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PRESENTATION

Operator

Good afternoon, ladies and gentlemen. Welcome to the Enbridge, Incorporated 2014 guidance conference call.

(Operator Instructions)

Please note that this conference is being recorded.

I would now like to turn the meeting over to Adam McKnight, Director, Investor Relations. You may proceed.

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

Thank you. Good morning, or good afternoon, and welcome to Enbridge, Inc.'s 2014 guidance call. With me this afternoon are Al Monaco, President and CEO; Richard Bird, Executive Vice President, Chief Financial Officer, and Corporate Development; and Steve Wuori, President of Liquids Pipelines.

This call is webcast, and I encourage those listening on the phone lines 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.

The Q&A format will be the same as always. We'll take questions from the analyst community first, and then invite questions from the media.

(Caller Instructions)

Lastly, I would like to remind you that I 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 we may refer to forward-looking information during the call. By its nature, this information applies certain assumptions and expectations about future outcomes, so we remind you, it is subject to the risks and uncertainties affecting every business, including our own. This slide includes a summary of some of the more significant factors and risks that might affect future outcomes for Enbridge, which are also discussed more fully in our public disclosure filings, available on both the SEDAR and EDGAR systems.

With that, I will now turn the call over to Al Monaco.

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

Okay, thanks, Adam. Good afternoon, everyone. Hopefully you've had a chance to catch up with our news release that we issued just a little while ago. And I'll start with slide 4 here. This slide just highlights the topics for today's call.

I'm going to begin by discussing our 11% dividend increase, which we're very pleased to announce this afternoon. Then I'll talk about two developments since our last call, being the Sandpiper throughput commitment from Marathon and the Midcoast Energy IPO. Richard will then review our 2014 EPS guidance range of CAD1.84 to CAD2.04 per share, along with an update to our 2013 guidance and financing activities. I'll wrap up with a few comments on the growth program and the outlook in the longer term.

Earlier today, as I said, our Board approved an increase in the quarterly dividend from CAD0.315 per share to CAD0.35 per share, or CAD1.40 on an annualized basis. That's effective with our March 1 dividend payment. That represents just over 11% increase in the dividend.

And as you can see with this picture, the strong, predictable growth we've generated over time. In fact, this is our 19th consecutive dividend increase. This significant bump this year reflects the confidence management and the Board have in the earnings growth we expect over the five-year planning horizon, and for us that's out to 2017.

The 11% growth is also right in line with the midpoint of our 10% to 12% EPS growth range, which we talked about at our investor conference, Enbridge Day, when we reviewed our strategic plan. That confidence is based on the strength of our existing operations and the enterprise-wide growth capital of CAD36 billion from 2013 to 2017, CAD29 billion of which is commercially secured and in execution. So, there's a high degree of transparency to the growth outlook, which I'll come back to in a few minutes.

Based on the midpoint of the 2014 guidance range of CAD1.84 to CAD2.04, the increase to CAD1.40 in the dividend would represent a payout of 72% or thereabouts, or just slightly above our 60% to 70% payout range. As most of you know, we've been targeting the top of that range over the past few years, which reflects our shareholder preferences.

We're comfortable being slightly above the range, as this year's increase reflects a smoother profile relative to shorter-term EPS, which is lumpier, given the magnitude of capital investments and related equity pre-funding that we've done this year. Richard is going to provide a little bit more color on that.

Slide 6 illustrates the Sandpiper project itself, and then I'll describe how it fits within our broader light oil strategy. Sandpiper effectively twins our North Dakota system from Beaver Lodge, and adds 225,000 barrels a day of capacity with a 24-inch line. Then the 30-inch extension from Clearbrook adds 375,000 barrels per day of capacity into our Superior hub.

Last week, we announced that we've secured Marathon as an anchor shipper on our CAD2.6-billion Sandpiper project. Marathon also becomes our partner by funding 37.5% of Sandpiper, which equates to 27% in the broader North Dakota system.

Let me just say at the outset that we're very excited to have Marathon join us. We couldn't really have hoped for a better partner here, not only given their position with us on the Southern Access Extension Project -- that's the one that runs from Flanagan to Patoka -- but particularly given their downstream light oil refining capability in eastern PADD II and elsewhere.

