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## PRESENTATION

**Jonathan Gould**

Okay. Well, good morning, everyone. My name is Jonathan Gould. I'm the Director of Investor Relations here at Enbridge. And it's my pleasure to welcome all of you who made it here to -- with us to New York today as well as all of those who are listening online on our webcast to our 2017 Enbridge Investor Day's Conference. It's actually our 18th Annual, technically. We missed last year with the Spectra merger, but we made it up in June with our midyear update for sure. So we'll get right into it, but before we get right into it, I guess, a couple of housekeeping matters to take care of.

So as is customary at Enbridge, we'll begin the meeting with a safety moment. So in the event of a fire or a building evacuation, we'll all, there is a main exit you came in here at the back, it's just the one, so let's make our way in an orderly manner through that doorway. Through stairs just outside, we'll go down a couple levels to the mezzanine level across the building and out to the Park Avenue exit, and we'll regroup at a muster point in front of Grand Central there.



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In terms of the agenda for today, you'll hear from several members of our executive team. We're going to do presentations, followed by a Q&A for each section. You'll note that we don't have a formal break on the agenda today. So we just ask that if you need to, please come and go quietly throughout the morning. We're going to try really hard to keep on schedule here today, so we should have the main session wrapped up by about noon. Now new for this year, as you can see on the agenda, by popular demand, we're going to have -- we're going to follow up the day with a supplemental Q&A session for the -- specifically to the sponsored vehicles. So once the main section is done, we're going to take a quick break, buffet will be available outside, and then we'll come right back and start up here in the room, say, around 12:30. We'll go for about an hour or so. Additionally, we're going to have Bill Yardley stick around, who represents Spectra Energy Partners and then followed up with Mark Maki and Guy Jarvis, who'll stick around to talk Enbridge Energy Partners as well. So they'll be here to answer all of your specific MLP questions, so if you can save those till the end.

And finally, as you can almost read on the slide, our legal team would have us remind you that today we are going to have -- we may refer to forward-looking statements and non-GAAP measures, so please consider those accordingly.

So with that, we'll kick it off. I'll hand it over to Al Monaco, CEO, to provide his strategic update.

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### **Al Monaco** - Enbridge Inc. - CEO, President & Not Independent Director

I couldn't tell from over there. Is this coming across? Okay, can you hear -- people hear well enough? Okay. All right. Well, since our last Enbridge days, this was back now in 2015, the industry has certainly seen some major developments, but so have we. Through the Spectra acquisition, we've effectively repositioned Enbridge for the future. Today, we're larger, more diversified and stronger. The deal also brought us a lot more U.S. shareholders, which is why we're starting Enbridge days here in New York this year. At our midyear update, we laid out 3 priorities that you see here on this page: grow organically, further minimize risk and streamline the business.

Today, we're going to focus in on our 3-year plan, which we previewed a couple of weeks ago.

We'll talk about our post-Spectra strategic review, our capital program and outlook, and our approach to the balance sheet. And our operating business unit leaders, Bill, Cynthia and Guy, will go through their businesses and opportunities and what they see beyond 2020. We also have 3 other members of the management team here who aren't presenting but are integral. Vern Yu, CDO, just put your hand up, Vern. He has been a very busy fellow and likely to be so in the future. Byron Neiles, Corporate Services -- Byron and Bob Rooney, General Counsel.

So this is the new Enbridge. We've effectively transformed the business into a global scale leading energy infrastructure company. Our assets are very well-positioned to serve key supply basins and consuming markets. We move, as you can see, a very large chunk of North American oil, natural gas and NGLs safely and reliably, and we're critical to the North American economy.

A year ago, we were about 3/4 weighted to oil transportation. And in fact, we were headed to higher than. Today, we're balanced between oil and gas. It actually brings us back to a couple of decades ago when we were balanced right before the significant uptick in oil transportation growth.

We're very big believers in natural gas, which was a key thought behind the Spectra deal. One of the best things about the Spectra transaction is that it came with exactly the same type of assets we already had and very valuable today. And when you're looking at large-scale M&A having the kind of assets that you already have, obviously, lowers execution risk of the deal.

It gave us the premium North American gas transmission and stores franchise equal to our world-class liquids transportation business. And with the addition of Union Gas, the contribution from gas utilities now, as you can see, remains about the same as it was before. We've actually always coveted the Union assets and now they are in the fold.

With Spectra, plus the growth we're going to have in the next year or two, we have doubled our EBITDA to approximately \$13 billion and our assets to over \$170 billion. So this footprint gives us great scale and diversity along with predictable and growing cash flows.



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Now the key themes that we're going to talk about today are listed here. First, everybody knows that we're in a difficult regulatory and permitting environment, projects take longer to get done, but that also means that the assets in the ground are more valuable today, particularly when they come with organic growth, again another big part of our thinking behind Spectra. Having rights of way these days and strong relationships with communities really does give you a competitive advantage, and that will come through as the business units go through their discussion.

We've got long-lived assets that frankly aren't going to go anywhere, and they're indispensable to the North American economy. Another theme will be focusing our attention on what we do best by concentrating on our growing crown jewel assets and by rationalizing the asset mix to a pure play regulated pipeline utility model. We're almost there before this, but certainly, we're going to be 100% there going forward.

Last, but not least, a top priority, as you would've guessed, will be on further strengthening our financial position. So John is obviously going to go through that later on, but I want to give my views on that as well.

Our priority since closing the Spectra deal was to critically assess the combined asset base and the 6 platforms that you see here. So with a \$170 billion in assets, it's obviously important to lock down what's core and what's not and to allocate capital to where it makes most sense. And that will be a theme as well today around capital allocation.

We use the set of variables here on the right that you see as a lens to assess each of the businesses from a strategic, commercial and financial perspective. So sustainable competitive advantage, low business risk, platforms that have embedded growth, maintaining the balance sheet strength and assessing market value of noncore assets against our own internal hold value. So here is how we assess the businesses post-Spectra, beginning with what is truly core to our future.

I like to refer to these as the crown jewels because they simply can't be replaced. Our liquids, pipelines and terminals, our newly acquired gas transmission and storage business and our 2 North American class gas utilities, which are going to become one next year. I'm not going to clear this slide obviously, but the crown jewel franchises are all characterized by a few things: strategically in-positioned assets with excellent supply fundamentals and direct connections to the best markets and growing demand pull. Where the lights are shining and where the refineries are at essentially; strong commercial underpinning through long-term contracts with top credit quality customers; size and scale that drives low transportation cost and an advantage in winning new businesses; embedded low-cost organic growth through expansion, extension of existing franchises, which have been a key to the story of Enbridge over the decades.

And finally, an ability to create value by repurposing, reconfiguring and replacing assets in the ground. Just look at how we've expanded, extended and repurposed our liquids business to move volumes to coastal markets. And, of course, there is a Texas Eastern system, which now moves Marcellus production, not just to the U.S. Northeast, but South to the U.S. pet/chem demand center.

