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PRESENTATION

Operator

Welcome to the Enbridge Inc. first quarter 2014 financial results conference call. My name is Christine and I will be the operator for today's call.

(Operator Instructions)

Please note that this conference is being recorded. I will now turn the call over to Mr. Adam McKnight, Director, Investor Relations. Adam, you may begin.

Adam McKnght *- Enbridge Inc - Director of IR*

Thank you. Good morning and welcome to Enbridge Inc.'s first quarter of 2014 earnings call.

With me this morning are Al Monaco, President and CEO, Richard Bird, Executive Vice President, Chief Financial Officer and Corporate Development. Guy Jarvis, President of Liquids Pipeline. John Whelen, Senior Vice President and Controller, and Byron Neiles, Senior Vice President, Major Projects.

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 the transcript will be posted to the website shortly thereafter.

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

I would ask that for everyone's benefit you wait until the end of the call to queue up for questions and that questions are limited to two per person. Please reenter the queue if you have additional queries.

I would also 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 implies certain assumptions and expectations about future outcomes. So, we remind you it is subject to the risks and uncertainties affecting every business, including ours.

This slide includes a summary 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 on both the SEDAR and EDGAR System.

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

Al Monaco *- Enbridge Inc - President and CEO*

Okay. Thanks, Adam. Just before we begin, we understand that we may not be coming across very well. It may seem a bit distant here. So bear with us. We'll try and project as best we can.

I'll begin with a brief recap of our first quarter numbers. Then, as you know, we've got a lot of activity going on, so I'll provide an update on recent project and regulatory developments, along with where we sit today on the execution of our 2014 and 2015 program.

Richard's going to then take you through our financial results in more detail, along with our usual funding position update. I'll wrap up with our outlook and priorities going forward.

Moving on to slide 5, early this morning we announced the first quarter results, adjusted earnings came in at CAD492 million, or CAD0.60 a share. Earnings were up slightly over last year, even though the first quarter of 2013 was exceptional.

EPS of CAD0.60 was pretty much where we expect it to be in Q1. That means we're on track to be within our full-year guidance range of CAD1.84 to CAD2.04 per share. As I said, Richard will provide more color on the Q1 puts and takes in a few minutes.

So, turning to slide 6. By far, the most important development this past quarter was securing shipper support for a significant new investment in our liquids mainline. That's the Line 3 replacement program.

Line 3 is very important for us. It represents a major enhancement of our liquids pipeline system and at CAD7 billion, it's the largest in our history. Line 3 is currently one of six crude lines in our mainline system right of way moving crude out of Western Canada.

You can see by the inset map that we've included here, how it fits in within the system. Basically running through the two Alberta market hubs to Gretna, Manitoba and then it feeds the rest of our system downstream of Superior.

We've been replacing segments of the pipe. Those are the ones in red on the map.

Over time, the plan was to continue replacing those segments. The reason for that, is that even though the line is running in good order today, it makes sense, in some cases, to replace entire segments relative to other alternatives we have.

So basically, the project supersedes our previous maintenance plan by replacing all the remaining segments. Of course, we'll be using the latest in high-strength steel and pipe coating. Timing wise, we expect the line will be fully replaced and in service by the second half of 2017.

The underpinning for Line 3 is very strong. The return on and of capital will be recovered by a 15-year shipper tolls surcharge that will apply to the existing inline system.

So, you can think of this as spreading the costs of the replacement across all the volumes are in a Canadian and US systems. We're now under way and have begun landowner consultation.

Slide7 highlights the key benefits of the project. First, Line 3 delivers significant benefits to our customers. Just as a reminder, the overall capacity of the system here is not going to change. That's because we're effectively already in balance upstream and downstream of Superior.

What the project does, though, is provide increased reliability and assurance of moving anticipated volumes on the system to the end of the decade. That's critical, because it ensures producers have highly reliable access to the best markets, so they can get full value for the crude and refiners can get access to reliable feedstock.

The second, benefit is that the investment lines up very well with our own priority of enhancing the overall safety and reliability of our system. Finally, it comes with a solid investment outlook for Enbridge. First, it saves about CAD1.1 billion in maintenance and capital through 2017 and that number would rise after that, had we not replaced the line.

We'll earn a very good return on a large capital investment with solid commercial underpinning. It will contribute nicely to longer-term EPS growth, well past 2017. I'm going to come back to that point later on.

Slide 8 summarizes the status of our regulatory applications for some of our most prominent projects. As you're all aware, the regulatory and permitting environment is certainly challenging these days, to say the least. So, we're managing this very closely.

Beginning with Gateway in December, the joint review panel recommended that the Federal government approves the project. That was, of course, subject to over 200 conditions, which we're currently reviewing. But recall that a good number of those conditions were actually commitments we made in this regulatory process.

Our understanding is that the government is committed to meeting its June timeline for final decision on that project. I encourage you, actually, to read through the joint review panel's recommendation. I think it illustrates quite well the thoroughness of the review and it confirms that the project can be constructed safely.

As I've said before, on that project, the regulatory process is one step. The focus now is on re-engaging some of the Aboriginal groups and stakeholders along the right-of-way to better understand their views and address any remaining concerns.

Next on the Alberta Clipper expansion. As you recall, that's designed to bring capacity up to 800,000 barrels per day in two phases. That's through addition of pumping capacity. So, no new pipe is required.

Several regulatory approvals have been received. We've got them noted here on the slide.

Phase1 and 2 have been approved by the NEB in Canada and Phase 1 has received Minnesota State approval. Public hearings in Minnesota for Phase 2 have now been completed and we're waiting for the decision there.