Moving to slide 7 now, Sandpiper's commercial underpinning and the predictability of its cash flows fits very well with EEP's value proposition. Remember: This is an EEP project, and it will be nicely accretive to EEP's unitholders. But Sandpiper is also what I like to refer to as the lynchpin of the broader light oil market access strategy. And basically that strategy is to marry up both Bakken and western Canadian light oil production with premium light oil refining markets in both eastern Canada and the US.

Now, if you pause and just focus on the yellow and blue arrows, the volumes that arrive at Superior and Flanagan through Sandpiper and our Mainline, and then at Patoka through our Southern Access Extension will have access to multiple markets. One of those markets is eastern Canada through Line 6B and our recently expanded Line 5, and then onward through a reverse Line 9 where we'll have 300,000 barrels per day of capacity into the Quebec market. And as we've been saying, the reversal of Line 9 will ensure that Quebec's two refineries, which represent about 20% of total Canadian refining capacity, and very important to the local economy there, continue to be competitive.

Another market is east of Patoka for another 300,000 barrels per day, which would serve eastern PADD II light oil refineries through existing pipelines. If you look at any refinery map, you'll see how well Sandpiper will flange up with those refineries east of Patoka. Yet another destination is the Philadelphia market, or potentially the St. James market; so, two other very good light oil markets.

So, you can see why Sandpiper is an important element of the strategy for Bakken and western Canadian producers. It opens up 700,000 barrels per day of light markets rather than forcing crude into Cushing.

Also, Sandpiper, Southern Access Extension, and Line 9 all have long-term commitments. So, our light oil market access strategy will also draw barrels through our Mainline system.

It's really projects like this one here, Sandpiper, that illustrates the depth and market access optionality that our system can provide to the shippers. As you can see from the boxes there, this will also generate CAD9 billion of very solid long-term investments that fit right in the middle of our fairway.

The other recent development -- this is now on slide 8 -- is the IPO of EEP's gas gathering and gas processing assets, and that includes NGL pipelines now, by the way, which was closed in November. Richard is going to cover off how this works into the Enbridge-wide funding plans, but let me just briefly highlight how this fits strategically for us.

As we discussed earlier in the year, a key priority for us is to re-establish EEP as an effective sponsored-investment vehicle, especially given the large inventory of US assets at the general partner level that can provide a steady diet of attractive drop downs for EEP for a lot of years to come. In the past six months, we've undertaken a number of actions to bridge fund EEP's excellent slate of organic opportunities, namely the CAD1.2-billion preferred share investment that we made, and the joint funding of Eastern Access and the Mainline expansions. These are allowing EEP to better manage its equity requirements, and they are good investments for Enbridge.

The IPO of Midcoast Energy Partners really accomplishments three things. First, it establishes an added source of funding for EEP through successive drop downs of the G&P interest over the next few years. So, the IPO generated proceeds of CAD630 million approximately for EEP, which represents a 40% interest in the business, and that should be followed by successive drop downs.

Secondly, the goal is to reduce EEP's cost of capital through a better valuation, and it optimizes the value for the G&P business, and allows Midcoast to more effectively grow and fund its gas business. Lastly, it's going to allow EEP to focus its attention on the liquids business, which will see significant growth going forward, and we talked about one of those opportunities being Sandpiper.

So, the overall plan really, at the high level, is to re-establish EEP's effectiveness as a source of funding for the organic liquids pipelines' growth opportunities, and eventually for drop downs of additional liquids pipelines' assets. This will enhance Enbridge's overall EPS growth rate and value.

So, with that, let me turn it over to Richard to elaborate further on the 2014 picture.

Richard Bird - ***Enbridge Inc. - EVP, CFO & Corporate Development***

Thanks, Al. I'll pick up on slide 9. We are setting our guidance range, as Al mentioned, for 2014 earnings per share at CAD1.84 to CAD2.04. This reflects the combined effect of our 2013 equity pre-funding, which affects 2014 as well, plus the fact that we are carrying a peak level of work-in-progress into the year and through much of the year before it begins to generate earnings and cash.

Also, a large component of this capital is in the tilted return category. So, this is consistent with our Enbridge Day messaging about the EPS growth profile shape that we're expecting over our five-year plan. And even at that, based on the midpoint of our 2014 guidance range, the two-year growth rates relative to 2012 base is just under 10%.