Now our noncore assets have some of these attributes, but not all of them. So before we look at those just to give you a feel for the noncore assets, they're in the order of \$10 billion today. And the plan is to monetize or sell a portion of those businesses with a minimum of \$3 billion in asset sales in 2018. So let me go through the strategic review of those noncore assets.

So our G&P midstream business today will generate about \$600 million in EBITDA, that's this year. The business is comprised of U.S. and Canadian midstream assets, plus our 50% ownership in DCP. I think most of you know that's a stand-alone G&P business. These assets are positioned very well for the price recovery, starting to see some of that. They're located in some very good areas, and we have very capable operating teams. Although there's very good upside in those assets, they don't hit the middle of our fairway. They'll be more valuable in the hands of a focused midstream G&P player or a financial investor. So we'll be monetizing our G&P assets over time until then we're going to continue to optimize their value.

Our renewables business will generate about \$350 million in EBITDA this year. I think, fair to say, we've been successful at building a pretty good renewables business from scratch and very good internal skills for those assets. The business fundamentals for this business are very strong, and the commercial underpinning fits the middle of the fairway pretty well. They've got long-lived PPAs with strong counterparties and assets that are geographically diversified, which is important in the renewables business.



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But going forward, we'll de-emphasize onshore renewables and monetize at least half the assets, which, as you know, are very highly valued in the market today. So this is a case of redeploying capital at good value to other priorities.

Now offshore wind assets are in a little bit different situation. They're very well positioned. We've got a very large opportunity set in front of us. And on that one, we're still pretty much in the development phase. So overall, the plan is, on renewables, to monetize the onshore assets, we'll continue to execute offshore capital program and develop opportunities that provide longer-term upside beyond 2020.

So this slide pretty much summarizes the outcome of the strategic review. We're focusing the asset mix to a pure regulated pipeline and utility model with the crown jewels, liquids, gas transportation and utilities. The model is characterized by low risk, highly predictable cash flows, which align with our competitive advantages and frankly, what we've always done best.

Capital is going to be directed to those core businesses, which will have more organic growth in the years to come. So just to reiterate, G&P and onshore renewables represent noncore assets of about \$10 billion, \$3 billion of which is designated for sale in 2018, and that has been reflected in our financial outlook that I'll talk about in a few minutes. The remaining amount will be pursued opportunistically, and we see -- as we see offers that exceed our whole value.

Now let's discuss the 3-year outlook. The 3-year secured capital program through 2020 is \$22 billion, which includes annual maintenance of around \$1.3 to \$1.5 billion depending on which year you're in.

Secured spending is naturally down from the previous \$33 billion that we used to talk about as we've completed 2017 project slate well, including Norlite, Sabal Trail and Wood Buffalo. Those were the big ones in '17. We have 2 more big years, as you can see, 2018 and '19, and the secured-only program is \$5 billion in 2020. I'll talk more about the post-2020 opportunities in a few minutes here.

So it's really this secured program that you see on the left-hand side that drives growing EBITDA reaching about \$15 billion by 2020. Now one observation about this program and then one important implication. This large, secured program is precisely what we expected coming out of the Spectra deal. It's nicely balanced by commodity, as you can see, geography and size, which again is important in mitigating execution risk prevalent in our business these days.

Over the last decade though on that point, the vast, vast majority of our projects had put in place on time and on budget, in some cases, ahead. The implication of this size of organic program, which is unique in our space, is that operating cash flow, obviously, lags capital spending, which means that you either carry leverage during the build-out or you prefund that capital. We've had a close eye on the credit metrics. And during this period of rapid industry change and heightened uncertainty, we've taken the decision to further mitigate risk and get ahead of the funding curve. That means more prefunding of our secured program, which will in fact reduce leverage at the same time as maintaining this optimistic growth outlook that we have for the business.

So if there was any doubt about our commitment to that, these are the steps that we've taken that demonstrate focus on the balance sheet.

Over the last 2 years, right up until November of '17, we raised \$7.5 billion of equity equivalent funding, financed the \$37 billion Spectra deal with equity and sold \$2.6 billion of noncore assets. We recently raised, as you saw, another \$2.6 billion of common and preferred equity. We're planning on additional cost-effective hybrid issuances next year, plus \$3 billion in asset sales I just talked about.

So the next slide is intended to put all of this funding in perspective. As you can see here the vast majority of the \$26 billion in funding, including provision for reduction of debt, will be met by \$23 billion comprised of internal cash flow net of dividends of \$14 billion. The \$2.6 billion in common and preferred completed in last 2 weeks; the planned hybrids, that's \$3.5 billion left there; and 2018 sales of the \$3 billion. The balance of the funding to get to our credit metrics can be more than met through a number of options. Sponsored vehicle equity, additional hybrid capacity and our annual DRIP program, all of which totaled \$13 billion in that box.



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Now as a reminder here, this is important, the DRIP programs, if you add them all up within Enbridge and the Sponsored Vehicles total about \$2 billion per year. So the DRIP by itself could satisfy what we need, putting aside all those other sources I talked about. So you can think of the DRIP as the base case to ensure the plan gets done, but we have a lot of flexibility to manage that.

So the way that we'll approach the funding is to utilize the most effective source of capital, which could mean that we turn the DRIP off at some point depending on the other levers that we pull.

Over and above the \$13 billion, you can see there is another shaded area above that, that's the \$7 billion of noncore assets that will provide another source of funds.

So you can see here, we've designed the funding plan to ensure we strengthen the balance sheet with options to reduce our overall cost of funding and provide us with very good flexibility going forward.

So here is what that translates to in terms of the credit metrics. And as I said, John will cover this in more detail later, but I wanted to make sure I hit it here. The combination of increasing EBITDA and the funding actions that I just talked about get us to our targeted debt-to-EBITDA of about 5x by the end of 2018 and to 4.5x by the end of the plan.

You know here the acceleration of deleveraging from 2017 to 2018 in the metrics. This plan in our view should attract strong investment-grade ratings and give us flexibility on top of that. And, of course, we are in constant dialogue with the rating agencies.

Bottom line is that the plan allows us to effectively fund our secured program, while strengthening the balance sheet. With funding priority locked down now, let's now look at the financial outlook.