On our application for an amended presidential permit, the Department of State is working on the supplemental environmental impact statement. We talked about this last quarter. Even though we had planned for this process to take longer, the contingent -- contingency we have wasn't enough.

In light of that, we've advanced temporary symptom optimization measures. We expect those to largely mitigate any impact of this years expected throughput related to Phase 1 capacity of 120,000 barrels per day, that we had planned to have in service this year.

At this point, we believe that the Department of State process will be completed in time for us to meet our original schedule to have full capacity of 800,000 barrels per day in place by the third quarter of 2015.

In April, we received Federal Cabinet approval for the Edmonton to Hardisty line, which was recommended by the National Energy Board. In early March, we received NEB approval of the Line 9 reversal project.

Recall that Line 9B will connect refiners in Ontario, Quebec with light oil from Western Canada and the Bakken. This isn't our largest project, but it is a critical one as these refiners currently face a major competitive challenge, given higher-priced foreign feedstock cost.

There were a number of conditions attached to the NEB decision, which we're now discussing with our shippers. The approval process, here, doesn't mean that we're done. We'll continue to build on the very extensive consultation process that we undertook with communities on this project.

Back to Line 3 for a moment, here, we'll file our applications with the NEB and FERC and other regulators later this year. We're now finalizing our detailed cost estimate for the project.

Lastly, in January, we received OEB approval for the GTE project in the Toronto area. We anticipate starting construction there this year with an in-service date of late 2015.

So, that's the run-through on the regulatory updates, as you see, there's quite a few here. So, we thought it'd be best to keep you up-to-date.

The next three slides, I'm on slide 9, now, provide a broader update on the status of our CAD41 billion capital program over the next two years. We'll bring CAD19 billion of capital into service.

On this first slide here, CAD9.4 billion of that we expect to come into service this year. The green check marks indicate the projects that are now in service.

On Line 6B, we completed the 75 miles 6B replacement program. Just a few days ago we placed into service the section between Griffith and Stockbridge. So, that's a good outcome.

Completion of these projects is going to provide much-needed incremental capacity downstream of Chicago into the upper Midwest and Ontario market. We're pleased that the Norealis project was ready for service on April 1. This project serves the Husky Sunrise Energy Project.

Turning to slide 10, which highlights the status of the Western Gulf Coast market access program. The combination of Flanagan South and the Seaway Twin project impacts an incremental 600,000 barrels per day of Canadian heavy to the Pad 3 market. Which is obviously an important conduit for us and our customers given the constraints on existing capacity.

On Flanagan South, we're in good shape here, we believe, as construction on this 590-mile new build is nearing completion. We're comfortable with our Q3 in-service projection.

In the twinning and extension of the Seaway line, which will more than double the capacity of the existing line to about 850,000 barrels per day, is on target for completion in the next couple of months.

Both projects will have a positive impact on earnings later this year. Of course, both come with what we refer to as the tilt of return profiles.

Basically, that means that the equity returns start out in about the high single-digit area and increase over time. An increase in return profile really reflects the phasing contractual commitments that we have, which ramp-up over time.

Just to clarify, because I think there's some fuzziness sometimes about these tilted return profiles, is that the overall return on this type of profile achieves the full life average double-digit returns that we talk about on these major capital investments.

Turning now to slide 11, I'm not going to go through this slide, but it does provide a good snapshot of the projects that are slated to come into service next year spanning all of our businesses. The point, is that we are expecting another nine plus billion in projects in 2015. All of these projects are progressing well.

So now, I will turn it over to Richard for color on the quarterly results.

Richard Bird *- Enbridge Inc - EVP, CFO and Corporate Development*

Good morning everyone. I'm on slide 12, now.

As Al mentioned it was a solid quarter, consistent with our expectations. Though, to look at the comparatives to the first quarter of last year, you might initially wonder about that. What you have to remember, was that Q1 last year was an unusually strong quarter on a number of different fronts.

So, we're pleased to have roughly matched last years strong first quarter. This year in contrast to last year, will see much stronger quarter over quarter uplifts in the subsequent quarters of the year.

Looking at the individual segments, liquids pipelines is essentially flat, relative to the strong first quarter that it enjoyed last year. The Canadian mainline being the biggest part of liquids pipelines was likewise flat, with volumes up significantly, but that's offset by the lower residual IJT toll.

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Complicating the picture little bit, this year, is the fact that Line 9B is idle for the early part of the year, while it's being reversed and expanded and we will then come back into service in Q4. So, the CTS component of the mainline, if you exclude Line 9 and just look at the CTS component by itself, it's up by about CAD5 million.

Expectation for the Canadian mainline for the full-year remains on track with our guidance comments, which are essentially flat. There's not much to say about the smaller sub-segments within liquids pipelines, quarter over quarter.

They are all pretty much flat. But we are is still expecting both the oil sands regional system and the Gulf Coast access projects, that Al mentioned a few minutes ago, to generate increased earnings for the full year as various components come into service. So, we are still expecting liquids pipelines as a whole to be up, but just modestly for the full year on the strength of these two sub-segments.

Gas distribution is down quarter over quarter. But that reflects the different quarterly pattern of recording gas costs between this year and last. We expect it to balance out over the year.

We had lower transactional services revenue due to the cold weather, but that should recover over the balance of the year. We'll recognize revenue at the lower existing delivery rates until new rates are approved, likely in the third quarter, at which time we'll catch up. So, still expecting a flat full year result for gas distribution.

Gas pipelines and processing was also flat year-over-year. The other sub-segment was up a little bit. That's on the strength of new renewable assets placed into service since the first quarter of last year.

On the other hand, energy services was down. That was accepted, given the -- sorry, that was expected given the exceptionally strong performance last year. We would expect that to be true of the full-year, as well. Down from last year.