Moving to slide 10, that provides some granularity on the contribution of the individual business units to our 2014 earnings-per-share growth. Started with liquids pipelines, which, having been our biggest engine for growth in 2013, will temporarily be a more modest contributor in 2014. The Mainline, excluding the Line 9 component of the Mainline, will be essentially flat for 2014 over 2013, with the benefit of stronger volumes, which we are expecting, offset by a lower Canadian residual component of the international joint toll. And that lower toll reflects the flow-through effect on the Canadian toll of peak integrity spending in 2013 on the Lakehead System.

Line 9B will generate no revenue for most of 2014, as it will be shut down while its flow direction is reversed. We will see an increase in contribution from the oil sands regional system and from the Gulf Coast access projects as they come into service, though modest initially in 2014, given the tilted return profile.

Gas distribution's contribution relative to this year will be roughly flat. Gas pipelines, processing and energy services will give back some ground in 2014.

We'll see an increased contribution from the green energy components of this business and from our Canadian midstream G&P business, but that's more than offset by weaker margins at Aux Sable, and in particular, by our energy services business, which will be coming off an extraordinarily strong year in 2013.

Sponsored investments is the real growth engine for 2014, and this is partially an improved contribution from Enbridge Energy Partners, both from its liquids pipelines assets and its gathering and processing business, but the main driver is from Enbridge's 75% ownership in the US Eastern Access and Mainline expansion projects. And then the corporate segment will make a modest growth contribution with increased margin on the funding from the corporate bank to the business units as a result of the increased amount of capital being funded.

Moving to slide 11, I'll just touch briefly on our continued focus on execution of the funding and liquidity support for our growth plan with another CAD1.9 billion of funding executed since the third quarter, bringing the total for the year to CAD9.7 billion. The most notable of these, as Al mentioned earlier, was the Midcoast Energy Partners IPO, adding a new source of equity to our funding alternatives. The funds released by the Midcoast Energy IPO, together with additional interests in EEP's G&P business, which will be dropped down to Midcoast Energy starting presently, will enable EEP to fund a good portion of the Sandpiper project, with the balance of the funding coming from Marathon as an earn-in to an interest in our North Dakota system.

Before I turn it back to Al, I'll give you some fine-tuning to our 2013 EPS outlook, which has emerged since our third-quarter call. So, this is slide 12, and the picture on the left side of that slide is from our third-quarter call, at which we indicated that the top half of the guidance range is out of reach. The picture on the right-hand side reflects strengthening of some of the headwinds that we've been experiencing with some further refinery issues affecting both the liquids pipelines' Mainline and EEP.

The tailwinds are now also looking less favorable. EGD is not going to be ahead of original expectations after all, and our energy services business will give back some of its exceptional earnings growth from the first three quarters. On balance, we should be inside the original guidance range, but now toward the bottom end of that range.

And I will now turn it back to Al to wrap up.

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

Okay, thanks, Richard. Bringing this back now to the bigger picture, slide 13 emphasizes that really what we've been saying is a foundational year for Enbridge, and what further enhances our confidence in the longer-term outlook. Our fourth-quarter success in winning both the Wood Buffalo and Norlite projects, totaling CAD3 billion, brings us to a secured capital of CAD6 billion of new investments this year.

If you look at the list on the slide there, these were mostly driven by liquids pipelines growth, but they also include attractive renewable and gas projects. Importantly, the vast majority of these projects are underpinned by long-term commitments, so they fit very well with our investor proposition.

They're also highly strategic in solidifying our already strong position on the continental liquids business, including, and this is important, our regional positions in the oil sands and the Bakken. If you look at the next five years, total growth investments now sit at CAD36 billion, of which CAD29 billion is secured, and all of that is planned to be in service, the CAD29 billion, by 2017.

That capital plan drives the earnings and dividend outlook you see here on slide 14. We're expecting to generate average annual EPS growth of 10% to 12% through 2017, and that CAD6 billion in new projects secured this year that I referred to gives even more confidence that we'll achieve that goal.