So the base business and the secured program that I showed on the other slide are expected to generate 10% ACFFO CAGR through 2020. Our '18 ACFFO guidance range is \$4.15 to \$4.45, which reflects the impact of the acceleration of the funding plan we just looked at. So the growth rate year-over-year to the midpoints is 15%. Dividend growth is expected to follow ACFFO growth at 10% CAGR through the plan as well. This is at the low end of the 10% to 12% we discussed in connection with the transaction for a couple of reasons. First, continued pressure on gas prices impacted our outlook for our U.S. and Canadian G&P businesses. And secondly, the impact of accelerated balance sheet strengthening we've taken here at the end of this year and into next also affect that growth rate, but we believe that 10% reflects premium growth in our sector, particularly given our low-risk business model and the predictability of our cash flows. Post-2020, the major growth driver will be organic opportunities from the core business. So let me speak briefly to that and then the business unit leaders are going to go through this in more detail. So this gives you a sense of the diversity and magnitude to the opportunities that will help us extend growth into the future. That outlook is driven by positive energy fundamentals. And just a quick point on that, we really think that technology and sustained cost efficiencies will provide North America with a global competitive advantage on energy for many years to come.

In fact, I believe the future of energy really is going to be driven by steadily increasing North American connectivity to the rest of the globe for oil, gas and, of course, all of the NGL products.

That presents an opportunity to further grow energy supply, infrastructure and exports, which we plan to be a part of. In fact, I'm not really too concerned about not having enough opportunities to develop, we'll have ample opportunities, as you'll see, to grow beyond 2020, but we will be careful to ensure that we are adding value where there is a lot of capital chasing infrastructure projects today.

So for us, growth is going to be characterized by, I would say, medium-sized organic projects within these businesses. Our focus is going to be on expanding and extending the existing footprint, where our core franchises have those competitive advantages that I talked about earlier.

Switching gears now to the third priority, which is streamlining the business. Now in the last couple of years, and this is before Spectra, we made very good progress on approving efficiency and maximizing the value of the embedded assets. We estimated in connection with the deal that we'd have synergies of \$540 million, plus another \$260 million in tax savings. We're on track to achieve the synergy capture, but the bigger point,



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I think, is there's more opportunity here. So we're now embarking on a 3-year continuous improvement program that targets top-quartile performance on costs in our sector.

We've also announced our intention to combine the 2 gas utilities, as I said earlier, there's more potential there, and Cynthia will speak to that later on. Bill and Guy by the way will also reference a couple of commercial synergies that they've been working on as a result of the deal.

Before I wrap up, just a brief comment on the Sponsored Vehicles here on this slide. And again, John will tell you about the outlook, and as we said, we'll have separate sessions on the Sponsored Vehicles after this one.

First of all, though, each of ENF, SEP and EEP, rather, hold critical infrastructure assets to Enbridge. Think about EEP holds the U.S. portion of their main line; SEP, obviously, with Texas Eastern as the main component. The goal for us is to make sure these vehicles are well positioned and optimize the overall cost of capital for us.

SEP and EIF, fair to say, are effective today. They've got good growth, strong balance sheets and conservative distribution coverages.

EEP is better positioned today but needs more seasoning post the restructuring that we did earlier this year.

We've also made an offer to eliminate SEP's IDRs, which we believe will further strengthen its cost of capital and be support of long-term growth for SEP. Although these vehicles have generally been effective in the past, they do add some complexity to the group, and we certainly get that. To that end, we have done some streamlining by taking in MEP, restructuring EEP, as I said, and simplifying DCP.

We'll continue to assess the opportunities for further simplification where we think there is going to be value for both unitholders and for Enbridge.

So I'll wrap up here. This slide essentially recaps and updates the 3 priorities that we looked at, at the midyear update. We'll continue to be disciplined on how we allocate capital, put capital to work, focus mainly on organic growth. We've got \$22 billion in strategic and economically attractive projects in execution that are going to drive growth over the 3-year plan, and that's highly transparent. We're going to extend growth by developing new organic projects in the core businesses.

On the second priority, this almost goes without mentioning, but safety and reliability really is the linchpin of our business, and we need to get this right. And I think we've got the right priority set for that. The Spectra transaction meaningfully diversified our cash flow and opportunity set. We'll now transition the asset mix, now that we've gone through the review to the pure pipeline and utility model.

We've got a very robust financing plan. And through concrete actions, we're accelerating the pace of deleveraging. We're going to be focused on the balance sheet strength, achieving the credit targets and giving ourselves flexibility. We've made good progress on streamlining. So far synergy capture is on track, as I said, and we're targeting top-quartile cost performance. And we've made some steps to simplify Sponsored Vehicles.

These priorities and actions support the value proposition that we've always had at Enbridge, which is familiar to many longtime shareholders, and we think are going to be -- is going to be attractive to new investors. It's a combination unique one we think, a strong organic growth, predictable cash flows and premium dividend growth.

I think the business model has worked well in the past and delivered superior value for shareholders. And as we move forward as a larger and more diversified company, we think that will continue.

I'll end with this slide, which is really the proof in the pudding. We've delivered strong and consistent dividend growth every year since 1996. There's a 3-year period from 2015 to '17 where we increased the dividend by CAGR of 20%. In connection with this 3-year plan that I've summarized here, we increased our dividend in '18 by another 10%, with an expected 3-year CAGR of 10%, while maintaining conservative dividend coverage of 1.5x.

This demonstrates we believe the strength of the plan, our confidence in the secured capital program and the predictability of our cash flows.



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So before I pass it over to Bill Yardley, who is going to kick us off in the business units today, I want to just stop here for some questions and any remarks that your questions that you have now we'll take and we'll save some time at the end as well for a wrap-up. So Andrew?

### Jonathan Gould

We'll ask that everyone please introduce themselves prior to the question.

## QUESTIONS AND ANSWERS

**Andrew M. Kuske** - *Crédit Suisse AG, Research Division - MD, Head of Canadian Equity Research, and Global Co-ordinator for Infrastructure Research*

Andrew Kuske, Crédit Suisse. AI, maybe if we could just step back a little bit and think about just the corporate structure that you've got; you've clearly made some simplification actions, but where on the spectrum does Enbridge really want to be? Is it one single united corporate entity? Or is it a collection of underlying MLPs? And what purpose do those entities serve, then, in the Enbridge strategy overall?

**AI Monaco** - *Enbridge Inc. - CEO, President & Not Independent Director*

Right. Well, the intended purpose of those vehicles, which, as I said, largely in the past, has been to not just hold the assets, which are critical to us, but optimize the overall cost to capital. And we've always felt that those are levers that we can pull when the cost to capital in those vehicles is strong. Obviously, that hasn't been the case in the last couple of years, but they do still hold critical assets. I think to your first question, Andrew, we kind of came by an additional 2 MLPs when we did the Spectra transaction. And as I said, that's probably a little bit more complexity than would be ideal at least in this marketplace. But we will look to simplify, as I said, where we can see some value for both sets of shareholders. I don't see, frankly, being at least in the next little while entirely pure C Corp., if you will; that would obviously need more time to develop. And at this point, our main focus is on the streamlining. As I said, we've done some of that. And we'll evaluate over time whether there is more that can be done.