All consistent with our guidance comments and consistent with the moderately lower expected full-year 2014 for the overall gas pipelines and processing segment.

Sponsored investments was the only segment, which was up relative to last year. With bigger contributions from both Enbridge Energy Partners and Enbridge Income Fund. Again, that's as expected and consistent with our full-year guidance.

The corporate segment is flat quarter over quarter for all intents and purposes. The corporate bank is making a bigger contribution as its margin on inter-Company financing grows on a bigger asset base and is now coming close to offsetting all of our corporate cost.

The varicose contribution was down. But that largely reflects the unusually strong Q1 from last year. Again, the segment, as a whole, the corporate segment is running consistent with expectations and full-year guidance of a moderate uplift, relative to 2013 on a full-year basis.

Moving to the next slide. So overall, as I've just been through and segment by segment, the first quarter was pretty much as expected. At this point, we remain on track with our guidance range of CAD1.84 to CAD2.04, with no significant headwind's or tailwind's. Yet, apparent, that would be pushing us toward one side of the range or the other.

Moving ahead with slide 14, it was pretty much of a routine quarter, in terms of the funding actions that we undertook with about CAC2.5 billion of funding laid on during the quarter. That's become a routine quarter for Enbridge on the funding front.

More noteworthy than the absolute amount of the funding were some of the details, such as the 50-year note issued by Enbridge at the parent level. The 1.9% coupon 3-year note issued by Enbridge Gas Distribution establishing a new record low for a Canadian corporate issuer.

Our funding waterfall on slide 15 reflects the steady progress covered in the prior chart. Mostly on the debt side in the first quarter. But all still very manageable in turns of what's left to do over the balance of this plan through 2017.

Then finishing up on slide 16. We continue to optimize our funding sources to provide the lowest cost of capital and to maximize the value capture from our growth investments for current shareholders.

We remain comfortable that we will be able to source the CAD2.6 billion of additional equity we'll require for our 5-year funding plan from the lower-cost sources then issuance of public equity. In particular, from a combination of preferred share issuance and asset monetization, including sponsored vehicle drop downs.

We have removed one particular monetization structure from our roster at this time. That's the US infrastructure co-funding concept. After showing some initial promise, we have concluded that this particular structure will not be able to match the favorable economics of our Canadian structures, such as the Enbridge Income Fund and Noverco.

So, we'll shift our focus back to the structures including, potentially, a more aggressive drop-down schedule for Enbridge Income Fund. We believe there is significant capacity which could be tapped from this source.

With that, I will turn it back to Al.

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

Okay. Thanks, Richard. So, we are now on slide 17.

I'm going to wrap up by focusing on the bigger picture and specifically, how the new growth projects we recently secured in the last few months further strengthens our growth outlook. Since Enbridge Days, you recall, we've added CAD10 billion in secured projects.

That was Line 3, the Wood Buffalo extension that we're developing with the Fort Hills Partners and Suncor, and Norlite, which will draw diluents from our Stone fell Terminal up to the Athabascan region. It's a large number of secured projects, in terms of the magnitude. But strategically, Wood Buffalo builds on the strong regional oil sands infrastructure and Norlite initials our diluents presence in northern Alberta.

Now, aside from that, those two projects fit very much in the middle of our value proposition. They're both underpinned with 25-year throughput agreement so they'll generate very solid risk adjusted returns. Supporting the predictability of our earnings and cash flow well into the future.

So, all-in, we've commercially secured now CAD36 billion in capital projects that will be placed into service by 2017. That doesn't include another CAD5 billion or so in projects in development.

The table also breaks down the CAD36 billion of secured between those with additional flat return profiles and an upward tilted returns, that I talked about earlier on. The almost CAD15 billion in projects with the flat profile provide very good transparency and EPS growth through 2017.

With Line 3, we now have almost CAD22 billion in upward tilted projects. This is very important, because the combination of the timing, the size, and the return profile of these project will drive incremental EPS growth beyond 2017.

That growth is going to come with no incremental capital investment. We'd all agree that's the best kind of project you can have. It's really then, this chart, that conveys our confidence in the future.

Turning to slide 18. Given our CAD41 billion growth capital program, we remain confident in delivering average annual EPS growth, on average of 10% to 12% through 2017.

The portion of our post 2017 growth already locked down and securing -- secured, rather, through the tilted return profile, we have a very solid base to support continued industry-leading growth beyond 2017. There's also room to supplement organic growth through substantial drop downs of mature cash generating assets to our sponsored vehicles, as Richard was talking about.

With respect to dividends, and that's the other part of this chart. We would expect to see a growth rate that tracks EPS, but a smoother profile.

With the amount of capital we're putting in the ground, we'll see strong cash flow. This provides the potential to further accelerate the dividend growth above the earnings growth rate, depending on the availability and the attractiveness of capital investments that we see later on.

Slide 19 reiterates the three priorities that guide us today and into the future. Number one, of course, remains safety and reliability. We've made great strides and our team is pleased with the progress so far.

There are many examples, a couple, I'll name, the most proactive preventative maintenance program in North America. Secondly, our operational risk management program focuses us on achieving industry leadership.

Second priority, is effective execution of the program. Despite the challenges, overall, we are executing well on the ground. We're staying also ahead of our funding needs and ensuring we have ample liquidity. Another thing that Richard commented on earlier.

Finally, with growth secured over the medium-term, as I said, the third priority is to extend and diversify growth beyond what 2017. We're bringing along new growth platforms as well, in a measured and disciplined way.

These include electricity generation transmission, energy services, and international. As a growing inventory of cash generating assets that offer very good potential for drop downs.