It's the same picture, really, that we've been showing that includes the lumpiness of the EPS profile that Richard described earlier, which stems from the magnitude of the spending associated with the level of capital coming into service in 2014 and 2015, and the pre-funding activities related to the secured projects.

We're also confident -- on the right-hand side of that left chart -- that we can extend the growth rate beyond 2017, given the tilted return profile on about half of that CAD29 billion -- say, CAD14 billion -- of secured capital. Recall that the return profile on that CAD14 billion is more back-end weighted, which provides a boost as we move through 2017 and beyond, and it requires no additional capital to generate that uptick. Along with that, there's the added potential of new growth platforms and sponsored vehicle drop downs that I referred to earlier.

On the right-hand chart, the dividend profile is expected to be predictable and follow the longer-term average growth in EPS of 10% to 12%. As we mentioned before, we always have the potential to ramp up the dividend beyond the planned horizon, as we'll be generating a lot more incremental cash flow from the assets we're putting into service over the next few years. We believe the combination of growth and yield that Enbridge provides is a key differentiator between ourselves and the more conventional yield-sensitive plays.

Moving to slide 15, the final slide here highlights the main take-aways from our comments today, that the dividend increase by just over 11% represents another solid outcome for shareholders. We've had two positive developments since the Q3 call, being a solidification of the Sandpiper project, which, as I said earlier, really is a lynchpin to the light oil market access strategy, and of course, the IPO of our G&P business, Midcoast Energy Partners.

Our 2014 guidance range is CAD1.84 to CAD2.04, which we believe will be a very solid outcome, especially given the sheer magnitude of our capital program in the front end of our five-year plan. The progress on our capital program in 2013 gives us confidence that we'll be able to deliver on the five-year average annual outlook of 10% to 12% EPS growth. It also puts us in a solid footing to extend our industry-leading growth beyond 2017.

That concludes the prepared remarks. I'd ask the operator to open up the phone lines for questions.

QUESTION AND ANSWER

Operator

We will now take questions from the analyst community.

(Operator Instructions)

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

Operator, we're hearing nothing. Do you have any questions?

Operator

Our first question comes from Linda Ezergailis from TD Securities.

Linda Ezergailis - ***TD Newcrest/Waterhouse Securities - Analyst***

Thank you. Appreciate the call and the update. Even since Q3, you guys have been busy. I have a question with respect to your flat Canadian Mainline earnings outlook. Does that include Flanagan South?

Richard Bird - ***Enbridge Inc. - EVP, CFO & Corporate Development***

No. The Mainline would basically be anything up to Chicago and Sarnia. Anything extending beyond those areas is market extension earnings.

Linda Ezergailis - ***TD Newcrest/Waterhouse Securities - Analyst***

Okay, that --

Richard Bird - ***Enbridge Inc. - EVP, CFO & Corporate Development***

And then the Canadian Mainline of course is only from Alberta to the border at North Dakota.

Linda Ezergailis - ***TD Newcrest/Waterhouse Securities - Analyst***

Okay, thank you for that clarification. And then looking at the CTS model, can you maybe give us an update on your expectation of scale factor for next year?

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

Sure, we're going to continue to see scale factors in that 1.20 area, Linda, for those that are tracking that. That's reflecting a higher proportion of long-haul versus short-haul volumes that we have been seeing of late and I think that will continue to be the case as we work our way through the quarters of next year with some variability quarter-to-quarter but that's, 1.2, is about as good as a stable average as we can see.

Linda Ezergailis - ***TD Newcrest/Waterhouse Securities - Analyst***

Okay and your cost structure, will that change materially? Or, is it all, like you said, the IJT and volumes would be the main variables?

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

It would be IJT and volumes that are the two primary drivers.

Linda Ezergailis - ***TD Newcrest/Waterhouse Securities - Analyst***

Great, thank you.

Operator

Our next question comes from Robert Catellier from Macquarie. Please go ahead.

Robert Catellier - ***Macquarie Capital Securities - Analyst***

Thank you. I was wondering if in your discussions with Marathon on Sandpiper, if there was any discussion towards them taking an investment in some of the other Eastern Access Projects or have you pretty much taken care of those needs through Midcoast Energy drop-down and other means?