**Andrew M. Kuske** - *Crédit Suisse AG, Research Division - MD, Head of Canadian Equity Research, and Global Co-ordinator for Infrastructure Research*

So maybe just as a follow-up. Is it fair to say that the strategy right now, like, it's a little bit of an accordion that can move in and out that you may narrow the focus a little bit of the underlying assets in the MLPs or you may expand it over time depending on the market conditions?

**AI Monaco** - *Enbridge Inc. - CEO, President & Not Independent Director*

The assets within the MLPs, I referred to this earlier, I'm going to use this term a lot today, are pretty rock solid. If you look through at EEP, now that the G&P business has been removed, the distribution coverage has been changed to make it a stronger coverage. We've got great assets in that vehicle, and they're critical. So really, that's the kind of asset we would prefer to keep in that vehicle as with the other vehicles. SEP, really the linchpin of the gas transmission system, that's going to grow organically be more the same. The Enbridge Income Fund has got great opportunity to increase its value in the liquids business, again right down in the middle of the fairway, so I would see more of the same in the Sponsored Vehicles in the core businesses.

**Linda Ezergailis** - *TD Securities Equity Research - Research Analyst*

Linda Ezergailis, TD Securities. AI, my recollection in the past was that renewable power kind of punched above its financial contribution in terms of your long-term strategic thinking of becoming a more light hydrocarbon-type footprint, offsetting some of the carbon footprint in the rest of your business, and also being mindful of the potential for disruptive technologies long-term in terms of energy consumption. We've also seen since you were one of the industry leaders in that regard a move up in ESG-type philosophy investing. How do you think going forward in terms of your presence in disruptive technologies, whether it'd be battery storage? Would it be more in the utility model? Or we'll be hearing about that from





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Cynthia, but can you let us think about how you're thinking long-term positioning Enbridge within the context of both changes in the investment community as well as industry?

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**Al Monaco** - *Enbridge Inc. - CEO, President & Not Independent Director*

Great. So let me put it this way maybe, Linda, we still believe in the notion that we are transitioning to a lower carbon future. And maybe this is what you're getting at, we were the first -- one of the first to move in that direction. And we've built a very good business. And so I think our desire to monetize the onshore renewables is more a reflection of capital allocation at this particular time. We're also maintaining our focus on the offshore renewables. And we're doing a lot aside from just that business around carbon intensity at the company that really support our view about the long-term transition. So I think all of that is pretty much intact. And perhaps in the future, we'll build that out, but I think for this next 3 years, that's the capital allocation decision we've made on onshore renewables. And as I said, we'll retain the offshore, partly reflecting your comment, but also because we're in the development phase of that and tremendous opportunity for growth in offshore renewables going forward. ESG on that point you made, which I think is a good one, that obviously has a lot of focus today. We have spent some time in the last year or 2, sort of putting together how we're going to convey what we're doing in the marketplace. We actually can't do that justice today. We're going to have a separate information set that will be appended to your information today, that will go through our position on ESG. It's a big factor today in the marketplace. And environmental, social and governance factors need to be well-outlined to investors. We think we're best-in-class in that area, but you can have a look at the materials and see for yourself.

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**Jonathan Gould**

Here in the back, Al.

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**Al Monaco** - *Enbridge Inc. - CEO, President & Not Independent Director*

Okay.

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**Jonathan Gould**

And I remind folks here in the room that we do have all the presentations posted on the website. There's Wi-Fi here in the room. And you'll also find that ESG presentation within the investor site there as well.

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**Robert Michael Kwan** - *RBC Capital Markets, LLC, Research Division - Analyst*

Robert Kwan, RBC. Al, when you look at the asset sale program that you're undertaking, can you just talk about some of the major considerations that's going to shape? What goes out of the door in 2018, the size, trying to just get out of it as quickly as possible via the sale or highest valuation? And just with valuation, can you talk about some of the underlying tax characteristics of some of the things that you're looking to sell. Put differently, if you sell \$3 billion or net \$3 billion, what would pretax sale look like?

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**Al Monaco** - *Enbridge Inc. - CEO, President & Not Independent Director*

Well, the \$3 billion really represents the, let's say, gross value before tax. We obviously will assess what the tax implications are on each one of -- they're all different, Robert, so it's hard to make a general statement about the \$3 billion, but really it has to do with the whole value that we see. And the maximization of what we see in the marketplace, I think we all know certain assets are attracting some pretty good valuations today. So it really has to do with maximizing value. It also has to do with speed and efficiency of the process. I will tell you that we have lots of inbound inquiries on assets. So I think we'll have a good opportunity to see what's out there. So I'd say value versus our whole value, executability and ability to get them done within 2018 are the 2 main drivers. Obviously, tax is another factor, but it's different depending on the asset.

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**Robert Hope** - Scotiabank Global Banking and Markets, Research Division - Analyst

Rob Hope, Scotiabank. In your prepared remarks, you talked about balance sheet strengthening, but also further growth in the organization. Looking at the next 12 to 18 months, does the balance sheet strengthening preclude you from going after additional growth opportunities until the brunt of the capital plan is behind you? Or how are you balancing growth versus the balance sheet?

**Al Monaco** - Enbridge Inc. - CEO, President & Not Independent Director

Well, let's put it this way. We have teams of business development people whose job it is to search out organic opportunities. And we wouldn't be doing our job if we didn't continually assess those opportunities. But I think you heard from the remarks, a couple of things. We are full in our secured capital program. We've got 2 very big years ahead of us here in that \$8 billion to \$9 billion of spending. The second thing you heard was we're going to really watch the balance sheet and make sure that we're hitting our credit targets that -- and we're focused on that. Maybe the way to sort of bridge those 2, though, Rob, is that if there are organic opportunities that happen to come into '18 and '19, then we'll need to have a financing plan, and you saw we had lots of dry powder to manage additional financing if required, but the base case is execute the capital program, make sure we hit the balance sheet numbers. And if we do happen to see something else in '18 and '19, then we'll have to make sure that we retain the credit profile that we outlined here. At this point, given where we are and the gestation period for organic projects, less likely that you're going to see major organic items up here all the sudden in '18 and '19.

**Jeremy Bryan Tonet** - JP Morgan Chase & Co, Research Division - Senior Analyst

Jeremy Tonet, JPMorgan. I was just wondering if you'd comment on the announcement with the recent open season of the Permian pipe and if that kind of represents a new area of growth for you guys being on the crude oil side in the Permian if that's something you look to pursue further?