So, just to summarize the remarks today on slide 20. The first quarter results were solid and came in as expected. With that start, we're on track to be within the full-year adjusted EPS guidance range of CAD1.84 to CAD2.04 per share. We're making great progress, as well, on executing the capital program.

The most recent CAD10 billion of secured growth projects combined with the embedded tilted return, gives us high degree of confidence that we'll be able to maintain our industry-leading growth beyond 2017. Finally, industry-leading growth will generate strong dividend growth.

So, that wraps up our remarks. So now I will ask the operator to open up the line for questions.

QUESTION AND ANSWER

Operator

(Operator Instructions).

David McColl from MorningStar.

David McColl - ***Morningstar - Analyst***

With the ongoing delays to the Keystone XL and challenges, shall I say, for Northern Gateway, I'm wondering if you have any interest in developing coastal rail offloading terminals for Canadian crudes? Either perhaps in the Vancouver area or somewhere else, where you might need to develop new infrastructure and port facilities.

And then second question, shall we say unrelated, can you provide update on the plans for the recent land you acquired, I believe it was near the Kitimat area? Thank you.

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

As far as your question around coastal rail. Obviously, with the pipeline constraints these days, we're always thinking about opportunities that will help out our customers.

The one, actually, that we just brought into service, is the Eddystone project in the US East Coast. That's just started operating, actually, a few days ago.

So we are thinking about those opportunities, particularly where pipeline timing issues or otherwise constraints are precluding early development of those opportunities. So, yes, we are thinking about those. Eddystone is probably the most visible right now.

On your second question, I think you're referring to the land that we acquired at Grassy Point on the West Coast. I would put this in the category, David, of our general business development activities that we undertake to, obviously, secure important land for potential future development.

So, we'll probably leave it at that for right now. These things have a tendency to, at some point, potentially be valuable in developing projects. So, that's where we're at right now. Very early stage.

David McColl - ***Morningstar - Analyst***

Appreciate the commentary. Thank you.

Operator

Linda Ezergailis from TD Securities.

Linda Ezergailis - ***TD Securities - Analyst***

Can you provide some context as to what exactly, EB is negotiating with CAPP on, with respect to the Lakehead tolls? And what would the toll be based on, kind of the default calculations versus what EB is desiring and are you trying to roll in some extra CapEx? Or is there something else going on?

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

Will hand that over to Guy for response.

Guy Jarvis - ***Enbridge Inc - President, Liquids Pipelines***

Linda, you're familiar. We've got a number of (inaudible) in our tolling historically. The element of the rate base in the toll, if you want to call it that, it's under negotiation is the SEP II element.

So, it's really kind of a negotiation -- just a renegotiation of the traditional elements, in terms of returns and integrity treatment and whatnot. So, I don't think there's anything untoward or old of sorts, here. It was a negotiation that in some respects took a backseat to our work with industry on the Line 3 replacement, which is probably the most significant reason why there's a bit of delay.

Linda Ezergailis - ***TD Securities - Analyst***

So the SEP II expired?

Guy Jarvis - ***Enbridge Inc - President, Liquids Pipelines***

SEP II formally expired at the end of last year.

Linda Ezergailis - ***TD Securities - Analyst***

Okay. That's helpful. With respect to -- I think Richard made a competent with respect to Enbridge Gas Distribution now expecting an incentive regulation decision. Is it now Q3 versus Q2 prior? Do you know what's causing the delay?

Richard Bird - ***Enbridge Inc - EVP, CFO and Corporate Development***

I'm not sure that we ever expected that by Q2. But, if we did, than at this point in time it's looking like it'd be more likely to be Q3, Linda.

Linda Ezergailis - ***TD Securities - Analyst***

Okay. Thank you.

Operator

Juan Plessis from Canaccord Genuity.

Juan Plessis - ***Canaccord Genuity - Analyst***

Al, you mentioned that beyond 2017 earnings growth could be driven by some new growth platforms. Can you talk a little bit more about what new growth platforms you would consider?

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

Sure, Juan. The primary ones right now, and as we mentioned, we're bringing these along at a fairly reasonable pace, a measured pace now because we've got so many things in front of us in the next several years, it gives us the option to bring these along slowly. Certainly, our Par Generation business, we've developed a fairly sizable business already in the realm of 1,800-megawatts of renewable generation. That's one opportunity.

The next opportunity, I would say, generally, is electricity transmission. We've dipped our toe in the water now with the Montana inter-tie line. That provides a good opportunity. We like that business.

Frankly, the power generation side, because they come with very similar business models and commercial underpinnings to the core part of our business today. Another opportunity, which I think is a very good potential, perhaps not exactly in the new platform category, but certainly Canadian midstream natural gas.

With all of what's going on in Northern BC today, with respect to development for future LNG projects and just generally the amount of drilling for natural gas liquids, in particular. There's a lot of demand for natural gas midstream infrastructure. I think, generally, people talk about the LNG plants themselves or the long haul pipes.

But certainly, a lot of the requirement for gathering and processing infrastructure. And we think, given the magnitude of those projects, and the number of them, a Company like Enbridge, I think, can play a very strong role. We've had some initial success there, as you know, with Cabin and Peace River Arch.

I guess maybe finally, Juan, on international. This is another reflection of taking a measured approach. We have primarily three main countries that we're looking at right now. Australia, Peru, and Columbia.

We have a good experience in those countries. We like the fundamentals and the business environment.

Very much strong business environments relative to all of the areas we look at. So, those are the three primary opportunities that we're looking at right now, internationally.