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

Robert, it's Al here. As I said in my remarks, the partnership on this project, Sandpiper and the Southern Access Extension is a very good fit, very good partner for us, and hopefully we see -- they see it the same way. Other than that, though, we're pretty well set in terms of our funding requirements, both in EEP and Enbridge, and we've got that managed within the funding plan that Richard has mentioned, so there's no plans for anything other than that at this point.

Robert Catellier - ***Macquarie Capital Securities - Analyst***

Okay, and then as you address the Eastern Gulf Coast access, can you just give us an update there, how you're planning to attack that market? In particular, are you considering any other options in addition to the Trunkline project?

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

Well, we're looking at all kinds of things, we're always surveying the market. Obviously, we think the Trunkline project is still a good project. We tend to think that timing is the only issue there in terms of being able to get volumes to the head of that system so we think it's strong. There's also some other opportunities that we could look at. Nothing that's been advanced to this point that we can discuss.

Robert Catellier - ***Macquarie Capital Securities - Analyst***

Okay, thank you.

Operator

Our next question comes from Steven Paget from First Energy. Please go ahead.

Steven Paget - ***FirstEnergy Capital - Analyst***

Good afternoon and thank you. Could you please update us on further progress on the new US co-funding vehicle you discussed at Investor Day, or is -- did that really refer to Marathon?

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

Go ahead, Richard.

Richard Bird - ***Enbridge Inc. - EVP, CFO & Corporate Development***

No, that doesn't refer to Marathon. Marathon is in a little bit different category of co-funding. No, it refers to a vehicle that would involve a financial institution, investor, or investors. And no, I can't really update you on the progress of that. And I might have mentioned on the third-quarter call, that that's not something that we're going to report on as we go. If and when we get something in place there, we'll announce it, but it's not something that progress is made in a month-by-month basis.

Steven Paget - ***FirstEnergy Capital - Analyst***

Thank you, Richard. Do you still see a 10% annual growth post in 2018 to 2022 as possible?

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

Maybe I'll take that one, Steven. Yes, the base five-year strategic plan outlook is for us to have an average annual of 10% to 12%. In fact, yes, we think we can extend that beyond 2017 for the reasons that we alluded to briefly earlier. Obviously, the tilted return profile of that CAD14 billion in projects that we have that fit that category comes into play beyond 2017 in a nice way, and as well, we have some other opportunities on the other platforms that we're thinking of along with the potential at that point for the drop-downs, So we feel pretty good about being able to extend the 10% to 12% beyond that horizon of 2017.

Steven Paget - ***FirstEnergy Capital - Analyst***

And if I might follow-up with a question, are counterparties really seeming to prefer the tilted return profile, as it does seem to be more the way of the industry?

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

Yes, that's a good point, although we don't always see that. We've seen it in instances where -- the Oil Sands is a good example -- whereby obviously you've got phased-in growth rather than 100% of the volumes coming on stream on Day 1. So that's one aspect of it. In addition you often see a toll ramp lighter in the front end then stronger in the back end or higher in the back end. So it's really facilitation, I would say, of the customer needs, particular in the Oil Sands, but not always the case. Any more to add on that Richard?

Richard Bird - ***Enbridge Inc. - EVP, CFO & Corporate Development***

Yes, we're standing at about 50% of our growth capital in the tilted return and the other 50% in the more conventional flat return and we're quite happy with that balance. It's nice to have instant gratification of the flat return profile; it's also nice to have the built in, embedded growth of the tilted return profile. And, as Al said, it varies from case-to-case. I'd maybe just point out that the most recent CAD3 billion is essentially flat returns so the Fort Hills and the Norlite projects, they have a tiny tilt to them but not enough to really be thought of as tilted return profile projects.

Steven Paget - ***FirstEnergy Capital - Analyst***

And if I could follow-up on the follow-up, do -- are counterparties -- are they willing to have interest rate pass-through or do they look for a baked-in interest rate and then Enbridge assumes whatever risk there might be?

Richard Bird - ***Enbridge Inc. - EVP, CFO & Corporate Development***

I'll take that one too. Again, it varies from project-to-project. We do have still a few that are pure conventional cost of service where everything is passed through. But most of the projects are fixed toll supported by throughput agreements and so in those cases, we do take the interest rate risk and we do take operating cost risk, although operating cost tends to be a pretty small variable in the total equation. And we do manage that interest rate risk through our corporate interest rate risk management process, which at this point, has most of our forward exposure both on incremental funding and on refinancing, hedged.