**Al Monaco** - Enbridge Inc. - CEO, President & Not Independent Director

Yes. Well, Guy is going to go through that, but maybe I'll just make a couple of comments. Number one, there's really only like 2 basins that have -- in North America, that have, let's call it, under capacity of pipelines: Western Canada and the Permian. Now you could argue with all the new projects being announced there, we may get into an over-pipe situation there too. But for us, there is 2 things that drive it. Number one, the partner we have in P66, who I think everyone would agree is a premier partner in the space given their downstream assets, but more broadly maybe and this will connect up to Guy's comments on the Gulf Coast, really it's about value chain. And if you're just bringing a pipeline to the equation, that's usually not going to win you much business today. So what we're striving for is to make sure we have downstream connectivity. We've got some assets with Seaway and the Freeport docks and Houston docks. So we think we can offer a solution here to customers that really extends the value chain, so they can maximize the value of their product.

**Jeremy Bryan Tonet** - JP Morgan Chase & Co, Research Division - Senior Analyst

Great. And then, just one quick question to the side. As far as the strategy with U.S. MLPs, it seems like there's going to be nothing in the near term, no changes. But longer data, does it make sense to have 2 MLPs? Or what are kind of the pros and cons of leaving it the current way versus maybe at some point in the future simplifying?

**Al Monaco** - Enbridge Inc. - CEO, President & Not Independent Director

Well, I think I was clear in that. There is nothing that we're planning at the moment on that front. I also acknowledged that longer term, it's obviously more complexity. And we get the fact that there's some issues with complexity in today's environment. Right now, we're going to focus on making sure that they perform well. That's the first step because if you look at SEP, the Income Fund and EEP, as I said, great assets. The job now is to make



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sure that they execute on what they are supposed to do and that they deliver good results. I think that's the first priority, Jeremy, that we're focused on.

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**Robert Catellier** - *CIBC Capital Markets, Research Division - Executive Director of Institutional Equity Research*

Rob Catellier, CIBC. You may have partly answered my question with that last comment, but I'm curious on, obviously, simplification takes time and it's an evolving process. So my first part of the question is, your appetite undergo some a more significant corporate actions while you are also undergoing the strategic plan. But apart from that, in the past, you've been a little bit reluctant to undertake corporate actions that while are accretive might be dilutive to growth. So I'm wondering, in this current environment, does that outlook change? In other words, would you undertake a corporate action that is may be growth dilutive if you felt there was more value, market value in your multiple to undertake that type of simplification?

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**Al Monaco** - *Enbridge Inc. - CEO, President & Not Independent Director*

Yes. I mean, the premise we use is not short-term accretion or necessarily the short-term growth, it's value. And if we saw value in something that would go along with simplification, that's really the major criteria.

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**Unidentified Analyst**

Just a follow-up on the balance sheet improvement, so there is credit metric target, do you have ratings targets?

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**Al Monaco** - *Enbridge Inc. - CEO, President & Not Independent Director*

Sorry?

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**Unidentified Analyst**

Do you have ratings target?

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**Al Monaco** - *Enbridge Inc. - CEO, President & Not Independent Director*

Ratings targets, well, we've always said that we want to maintain strong investment-grade ratings. We're comfortable with generally the ratings categories that we have right now. So that's what we'd look to maintain.

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**Unidentified Analyst**

Just investment-grade. Okay. And then, in terms of the hybrid issuance, of the \$13 billion in potential of the hybrid and other vehicles, how much of that could be hybrid issuance there? How much equity credit do you get from the 2018?

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**Al Monaco** - *Enbridge Inc. - CEO, President & Not Independent Director*

Okay. So on the hybrids, the plan for 2018 that we had was \$4 billion, and we executed some of that, so we've got \$3.5 billion to execute. Second part of your question was...



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**Unidentified Analyst**

(inaudible)

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**Al Monaco** - *Enbridge Inc. - CEO, President & Not Independent Director*

Right. Generally, we get half credit from rating agencies for hybrid securities.

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**Unidentified Analyst**

And of the \$13 billion, how much of that could be additional hybrid?

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**Al Monaco** - *Enbridge Inc. - CEO, President & Not Independent Director*

Sorry, I didn't hear the last part.

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**Unidentified Analyst**

And of the \$13 billion, how much of that could be additional hybrid?

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**Al Monaco** - *Enbridge Inc. - CEO, President & Not Independent Director*

Over and above the \$4 billion, generally speaking, John may want to correct me here; it's probably double that in terms of capacity, in terms of our own balance sheet.

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**Unidentified Analyst**

So like \$7 billion, \$8 billion?

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**Al Monaco** - *Enbridge Inc. - CEO, President & Not Independent Director*

In total.

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**Unidentified Analyst**

Of the \$13 billion could be hybrids?

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**Al Monaco** - *Enbridge Inc. - CEO, President & Not Independent Director*

No, no. The \$13 billion only includes the \$4 billion.

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**John K. Whelen** - *Enbridge Inc. - CFO & Executive VP*

(inaudible)

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**Al Monaco** - Enbridge Inc. - CEO, President & Not Independent Director

Another \$4 billion?

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**John K. Whelen** - Enbridge Inc. - CFO & Executive VP

Yes.

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**Al Monaco** - Enbridge Inc. - CEO, President & Not Independent Director

John, you may want to just answer this question.

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**John K. Whelen** - Enbridge Inc. - CFO & Executive VP

(inaudible)

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**Al Monaco** - Enbridge Inc. - CEO, President & Not Independent Director

Just hang on, let's get the mic, so the people on the web...

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**Unidentified Analyst**

(inaudible)

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**John K. Whelen** - Enbridge Inc. - CFO & Executive VP

So I'll go through this a bit later, but within the \$13 billion, you could probably think of the potential, not necessarily doing it, but the potential for another \$4 billion over a couple of years.

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**Al Monaco** - Enbridge Inc. - CEO, President & Not Independent Director

Thanks, John.

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**Unidentified Analyst**

With regard to the asset sales, the \$3 billion of assets sales, since you don't know what valuation, what EBITDA will be going out of that, is it fair to think that the EBITDA and the growth guidance that you provided for 2020 that does not include the asset sales, so that might change a little bit based on what valuation you get?

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**Al Monaco** - Enbridge Inc. - CEO, President & Not Independent Director

Okay. That's a good clarifying question. So the outlook that we have assumes the \$3 billion in 2018. The remaining \$7 billion of noncore assets would be pursued opportunistically within that time frame or beyond, depending on the value that we see. Does that answer your question?

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### Jonathan Gould

So we got time for 1 or 2 more, or we can pick up a few at the end as well.

### Naqi Syed Raza - Citigroup Inc, Research Division - Senior Associate of Oil and Gas

Nick Raza with Citigroup Research. In terms of SEP, post the IDR take out, do you see further opportunity to optimize cost of capital if the market doesn't reward growth?