Juan Plessis - ***Canaccord Genuity - Analyst***

That's excellent, Al. Thanks very much. Maybe just a more detailed question. Probably for Richard. What non-core assets were sold at Enbridge Offshore? And are there any more assets in that segment that you're looking to sell?

Richard Bird - ***Enbridge Inc - EVP, CFO and Corporate Development***

Well, there are no more assets in that segment that we're looking to sell. But I think, generally, we're always looking at the enterprise wide asset base and assessing whether a particular assets continue to achieve our financial objectives or whether they might better achieve someone else's financial objectives. And to the extent to which they're tied into a broader strategy.

So, in the case of the Offshore, it was a small -- a small system that we had on the books for relatively low carrying value, but we didn't see any real future in it. It did have a significant, eventual abandonment liability associated with it.

So, it made sense to get rid of it. Somebody else thought they saw use for it and was prepared to take on that asset.

Juan Plessis - ***Canaccord Genuity - Analyst***

Thank you very much.

Operator

Paul Lechem from CIBC.

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

My questions are on the mainline. Wondering about the residual toll that you receive? And at CAD1.81 for Q1, does it stay at that level, then for Q2 and it adjusts in Q3 on July 1 when the new adjustment comes in for [Ethan]?

Can you give us any sense, also, then on that adjustment, what you expect either the Lakehead system toll to go to or your residual toll, directionally, at least? Can you give a sense of where it might move to?

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

Paul, we're going to hand that to Guy to respond to.

Guy Jarvis - ***Enbridge Inc - President, Liquids Pipelines***

You're correct in terms of the timing of when it's likely to change. I think we're at a stage right now, where we're not in a position to give you prescriptively we what we expect to [focus on those]. But I think directionally, we're expecting that the IJT component to the Canadian mainline is going to weaken a bit

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

Your residual will go -- likely go lower post (inaudible)?

Guy Jarvis - ***Enbridge Inc - President, Liquids Pipelines***

Correct.

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

What are the elements that go into that? What makes up the Lakehead system portion of that? Is it negotiations that you mentioned with CAPP, or is there anything else we should take about?

Guy Jarvis - ***Enbridge Inc - President, Liquids Pipelines***

No. I don't think the negotiations with CAPP would necessarily be a factor through there. It's really the, largely the true-ups of the capital expenditures and the volumes from the past periods. Lakehead does operate [partial] cost to service, so there is our true-up mechanisms that end up flowing through in the following years.

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

Okay. Then, on the volume, you had 1.9 million barrels crossing the border. Up over 100,000 barrels year over year.

What is your forecast for this year, in terms of the volumes? And what is the theoretical capacity that you can carry on the mainline at this point in time? Thanks.

Guy Jarvis - ***Enbridge Inc - President, Liquids Pipelines***

Let me tackle the first part of your question, first. We're expecting to see continued gradual growth of volumes on the system throughout the balance of the year. We're very happy with, when we look around the production community and see the pace at which the production is growing.

We've had quite a bit of success, to this point in the year, in terms of some of the initiatives we were undertaking to increase the capacity on our system. We now have Line 6B Phase 1 in service and we've got a couple other projects that are continuing. So, we're quite happy with our capability to move higher volumes throughout the balance of the year and the barrels seem to be there.

So, generally, the trend would be good. I'm sorry, I've forgotten the second part of your question.

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

How much theoretical capacity do you have their to increase volumes? Can you get much higher at this point in time above the 1.9 without the Clipper expansion?

Guy Jarvis - ***Enbridge Inc - President, Liquids Pipelines***

Well, we've disclosed, previously, that we think we've come up with a number of alternatives to mitigate or replace the volume expectation we had from Phase 1 of Alberta Clipper this fall. So, we're looking at -- I think Alberta Clipper -- we were looking at a range of an additional 120,000 barrels a day. In addition with some of these. So I think throughout the year, we're looking at adding as much as 200,000, 250,000 barrels a day of additional capability within our nameplate by the end of the year.

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

Thanks very much.

Operator

Ted Durbin from Goldman Sachs.

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

I'd like to ask first about the impact of rail, crude-by-rail on your volumes. What are the shippers telling you that they're thinking about, in terms of Western Canadian crude moving? And then how do the changing specifications on some of the railcars maybe change the impetus to move crude-by-rail?

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

Okay. Maybe, generally, on rail, I'll hand it over to Richard, given the title is in his daily [work] and we have some rail operations there.

I think we've seen, particularly in North Dakota, given that the differentials have narrowed up, we're seeing volumes flow back onto the North Dakota system. Pretty good results there last quarter. I think that's what we've always been saying, is pretty much how it will move forward, in that as these basis differentials tighten up, we should see volumes come back on the pipes, simply because of the better economics from a tolling perspective.

But, more generally, what we're seeing, is that producers want options. Particularly, given this constrained environment that we're working with in the next little while, it's not surprising to see rail facilities being built. But as I said, ultimately, the economics to drive back onto to pipe as some of these expansions come on.

Richard, do you have anything on the specs themselves on rail?

Richard Bird - ***Enbridge Inc - EVP, CFO and Corporate Development***

Sure. Maybe just to tack a little bit onto Al's answer on the rail impact. We do carry, now, an expectation of a permanent rail component within our long-term volumetric forecast. So, Al was indicating, we're expecting a fair bit of the rail to come back to pipe as we open up access to the attractive markets that are otherwise currently being served by rail.

But we don't expect it's ever going to all be on pipe and we're rolling that into our long-term volume forecast. With respect to the railcars specifications. With respect to both our own Energy Services business, which does carry railcar leases and, more broadly, the industry, in general.

I don't think that either the requirement to convert to the more robust cars by 2017 or the additional provisions for emergency response requirements for rail shippers are going to significantly impact the role that rail is going to play. The role will be the one that Al just described.