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

That latter point is really the key, Steven --

Steven Paget - ***FirstEnergy Capital - Analyst***

Yes.

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

In that when we look at these long-term investments, we really want to make sure we're locking down as much of the risk as possible, so taking out the interest rate sensitivity and volatility where we can with the hedging program is something we strive to do in most cases.

Steven Paget - ***FirstEnergy Capital - Analyst***

Thank you, gentlemen. Those are my questions.

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

Thank you, Steven.

Operator

Our next question comes from Robert Kwan from RBC Capital Markets. Please go ahead.

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

Good afternoon. Just if you're looking at the 2014 range, are you able to give the two or three main drivers that would cause some volatility within that range?

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

Richard, do you want to handle that one?

Richard Bird - ***Enbridge Inc. - EVP, CFO & Corporate Development***

Sure, well, Mainline volumes would certainly be one, notwithstanding the fact that we are pretty significantly locked down on interest rates because of the volume of funding that we have, that still can have some impact. Same thing would be true with respect to foreign exchange rates, largely locked down but still we have enough US dollar earnings and cash flow that, that can make a difference. At the moment, the direction that the foreign exchange rate seems to be taking, it would make a difference for the better, but obviously there's many things that can move in either direction.

And probably next after that would be the level of opportunity on our Energy Services business, which we've seen in 2013 in the early part open up to be much more plenteous than would normally be the case. Then actually in the fourth quarter, it's closed down quite significantly, so that would be probably the next in order.

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

And maybe another one with, if you think about Aux Sable, and generally some of the NGL exposure, we try to hedge that out, but given ethane rejection, we were pretty well got that to a point where we're happy with it but it's possible that that moves around as well.

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

Okay and just the last question I've got, small one here. What's the assumption in the guidance with respect to the first phase of the Clipper expansion?

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

We've got that in on mid year, Robert. We haven't changed that assumption.

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

Okay that's great, thank you.

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

You're welcome.

Operator

Our next question comes from Paul Tan from Credit Suisse. Please go ahead.

Paul Tan - ***Credit Suisse - Analyst***

Hello, thank you. It's Andrew and Paul. Just on the following up on Robert's question on Clipper, just the timeline procedurally, what are your expectations for the Presidential Permit amendment and that being granted?

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

Do you want to take that Steve?

Steve Wuori - ***Enbridge Inc. - President of Liquids Pipelines***

Sure, basically, what's required is a Supplemental Environmental Impact Statement to move the volumes from the 450,000 barrels a day in the original EIS to the 800,000 that we've applied for. A third-party environmental contractor will be working to prepare that SEIS on behalf of the State Department. There are public and government comment periods built into that. So all of that timeline is built into the assumption of mid-year in service and we are under construction on the facilities themselves so those should match up quite well from the way the timelines look right now.

Paul Tan - ***Credit Suisse - Analyst***

So there's no real risk on proceeding with the construction, just given the nature of really increasing the pump capacity at the pump stations on this from a regulatory perspective at all?

Steve Wuori - ***Enbridge Inc. - President of Liquids Pipelines***

Yes, it's never without risk but certainly, the physical construction is very straightforward, adding pumps at existing stations. In the case of the Presidential Permit, those would apply to those stations that are in Minnesota. There are three so that's very straightforward. There's no new pipe to construct or anything else so it is a very straightforward amendment as opposed to a new application.

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

And Minnesota State approval was provided.

Steve Wuori - ***Enbridge Inc. - President of Liquids Pipelines***

Yes.

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

And NEB approval for the Canadian side.

Paul Tan - ***Credit Suisse - Analyst***

That's helpful clarity. And then, just if I may on Norlite, what is the timeline or time frame that Keyera has on their option for 30% interest in that pipeline?

Steve Wuori - ***Enbridge Inc. - President of Liquids Pipelines***

They announced a day or two ago that they're extending or taking advantage of an extension of that option period that they have. It will be the end of the year basically and they're going through their own analysis of the Norlite opportunity and we're prepared for either outcome. We welcome them as a partner; they are a good partner; however, if they elect not to participate we're prepared to move forward with Norlite, without them.