### Al Monaco - Enbridge Inc. - CEO, President & Not Independent Director

Well, let me see if I understand your question, post the IDRs, presumably, SEP will be in a much better position to use its currency to grow. We've obviously got some internal drop-down candidates that might help facilitate that growth, the Vector pipeline, we've got potentially Valley Crossing when it's completed. Those are some of the opportunities. Offshore assets, I suppose, could fit in there as well. So there's a nice inventory sitting there. SEP's, obviously, got its own organic growth within the Texas Eastern and other franchises. So I think longer-term, it's got pretty good opportunity to reduce that cost of capital and feed on itself to be even more effective, and that will be good for SEP unitholders, but be good for Enbridge Inc. as well.

### Jonathan Gould

Okay. Let's wrap it up there.

## PRESENTATION

### Al Monaco - Enbridge Inc. - CEO, President & Not Independent Director

Okay. So I'm now going to turn it over to Bill Yardley, who runs the gas business. We know him as Mr. Rock Solid in our company. So we'll get him to go through that business.

### Bill Yardley - Enbridge Inc. - Executive VP and President of Gas Transmission & Midstream

Mr. Rock Solid. Okay. Well, thanks, very much Al, and thanks to all of you for joining us here today. It's great to be here in New York, and I'm glad to have this opportunity to talk with all of you about our gas transmission and midstream business. So I know all of you as investors get to see all kinds of maps and slides, I've got those in my presentation as well. And -- but you don't often get to hear the personal explanation and you don't get to hear the confidence that our thousands of employees and our hundreds of customers really have in our system -- in our pipeline system in general. So maybe you'll see today why these pipeline assets are really the envy of the pipeline industry in virtually any economic or energy environment, and why these assets are so critical to Enbridge's future.

Al discussed with you a bit about our strategy to move away from the volatile and commodity-sensitive gas businesses, so I'm going to focus more on the value proposition offered by our transmission assets. And I'd like to leave you with 3 things today. The first, a thorough understanding of why the base business has been delivering and continues to deliver earnings without any erosion; the second is layered on top of that base business, our earnings from projects that we have secured, creating consistent and visible growth trajectory over the next 3 years and into the next decade; and third, our sense of the potential growth prospects beyond 2020.

So first, our map. We've got an unrivaled asset footprint, more than 34,000 miles of pipe in 31 U.S. states, 5 Canadian provinces and offshore in the Gulf of Mexico. They're very nice statistics, but those aren't the selling points. Our transmission assets are differentiated by the best first and last mile advantage connected to both major supply and demand centers.



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First mile, the term for our direct connection to the most prolific supply areas and major storage facilities in North America. And last mile, that direct connection to the major utilities and electric generators in the U.S. and Canada. Some pipelines move gas between hubs with no real first or last mile connection. Some are fortunate to have one or the other. We've got both. Maintaining and enhancing our direct connections to key demand markets and providing access to the growing supply basins is and always has been a hallmark of who we are. And this competitive advantage, the favorable gas fundamentals and fully contracted pipelines allows us to continue to expand this full system to serve our customers and deliver value for investors.

Our U.S. system is no longer just a south to north pipeline. Texas Eastern is now fully bidirectional, a major strategic accomplishment that allows us to deliver gas from the Marcellus and the Utica to markets in the South, further to the East and yes, to the Midwest.

Our BC Pipeline in Western Canada is also in the midst of a multibillion dollar expansion program as the producers want to get their gas out of the region directly from the prolific Northern British Columbia supplier, is that first mile, to Southern BC and Pacific Northwest utilities, the last mile. And the BC pipeline has the same attribute of long-term take or pay contracts from producers and the utilities. The combined assets on this map have stable and predictable cash flow. Our revenues are predominantly take or pay with minimal volume risk or commodity exposure. And the vast majority of our customers are strong, investment-grade companies, heavily represented by LDC and electric utilities.

We've got an exceptional track record of executing on our growth projects, giving us the confidence in this plan to 2020. And as I said earlier, we believe in our long-term prospects.

I like how AI referred to us as a jewel that cannot be replaced, that's comfortable. Gas transmission and midstream contributes about a 1/3 of Enbridge's overall EBITDA. The gas transmission side of the business in turn drives GTM's earnings, making up about 85%. And we fully express -- expect this to increase as our announced corporate initiatives focus on reducing risk. This stable EBITDA is characterized by these attributes, the take-or-pay contracts, the limited volume risk, no direct commodity exposure. They're exactly the desired characteristics of the core assets in Enbridge's regulated pipeline and utility business model.

You might not be able to see it. That's the Colerain, Ohio, compressor station. We built that in 2015 as part of the OPEN project. It was our first greenfield station that takes gas -- it's the first greenfield station in Marcellus and Utica to take gas south, all the way the Gulf, one of our first steps in making Texas Eastern bidirectional. So it's a very pretty area.

So let's talk about why we believe the base is stable for the long term. Let's talk about revenue stability, geography and a solid customer base. I think you'd agree, pipe in the ground today is extremely valuable. The difficulty in permitting and constructing new pipeline infrastructure is steadily increasing. And this makes many existing pipeline systems more critical and especially those with our characteristics.

Let's also agree that geography is very important. Having the largest pipeline running through the heart of the Marcellus and the Utica is important. Having critical connections to utilities here in Manhattan and Staten Island and Newark and Philadelphia, being the largest supplier to New England, serving the Southeast, virtually all of Florida and spiderweb bed throughout the Gulf Coast, operating that British Columbia backbone, our Alliance and Vector and soon to be NEXUS systems into the Midwest and into the Dawn storage hub. That's all very important. And linking the major supply areas to the majority of the active or under construction LNG facilities in the Gulf is very important. Also having the original border crossing to Mexico and now building the newest and the largest one in Valley Crossing is important. So I'd say geography is on our side.

We're contractually full on virtually every foot of our pipeline system at the maximum rates. A map doesn't tell you these things. Every year, a portion of our capacity comes up for renewal. And every year for the past 2 decades, customers have renewed those contracts.

These agreements are mostly with utilities, stable or steadily growing gas and electric companies with critical connections to our system, reliant upon these specific capacity arrangements to meet human needs. We're not worried about these contracts going away for lack of need. These utilities want to know they've got the access to the best production areas in order to have a choice in supply. And if that pipeline capacity goes directly to the city or town that supports their distribution system the most. That's what our Texas Eastern, Algonquin, East Tennessee, Sabal Trail, Gulfstream pipelines all have. Not much credit concern with this group of customers either.



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Here's how we look individually. Solid low risk revenues underpin the gas transmission businesses. Just look at the percentage of reservation-based or take-or-pay revenue, Texas Eastern 94%, Gulfstream 98%, Algonquin -- 97%, et cetera. We get paid regardless of whether these customers flow gas in their capacity. Average contract term by asset, 8 years, 13 years, 7 years and so on. Of course, this capacity is also highly utilized. And as you can see, recent peak deliveries have been achieved on almost every one of these systems.

