climate change perspective, if you will, the province of Alberta has I think been leading the charge there, and making sure that we're always focused on that as part of industry and more generally in society. So I think we don't really see, at least at the moment, an impact in terms of stopping projects or reconsidering projects based on that.

Obviously the pipeline itself is not a big emission -- large emitter. But there are upstream effects, and those are generally reviewed in the context of the bigger picture in Canada and the US. So I'm not seeing a huge effect there.

Now, on your second part, which is cost and timeline, that certainly is a factor in how we look at developing projects and how much capital we're putting at risk before we see final authority for permitting and so forth. So certainly Bill alluded to this: costs are higher and timelines more extended. But it's the job of the execution people to make sure that we're budgeting for that with appropriate contingencies.

I would say the bigger driver, frankly, is the hard work on the ground with communities and indigenous groups to make sure that we're communicating well. So, there's a number of factors that go in -- and Bill alluded to it -- to executing today in a tougher environment. And we think we do that fairly well.

Robert Catellier - *CIBC World Markets - Analyst*

But in that tougher environment, it's also quite competitive. So the second piece of it is: what ability is there to achieve a more balanced transfer on those at-risk dollars before permitting? What's the right balance with shippers, given the nature of the competitive environment?

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

Okay, yes. Well, as we've seen and experienced ourselves, and others have in our industry, putting capital at risk in uncertain environments is something that we're going to be very, very cautious about. And I'm pretty sure the other pipeline midstream companies would tell you the same thing.

So, generally speaking, we're going to be very cautious around putting forward that capital in big sums. Now, obviously you have to keep things moving along and you have to invest some capital to make things happen. But I think we've probably seen a switch in the industry over the last few years where we're going to have to have a proper sharing of the risk before we actually get regulatory permits. And even then, when we do, we'll have to make sure that we have protection measures in place.

I don't think we can devolve all the risk, obviously, because it's our job to engage with communities. But certainly there's probably got to be a better sharing, I would say.

Robert Catellier - *CIBC World Markets - Analyst*

Okay, thank you.

Operator

Andrew Kuske, Credit Suisse.

Andrew Kuske - *Credit Suisse - Analyst*

This question might tie into the last, and it really relates around Line 3 replacement. And clearly you've got a lot of capital already extended on the project as you start the replacement in Canada and portions in the US. Is there a possibility to charge the surcharge earlier, at least on a pro-rated basis, to earn some return on the capital you've already extended?

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

I think Guy is going to take that.

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

Andrew, it's Guy. No, the current agreement doesn't allow us to begin implementing the surcharge till the completion of the entire project.

Andrew Kuske - *Credit Suisse - Analyst*

Okay. And then maybe just one follow-up. As the project comes online, you've got that second-half 2019 target date for in-service. What's the maintenance CapEx fall-off that you anticipate as you go to the new line?

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

I can't remember. The reason I am a little bit stumped on this, Andrew, is when we entered into the deal, we evaluated that number over the period from when the deal was done through to the early part of the next decade. I want to say it was in the neighborhood of $1.8 billion to $2 billion of maintenance capital that we thought would be avoided across that period; some of which will already have been avoided, and some of it which will be avoided post- the new in-service date.

Andrew Kuske - *Credit Suisse - Analyst*

Okay, that's great. Thank you.

Operator

Thank you. We have reached our time limit, and are not able to take any further questions at this time.

I will now turn the call over to Jonathan Gould for final remarks.

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

All right. Thank you, Delem. Again, a lot of material to get through in an hour. So as always, our IR team will be available right away to take any additional follow-up questions that folks may have. So, as a reminder, contacts are myself, Jonathan Gould for Enbridge Inc.-related matters; Adam McKnight for Enbridge Income Fund and Enbridge Energy Partners; and Roni Cappadonna for all Spectra Energy Partners' follow-ups. So thank you, everyone, for your time and interest in the Enbridge companies. Have a great day.

Operator

Thank you, ladies and gentlemen, for attending today's conference. This concludes the program. You may all disconnect. Good day.