Paul Tan - ***Credit Suisse - Analyst***

And if they elect not to, there's really nothing financially meaningful from your perspective? It would be nice if you did all of it but it's not make or break either way?

Steve Wuori - ***Enbridge Inc. - President of Liquids Pipelines***

No, it isn't. It isn't. We're quite happy with the 30% option that they have for interest in the project and the assets that they would bring on the Edmonton end of Norlite to that but we're also fully prepared if they elect not to do that.

Paul Tan - ***Credit Suisse - Analyst***

Okay that's very helpful, thank you.

Steve Wuori - ***Enbridge Inc. - President of Liquids Pipelines***

Thank you.

Operator

Our next question comes from Pierre Lacroix from Desjardins. Please go ahead.

Pierre Lacroix - ***Desjardins Securities - Analyst***

Yes, thank you very much. Steve, I just wanted to get a bit of -- and update on Southern Lights and related to the Cochin Presidential Permit that they got a couple of weeks ago. Any [re-true] either for Southern Lights and your Mainline Presidential Permits that you'll be seeking?

Steve Wuori - ***Enbridge Inc. - President of Liquids Pipelines***

The action where they got the Presidential Permit approval to actually take a propane pipeline and reverse it in diluent service is positive. It shows that the market is working and the regulatory environment is working along with it, looking for more diluent condensates in Alberta. We will be expanding Southern Lights, as we've mentioned, and so that all fits together very well. I view their approval as a positive.

Pierre Lacroix - ***Desjardins Securities - Analyst***

Okay, thank you.

Steve Wuori - ***Enbridge Inc. - President of Liquids Pipelines***

Thank you.

Operator

Our next question comes from Paul Lechem from CIBC. Please go ahead.

Paul Lechem - ***CIBC World Markets - Analyst***

Thank you, good afternoon. Just going back to the Mainline and the residual benchmark toll on to the IJT, can you just give some thoughts on how does that move around the Lakehead system toll? What are the inputs to that and therefore your residual amount? Are there inputs that could vary in the year depending on various factors that we should know about?

Richard Bird - ***Enbridge Inc. - EVP, CFO & Corporate Development***

I'll take that one. The main impacts that factor into that toll is the cost of service inputs associated with certain types of capital that they undertake and it's basically a flow-through of what's gone into service over the prior year. There's basically two Lakehead toll adjustments in the course of the year. One comes at the end of the first quarter; one comes at the end of the second quarter. The first-quarter adjustment is the annual FERC Index adjustment to the Lakehead toll. And at the end of the second quarter is the adjustment that relates to those cost-of-service overlays that I mentioned. So at this point, there's relatively little uncertainty as to what that toll impact is going to be for the coming year.

Paul Lechem - ***CIBC World Markets - Analyst***

So the end of Q3, your residual toll was $1.80. What do you expect it to be then, by the end of Q1 and Q2?

Richard Bird - ***Enbridge Inc. - EVP, CFO & Corporate Development***

I don't think we're going to get into that level of granularity of guidance.

Paul Lechem - ***CIBC World Markets - Analyst***

Okay, and these are all denominated in US dollars, I believe. Is that correct and if so, how much of that have you hedged? Can you benefit if the Canadian dollar moves lower or have you substantially hedged away that risk or that opportunity and for how long?

Richard Bird - ***Enbridge Inc. - EVP, CFO & Corporate Development***

So the answer is yes, and yes we can benefit but we have substantially hedged out for at least the first five years of our five-year plan, so we're -- I went through that at Enbridge Days, I don't have it in front of me, but generally we're 90% hedged, Enbridge-wide, for the first two or three years of our five-year plan and about 80% for the next couple of years after that.

Paul Lechem - ***CIBC World Markets - Analyst***

Okay thank you very much.

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

Thank you.

Operator

At this time we would like to invite members of the media to join the queue for questions.

(Operator Instructions)

Your last analyst question comes from the line of Steven Paget from FirstEnergy. Please go ahead.

Steven Paget - ***FirstEnergy Capital - Analyst***

Thank you. Could you please comment on the forces pushing Energy Services earnings lower in the fourth quarter?