Utility customers contract for us for year-round capacity, but it's that peak day when they depend on us to deliver reliable service on the coldest or the hottest day of the year. So this is a very illustrative point. Utilities contract for long-term supply on our systems, for which they may have few alternatives. Our rates are stable, reasonable. Pipelines are well-maintained. Customers are happy. Pipeline's full, and the customers can't get any more on the open market. So they ask us to expand. So when they grow, we grow. So that's the story on the base business.

And now let's turn our attention to the second takeaway, the projects that are in execution that will add to this very solid base over the next few years.

So this has been one of our busiest project years, with more than 20 signed projects in some phase of execution, 4 of which were placed into service this year, totaling about CAD 3 billion.

And in the current environment, this is no small feat. And I'm extremely proud of the teams that made it happen. So I'll highlight a few of the larger efforts in a moment, but for now, I'd just like to describe this in terms of a portfolio of investments.

There's quite a bit of diversity in our portfolio. There's geographic variety. Atlantic Bridge in New England, Sabal Trail in Florida, up in the west, High Pine, Wyndwood, T-South in British Columbia. This counterparty variety, a mix of supply push projects like Access Adair, Lebanon and utility pull on Sabal Trail, on Atlantic Bridge. There are export based projects like Stratton Ridge, Gulf Markets, Valley Crossing. There's variety in stage of execution. Some in the early permitting stage. Some beginning construction like NEXUS and others nearing completion. And also size, from the very big multibillion dollar efforts to the smaller very critical enhancements like Lambertville-East. We're expanding everywhere on this map.

So I'll highlight the 3 projects that I think are the most -- are of the most interest to you.

Start with -- let's start with Sabal. So the largest of these projects that we placed in service in 2017 is Sabal Trail, a joint venture between ourselves, NextEra and Duke. Sabal is a 516-mile system across Alabama, Georgia and Florida, delivering 830,000 Mcf a day of natural gas to the Southeast U.S. Considering the opposition and the challenges that we face in the industry to get projects constructed, we're extremely proud of the successful efforts to place this project in service, on-time and on budget. And we've got 2 incremental phases of Sabal to come online in 2020 and 2021. Now this project has been recognized not just by us, but throughout the industry as we were in the New York, actually last week, receiving the Platts Global Energy award for construction project of the year, so very proud of that.

Valley Crossing. Construction is progressing very well on our Valley Crossing pipeline, \$1.5 billion effort, putting us on track for in-service in 2018. It's a 170-mile pipeline from the Corpus Christi region of South Texas to the Mexican border, near Brownsville. And it's 100% subscribed for by the CFE, the primary electric utility in Mexico. And we're ahead of schedule. Of the 170 miles, about 140 of this massive 48-inch pipe is all welded out. The 9-mile header that sits at the top of the system, tying in 10 other supply lines, is complete. The 2 -- at the 2 compressor stations, among the largest in North America, there are 11 units totaling 270,000 horsepower, they've been set on their foundations, ready to be tied into the main line. And by 2018, the largest export pipeline to Mexico is going to be complete.

Last project, NEXUS. NEXUS began construction in October of this year. As a reminder, NEXUS provides an extremely critical strategic value to the overall enterprise and represents a wonderful synergy between the combined Spectra and Enbridge companies. As I explained in June, a good pipeline project provides direct connections to either an end-use market or a supply area. A great project has both of these attributes, both first and last mile, and that's NEXUS. A major commercial synergy is combining NEXUS with our now majority-owned Vector pipeline. This completes that ownership connection between Texas Eastern's unmatched footprint throughout Appalachia and the Dawn storage hub as well as our direct connection to customers in Michigan and our utilities in Ontario. As Cynthia will tell you, Dawn continues to see significant liquidity and growth. Growth is projected up to a additional Bcf a day over the next 5 years as more utility customers in Ontario, Québec and the Northeast look to restructure their contracts and resource back to Dawn.



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And this creates an incremental storage and takeaway opportunities for Cynthia's team on the Dawn to Parkway system. And along the NEXUS path before we even get to Dawn, we've got 1.7 Bcf of power plants, local distribution companies and other commercial customers that have signed interconnects -- interconnect agreements with us throughout Ohio. And on top of that, about 15,000 megawatts of gas-fired generation is planned to be added in Ohio and Michigan between now and 2021. And that's 2 Bcf a day of gas load. So these are all reasons to expect that NEXUS will be fully contracted by 2020.

We've wanted to connect the Texas Eastern system to Union Gas for years. And we're finally seeing it come to fruition. And now we have an even a bigger utility sitting at the back end with the combination of Enbridge Gas Distribution and Union. So this is a great addition to our portfolio.

So let's move on to the third takeaway, the reasons to believe in the growth of our asset base beyond this 3-year planning horizon. As I mentioned longer-term supply fundamentals. And the location of our pipelines in connecting these supplies with markets will continue to be a key advantage for Enbridge. I talked about how geography and the geography of our pipelines keeps us fully contracted and how it keeps us in the conversation for almost any desired expansion, whether for producers looking to access markets or for utility customers needing more for their steady growth.

So this is one view of demand growth by 2035 for every region in North America. It's probably not -- neither the most aggressive nor the most conservative, perhaps a middle of the road view. These regions, where the most fundamental gas demand increase is happening, overlays beautifully on our geographical footprint. A reason why we may be quite a bit more optimistic than some on the prospects for capital deployment beyond this 3-year horizon.

So as you can see that our pipelines traverse all of the major growth areas. And the chart on the right shows that -- so the increase in demand by sector. And throughout this decade, the industry has essentially repiped North America to connect the shale basins to markets. So it now needs to grow into some of that capacity. And the next wave of projects is likely to be more regional in scope compared with that massive build-out that we've seen involving multistate projects over the last few years.

So the -- this is our "don't take our word for it" slide. So these are a few quotes from ISOs in New England and New York, PJM and EIA, all expecting increased demand in their regions. We'll just pick on ISO New England. Their current strategy basically indicates that fuel security remains a primary issue and it has to be resolved for the region to meet its energy supply needs. You can think about what they're doing in that region to further their energy interests. And I know there's an awful lot of renewable efforts going on. They're doing a very good job. But when I get concerned about whether that's a good thing or a bad thing, I go to the ISO New England website and you can look and see real time where their sources of electricity are coming from. And overall, the renewables sort of fluctuate between 1% and 6%. Gas is, is usually over 50%. And that's not a knock on renewables. In fact, the more these somewhat intermittent resources are added, the more likely we need quick-start, complementary, gas-fired generation. So folks, I think natural gas is going to be around and needed for quite some time. We're going to look at the development opportunities just very quickly by region, and we'll actually start in the Northeast, so sort of continuing along.