There's enough time for conversions to occur for the most part. So, that's probably not going to be much of a factor.

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

Okay. Appreciate it. And then my second question was just, I think you're thinking on financing has evolved a little bit. You've dropped the co-funding vehicle.

Any thoughts on additional drop downs to EEP? I know they mentioned it at their Analyst Day the amount of book value of assets that still set up DMB. Or is the plan really with the US assets build a sort of focus on MCEP drop downs as you had previously guided?

Richard Bird - ***Enbridge Inc - EVP, CFO and Corporate Development***

I think it's almost exactly as you have just said. The near-term plan, with respect to drop downs on the EEP side of the family is to build EEPs financial capability through drop downs to Midcoast Energy Partners. Use that to largely fund it's participation in the liquids growth projects, get those in service, get the cash flow going from those, which will support both distribution increases and also improved coverage.

And look out to a point in time where EEP is enjoying the benefits of that and that will be reflected in its valuation, at which time, yes, there is a very significant asset base that would be available to support further drop downs to EEP. And to support further drop downs to Enbridge Income Fund and, possibly, other forms of monetization, as well.

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

Okay. Thank you.

Operator

Carl Kirst from BMO Capital.

Carl Kirst - ***BMO Capital Markets - Analyst***

Nice results. Just a couple quick questions. The first, can you remind me of the timeframe on Alberta Clipper, as far as adding the pumping stations for -- to effectuate Phase 2? I kind of have in the back of my head that that would be a six-month process. But, wanted to reconfirm that.

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

Well, maybe the way to think about it, Carl, is that initial Phase 1, that was mentioned, the 120,000 barrels a day. As we talked about, we think we can mitigate the throughput that was originally designed for that -- this year. So, that's the first phase.

The next phase, which would involve some additional stations, would bring on 230,000 barrels per day. So, what we're saying at this point, given where we are with the Department of State and their Presidential Permit, amended Presidential Permit review, we're thinking that by Q3 we should have that permit.

And pretty much, you can think of those stations being ready, if the permit is ready by that time. So, that's how are looking at the phase-in of the full Alberta Clipper expansion to 800,000.

Carl Kirst - ***BMO Capital Markets - Analyst***

Sorry, Al, when you mentioned Q3 for the permit, you were mentioning it -- are you meaning it for next year? Meaning we could be basically -- as soon as we get the permit, for instance, we would be ready to go with the project? That this would be kind of being done in parallel?

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

Yes. Q3 next year. Byron, do you want to go over that last point?

Byron Neiles - ***Enbridge Inc - SVP, Major Projects***

Certainly. The Minnesota regulatory [hearing] for that additional capacity was held on April 9. And we would expect a decision this summer.

That would allow us and [Norealis] to construct the additional facilities. Some of that is as Al indicated when we receive the commended Presidential Permit, we'd be able to put those additional barrels into service.

Carl Kirst - ***BMO Capital Markets - Analyst***

Understood. Appreciate the clarification on that. Just secondly, and understanding this is perhaps putting the cart in front of the horse. But Al, the CAD5 billion of additional projects that you all are evaluating.

Is there any additional color, as far as are these a collection of several projects coming off of Line 3? Is there any singularly large project?

I guess I'm trying to get a bette sense from a financing standpoint if these are projects that if they do happen, would be sort of potentially coming into service within the current 5-year horizon i.e., they'd have to be funded here in 2014, 2015? Or, are these projects that as they're baking, are perhaps more in the 2017 and beyond timeframe?

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

Okay. That's a good question, Carl. The way we manage this inventory I guess, is really to probability weight all of the projects that we're working on. So, there's no particular single project that is comprising the majority of that. I would say its several or many projects that are in that category.

They are anticipated, if successful, to all be in service by 2017. However, as to the funding comment, Richard's waterfall that he goes through accounts for that level of projects in development.

So, you can think of it as us planning for, from the financing perspective, the success on those projects. But, it covers all of our businesses. There are many in that category.

Carl Kirst - ***BMO Capital Markets - Analyst***

Fair enough. Thank you so much, guys.

Operator

Matthew Akman from Scotiabank.

Matthew Akman - ***Scotiabank - Analyst***

Al, you spoke about some of the midstream opportunities down the road. Maybe a little bit more clear and present would be for construction of gas processing in Canada. And Enbridge is in that business now.

And I'm wondering, though, whether you guys see any opportunities the next couple of years on construction of new large-scale gas processing? Is that something you'd participate in? Given the experience at Cabin and what you see is an outlook there?

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

Yes. It's a good point, Matthew. As I said earlier, we're pretty excited about the level of opportunity, both in Alberta and BC. I mentioned this briefly, but some of these projects are very sizable.

We're not talking about CAD100 million plans for CO2 or NGL processing here. These are quite a bit larger. Given the financing capability we have in the future, even though we're quite full up at the moment, certainly these bigger projects that quite well.

In addition, we've always thought of our expertise in the gathering and processing business in the states, that we use that as something that's effectively exportable to Canada. That was a major driver, actually, in our ability to win the Cabin project. Of course, Byron's team and the execution capability gives us some pretty good credibility out there, to be a player in this market in the future.

Matthew Akman - ***Scotiabank - Analyst***

Okay. Thanks for that. These are more questions on commodity exposures and how the weather affected Enbridge in the quarter.

But, [Oxabolt] through others reported some profit on the pipeline capacity that [built in] Alliance. I know Enbridge had some of that in the portfolio. Is that still in there? Did it have any impact in the quarter?

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

Richard?