Richard Bird - ***Enbridge Inc. - EVP, CFO & Corporate Development***

Sure, it's basically -- that business is a physical arbitrage business, it's taking advantage of location differentials, time differentials on the forward curve, and to a certain degree, the differences in values of crudes, where it's possible to develop a tailor-made crude for a particular refinery and source the inputs to that crude at advantageous differentials. Basically, it's the coming and going of those arbitrage opportunities that the generates margin in that business.

And almost by definition, the bigger arbitrage opportunities are ones which disappear over time because people find solutions to the imbalances that gave rise to those arbitrage. Sometimes those solutions come pretty quickly, as there's nothing special required to solve it, just some logistical know-how. Sometimes they take a little longer as types of infrastructure have to be constructed. But sooner or later they generally all vanish. So differentials basically, across-the-board, pretty well closed up in the fourth quarter, at least the ones that generate margin for this business.

Steven Paget *- FirstEnergy Capital - Analyst*

Thank you, Richard. Final question, can you please comment on what CapEx looks like in 2014?

Richard Bird *- Enbridge Inc. - EVP, CFO & Corporate Development*

Not beyond the level of granularity that we've disclosed externally, which is the volume of capital that's coming into service in 2014, which is about CAD9 billion. So there will be some additional capital that's spent in 2014 that isn't coming into service. There will be some capital already spent in 2013 that's within that CAD9 billion and that's the level of granularity that we've consistently disclosed.

Steven Paget *- FirstEnergy Capital - Analyst*

Thank you.

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

Okay, thanks, Steven.

Operator

Our next question comes from Jeff Lewis from the Financial Post. Please go ahead.

Jeff Lewis *- Financial Post - Media*

Hi, perhaps this ones for Steve Wuori. There's been a lot of apportionment on the Mainline of late and some of that was due to maintenance being higher than normal. Do you expect that to clear up before you get new capacity or the Clipper approval or is that choppiness more of what we can expect until there's additional capacity?

Steve Wuori *- Enbridge Inc. - President of Liquids Pipelines*

Jeff, on the third-quarter call, I talked a little bit about this, and the fact that in some cases, in some weeks, it's hard to find a good home for the heavy barrel, especially if there are downstream disruptions and I mentioned a refinery fire that took place in late October in the Chicago area. So that's an example of -- and the volatility that we see then -- is an example of trying to balance the system with some downstream constraints caused by refinery issues, some upstream constraints, and some constraints within the pipeline itself, including maintenance and other things.

I would expect there to be some choppiness until a couple of things happen. One being -- well maybe three things. One is the full return of that refinery to full service in Chicago. The second would be, of course, the big BP Whiting conversion that they've been working on and are now turning on. And then the third would be the opening of our Flanagan South Pipeline in the middle of the year, which is going to provide another path for especially heavy crude to move toward the Gulf Coast, but light crude, as well.

So those things, and then Line 9, later in the year, are really the drivers that will stabilize things and make sure there aren't any downstream constraints that impact the pipeline system. Meanwhile we'll continue to work on issues along the Mainline, maintenance, lifting of pressure restrictions, and other things that we've talked about, but the apportionment that you've seen has been largely lately driven by those downstream disruptions.

Jeff Lewis - ***Financial Post - Media***

Just a quick one as a follow-up, do the plans for Flanagan South and Sandpiper, are those contingent at all on the Alberta Clipper approval? In other words, are you trying to sequence those pipelines?

Steve Wuori - ***Enbridge Inc. - President of Liquids Pipelines***

No, not necessarily. Those are both -- Flanagan South is due to come on in the middle of the year. As we've said that isn't dependent on the Alberta Clipper amendment outcome by the middle of the year and then Sandpiper of course is further off, that's a 2016 in-service so that really doesn't play in.

Jeff Lewis - ***Financial Post - Media***

Okay, thanks.

Steve Wuori - ***Enbridge Inc. - President of Liquids Pipelines***

Thank you.

Operator

As there are no further questions, I would now like to turn the call back to Adam McKnight for any closing remarks.

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

Thank you, John. We have nothing further to add at this time but I would remind you that I will be available for any follow-up questions that you may have. Thank you and have a good day.

Operator

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