Richard Bird - ***Enbridge Inc - EVP, CFO and Corporate Development***

Yes, it's still is in there and it did have an impact on the quarter. So, we had quite a few impacts throughout the business from the cold start to the year. Probably the most single, significant one was with Enbridge Gas Distribution, which by tradition is normalized out.

So you can see that in the detailed results. There are various other little pluses. Some positives, some negatives. I wouldn't say other than the Energy Services piece, which is also called out in the MD&A, there probably wasn't any other that was particularly remarkable in magnitude.

Matthew Akman - ***Scotiabank - Analyst***

Just to clean up on that. The lower transactional services that you mentioned on EGD, a little bit surprised about that, given some of the volatility. I would've thought maybe the opposite. Is there anything you'd like to add there?

Richard Bird - ***Enbridge Inc - EVP, CFO and Corporate Development***

Well, in fact, that is one where the weather impact actually goes in the opposite direction, because typically, EGD has some capacity storage and pipe beyond that which it requires for its usual regulated business activities. But, and it uses that to make some margin.

But given the cold weather, all of that capacity was called into use to support the needs of the regulated utility. So that took away the opportunity in the first quarter. So, negative weather impact in the first quarter.

But the way that business works, there is opportunity over the balance of the year. The magnitude of the opportunity is capped, in any case.

So, we still are confident we will secure within that cap development. We had built into our full-year guidance, even though we didn't get any of it in the first quarter.

Matthew Akman - ***Scotiabank - Analyst***

Okay. I will take that trade-off on my gas bill. Thanks, guys.

Operator

Andrew Kuske from Credit Suisse.

Andrew Kuske - ***Credit Suisse - Analyst***

I guess it could be directed to Al or Richard. It's just on the dynamics and the interplay between building new platforms for growth.

As you mentioned, you mentioned four of them earlier on. Versus the drop downs, or I guess in conjunction with the drop downs. Is this a little bit of a chicken and egg dynamic that you're going to face?

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

That we see if I understand the question. Maybe you could just clarify that for us, Andrew.

Andrew Kuske - ***Credit Suisse - Analyst***

Sure. If we look out over the next few years, you're pretty much fully allocated from a pretty impressive -- I'm not trying to be patronizing about this, but a pretty impressive capital backlog out until 2017. Â¶ Then thereafter you do have some projects. But they're less visible. So, I guess just the dynamic of trying to build new things and new platforms for growth. To extend the growth versus the drop downs to fund things.

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

I see. So, I guess the way we're looking at this balance between all of what we've got going on right now and the need to execute. When I say execute, not just in the field, but funding those opportunities.

We are very cognizant of making sure that we're not overextending ourselves. And in financing, as you know, we've been ahead of the curve on financing side.

So, the way we're looking at these new platforms, as I implied earlier, is that we are going to take a measured approach. The way I'd look at least three of those four, is they are options in many ways.

We've been lucky to be able to have this growth in the near-term, here. But it gives us an opportunity to bring those other platforms along in a measured way, as I've been saying.

As far as the drop-down capability, the way I look at that is it's a tremendous opportunity to release capital from the business at the right time. We've got two very good vehicles in Enbridge Income Fund and Enbridge Energy Partners. Enbridge Income Fund is obviously working quite well right now, as Richard alluded to earlier.

There will be some time to go by until we can fully recognize the growth in EEP, which will allow us to have them absorb these drop downs more efficiently. So, I think that's sort of the balance we're running at the moment.

I'm not sure if that answers the question entirely, but that's the big picture.

Andrew Kuske - ***Credit Suisse - Analyst***

No, that's helpful. And then just a follow-up. When you look at the potential drop down strategy and the potential that Enbridge has to drop assets into, whether it be in EIF or whether it be in EEP.

I guess when you step back and you look at yourselves and really, TransCanada are really the last two large, really big corporate owners of assets in this space without really significant MLP cash flows coming into them.

Do you see yourselves morphing into that kind of model where it's really a predominantly MLP cash flows coming in? Or really retaining your current structure?

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

Well, I guess first off, we watch this pretty closely. We can see that there is a certainly, a disposition to moving to moving assets into MLPs or other vehicles.

We'll continue to look at it closely. But I'd say this point in time, we've got a lot of growth in front of us.

We're watching the funding, we're watching opportunities for roll downs. At some point, we may conclude that there's more capability to do further roll downs and move more into that space. So, that's kind of how we're thinking of it at the moment.

Andrew Kuske - ***Credit Suisse - Analyst***

Thank you.

Operator

Steven Paget from FirstEnergy.

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

With your tilted return projects, which I understand to be a tilted earnings return, would we be correct in understanding that your return on assets or your operating income, divided by assets, would be flat over the life of the same projects?

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

So just pose that again, Steven, I'm not sure I quite got the gist of it?

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

Your tilted return projects, the tilted return is really a tilted earnings return. The earnings return increases over time, isn't that right?

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

Yes.

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

But with the return on assets, that is the EBITs over assets, is that more flat over time? Because of course it's pre-interest, et cetera.

Richard Bird - ***Enbridge Inc - EVP, CFO and Corporate Development***

I don't think so. We don't necessarily look at that as our primary financial measure. I can't think off of hand why EBIT wouldn't follow a similar profile to earnings.

So, I'm going to say it would be tilted either way you look at it. The angle of the tilt might be a little bit different, but it will be tilted either way.

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

I think that's right. If we just use ROE as a proxy and as Richard said, it shouldn't be that much different on in EBIT basis. Think of it as moving initially from high single digits to exceeding double digits over time to average double digit project. I don't think there be any difference between the two, Steve.

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

Thank you. That's actually very helpful. So we talked about measures. When measuring the efficiency of your operations or potential acquisitions, what metrics might you use?

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

I guess there's a host of things. Certainly, when we're moving into decision-making mode for capital investments, particularly when we get into these large size opportunities, you would agree, I'm sure, that this kind of cash flow return to equity are the key metrics that we use.

We monitor that very closely after we proceed. Certainly, we watch volumes very closely. Operating cost and so on and so forth. So, those are the major things that we're looking at throughout the piece.

I don't know, Richard, do have anything to add on that one?

Richard Bird - ***Enbridge Inc - EVP, CFO and Corporate Development***

I don't think so. When we look at a capital project, Steven, we're generally assuming traditional levels of efficiency on most fronts.

When we're actually running the business each business unit has a pretty significant drive to enhance efficiency and manage costs down. But, we don't necessarily Incorporate and assume success on that front into our capital investment decision making process.

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

Maybe just thinking about your question a little more, Steven. When we're making a decision, the obvious goal is to try to lock down and under our business model, as much of the risk as we can.

So, certainly from a capital cost perspective, that's our goal, to lock down as much of the capital as we can and Byron's team is focused on that. Richard's team is focused on managing the interest rate exposure and the foreign exchange exposure, if there is any.

More broadly, Richard mentioned the business units. One of the business unit measures that we focus on aside from just volumes and other financial metrics, are the safety metrics. That's equally important for us, to keep managing the business in an effective way. It's not just about the financials.

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

So, it sounds like from what you're saying, and from what Richard said, that you don't look at an asset owned by someone else and think, if we buy it we will increase -- we can dramatically increase the efficiency and therefore that's what makes the decision possible?

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

Okay. So, I think I understand you now. This focuses back on your reference to acquisitions. So, yes, that's always going to be part of the equation when we're looking at an opportunity.

I think, if you look back to Seaway, the base Seaway system, when we acquired that, certainly the synergies, if you will, or the opportunities to change the top line, the revenue line, were accounted for. I will say that we're pretty cautious on that, because those numbers are easy to assume.

They're always harder to execute on, so we're pretty conservative as to what we'll assume on a potential acquisition. But generally, yes, you may have to pay for some opportunity to have further growth or synergies that you may not have on your own with your existing assets.

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

Thank you both. Those are my questions.

Operator

Robert Kwan from RBC Capital Markets.

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

Just looking a little bit further out and potential projects in the mainline set up following your announced initiatives, where do you see the potential bottlenecks in the system, i.e. bottleneck alleviation projects? Whether that's on the Canadian side or further downstream around Clearbrook and Superior?

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

Robert, I think, really, the bottleneck for us, after Line 3, would be downstream of Superior. Even though we're expanding the southern access right now, once we get past the next two to three years, we're likely going to be fully powered up on our systems, ex-Superior.

So if there's a bottleneck, it would be there. There would be a number of things we could do from there, looping, of course. Or perhaps, twinning lines, that kind of thing.

There's no transparency to that opportunity right now. Of course, we'd have to have a pretty strong commercial underpinning to undertake something like that. That's the primary area that I see.

We do have some opportunities to further expand our Flanagan South system once it goes into service and potentially even Seaway. So there's a little bit of opportunity, probably in the couple hundred thousand barrels per day on those systems, as well.

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

So larger capital initiatives and could just certainly be an Alberta to Gulf type full expansion potential?

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

Yes. As I said, it'll be primarily downstream of Superior. With Line 3 as we were talking about it would effectively restore the entire capacity of the line to about 760,000 barrels a day, there.

We're assuming, of course, we move forward with Alberta Clipper in terms of moving that up to 800,000. I'd say, assuming those two, it's primarily focused downstream with Superior.

Robert Kwan *- RBC Capital Markets - Analyst*

Just small number questions. On EELP, just wondering if there's anything behind the quarter at CAD7 million of earnings, it was a down, it's about half of what you booked in Q4. Sighting some of the Eastern access, the smaller projects and it just feels like we're back to the Clipper earnings.

Al Monaco *- Enbridge Inc - President and CEO*

Give us a moment on that one, Robert. John do you have --

John Whelen *- Enbridge Inc - SVP and Controller*

Yes, there was some reversal of shipper credits related to that project, that causes a little bit of noise quarter over quarter. But doesn't really do anything with respect to our long-term outlook, Robert.

Robert Kwan *- RBC Capital Markets - Analyst*

Okay, so just temporary downside in Q1? Is that better way to look at it?

John Whelen *- Enbridge Inc - SVP and Controller*

Yes.

Robert Kwan *- RBC Capital Markets - Analyst*

And if I could ask just one smaller there, numbers question. Just on the main line the O&M was pretty low in the first quarter, compared to both the year ago, but just all prior quarters. I'm just wondering are you capitalizing more cost or is it just timing?

Al Monaco *- Enbridge Inc - President and CEO*

Guy had to slip out, here. But, do you want to try that, Richard?

Richard Bird *- Enbridge Inc - EVP, CFO and Corporate Development*

Yes. So, there's a number of things, Robert, that are affecting the pattern of the O&M within that business unit. I think, generally, we are trying to --tying back to Steven's question on efficiency.

We're trying to tighten up the cost picture and we're moving through some peak cost events within that system. So I think generally, we're going to see a little lower revenue cost in 2014 than what we saw in 2013 on the main line.

But the first quarter, just because of the timing of expenditures, would overstate the extent to which we'll see that on a sustainable basis. We'll continue to see better costs moving forward, lower-costs moving forward, but not to this same extent as in the first quarter.

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

That's great. Thanks very much.

Operator

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

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

Thank you, Christine. We have nothing further to add at this time. But I'd remind you that I will be available for questions following the call. 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.