Natural gas, as I mentioned, is the primary generating fuel for electricity generation in New England. In fact, natural-gas-fired generation's proportion of that system capacity mix is expected to grow from the level that it's at today, just shy of 50%, 45%, up to 56% by the middle of the next decade. And the recent retirements of coal, which is almost nonexistent, oil and significant nuclear retirements really further increases the regional dependence on natural-gas-fired generation. And we're committed to bringing much-needed affordable energy to New England consumers as we continue to look for an energy solution in the region. That looks to be about \$1 billion to \$3 billion opportunity for us.

In the Southeast, increased use of natural gas for power generation, this is going to be the primary driver of Southeast demand here. Coal-fired power plants will be retired over time and replaced by natural-gas-fired generation.

Sabal Trail has been in service for about 6 months, for example. And already, we have a bolt-on project that is likely to be announced over the next year or so for a greenfield Phase 4 of Sabal Trail to an electric generator. And these bolt-on projects are right in our fairway, usually provide really good returns. So we'll continue to see increased demand in these areas and expect to get our fair share out of these power plant conversions.

From Sabal Trail and Gulfstream to our East Tennessee asset and Texas Eastern, we've got this area covered pretty well.



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Gulf Coast. So the Gulf Coast is really the epicenter of demand for LNG and Mexico exports. Natural gas is Mexico's largest source of electricity generation, accounting for 54% of the country's generation in 2015. And that's up from 34% in 2005.

According to Mexico's National Energy Ministry, more than 60% of Mexico's electric capacity additions between now and 2020 are projected to come from gas-fired power plants. And significant gas capacity additions are expected to continue throughout this next decade. And going forward, pipelines are going to be become much more essential to global trade. Suppliers want to be able to access different markets. And demand customers want to be able to get their gas from any area.

For example, Mexico customers are going to continue to reach further and further back in the U.S. As I mentioned, Valley Crossing supports Mexico's demand and ultimately, the market will want to pull supply, not just from the Permian and the Haynesville but also from the Marcellus and Utica. And as for LNG exports -- the EIA says that by 2020, the U.S. will become the third largest LNG export capacity -- will have the third largest LNG export capacity in the world behind Australia and Qatar.

Our Texas Eastern and Valley Crossing pipelines are extremely well located to take advantage of this Gulf Coast activity. And we see \$2 billion to \$4 billion of growth potential in this region.

And finally, Western Canada. Our gas transmission system here in British Columbia is well situated to support producers as they look for egress solutions out of the region, again about a \$1 billion to \$2 billion opportunity here. Our Alliance and T-South pipelines are going to require some fairly significant expansions because they are fully subscribed and have opportunities to move supply both south and west. And as West Coast LNG, that export market matures over the next decade, I think our pipelines are in a very good position to be able to support that demand as well.

Not going to read our key priorities slide; I think they're fairly self-explanatory, but I'll just summarize by saying that natural gas has an extremely bright future. We've got an earnings base that isn't going anywhere. We've got visible, contractually secured growth for the next 3 years. And we're in the best position in the natural gas space to serve the anticipated growing infrastructure needs beyond 2020. So it's very nice to be such a critical stable and growing jewel in the Enbridge family.

I'll stop there and see if you have any questions for me.

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## QUESTIONS AND ANSWERS

**Elvira Scotto** - RBC Capital Markets, LLC, Research Division - Director

Elvira Scotto with RBC. Hi, Bill, can you talk a little bit about -- assuming we get tax reform here in the U.S. and corporate tax rates move lower, can you talk about the potential implications to FERC regulated rates on your legacy pipelines and any implications to cash flow?

**Bill Yardley** - Enbridge Inc. - Executive VP and President of Gas Transmission & Midstream

Yes. So it's pretty early to be talking about this. And I think it's also very difficult to predict what FERC is going to do. Elvira, in our estimation, there are some pipelines that we have that are probably ready to go in for rate cases. Of those multiple assets that you saw, they're all in individual -- they're all individual pipelines with their own rates and rate schedules and so forth. So it really depends on which asset you talk about, how close we are to go into a rate case. And it's really one component that you think about. And frankly, I don't -- I'm not sure it's dramatic enough to move the needle on any one of these pipes to go in for a case or not. So I think it depends a lot on how FERC is going to treat it. Is it going to be a big NOPR of some kind or is it going to be individual, which we think is likely.



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**Brian Joshua Zarahn** - Mizuho Securities USA LLC, Research Division - MD of Americas Research & Senior Analyst

Brian Zarahn from Mizuho. On NEXUS, can you provide an update on your expected in-service date, any update on returns and elaborate a bit on your confidence in increasing contracted capacity?

**Bill Yardley** - Enbridge Inc. - Executive VP and President of Gas Transmission & Midstream

Sure. November 2018 late -- is at the latest I think we're saying, third quarter -- late third quarter is when we're targeting in-service. We have a great deal of confidence in that schedule. We actually had a lot of debate as to whether to rush and get that -- go full-bore on pipeline construction over the winter. Wintertime construction is a little more difficult, a little more costly. So we're doing a lot tree clearing and other activities. The true pipeline construction will start in the spring. Plenty of time to get it done for the fall. As far as the other components to the question, second, I guess is, our confidence in filling it up. Of those buckets that I mentioned, the selling gas to producers on one end and to the consumers on the other at Dawn, I think we've got a pretty good leg-up on our competition. The biggest thing though are those interconnects in the middle. So the producers that are talking to us today, yes, they like Dawn, but they also really like the optionality to sell gas to these various interconnects in Ohio and to a degree Michigan. And then, longer-term, I think they want the optionality to serve a lot of the electric generation load that's coming in. If you add all those prospects up, we're probably looking at a 3 to 3.5 Bcf a day target zone. And we're about 400 to 500 a day short of selling out the capacity. And I'll segue into your last part of your question, which is the financials. When we had proposed NEXUS, we knew we would be a little bit short or we thought we would. And we -- for a 2017 in-service, had said, we're going to sell the pipeline out 1/3, 1/3, 1/3 of that open capacity in the first 3 years of in service. I think if we can sell it out 50-50 in the first 2 years, now of '18 -- after '18, so '19 and '20, we hit our target economics for the project. Good question.

**Yves C. Siegel** - Neuberger Berman Management LLC - Portfolio Manager

It's Yves Siegel, Neuberger Berman. Just a quick question. When you think about the opportunity set that you outlined, what's a reasonable sort of target to actually see that translate into executable projects?

**Bill Yardley** - Enbridge Inc. - Executive VP and President of Gas Transmission & Midstream

I actually think that \$5 billion to \$10 billion, I probably wasn't very clear on this, Yves, but if you add up those -- that opportunity set, we're probably at about \$5 billion to \$10 billion. And where we look at -- the time frame, the time horizon for that is probably in the first 3 to 5 years following the turn of the decade. So sometime between signing projects up today and signing projects up in 2021 for in-service between like, say, 2021 and 2025. I think that's all very reasonable. So I know I always pick on the Northeast because it's close to -- it's where I'm from. So when I think about our target there as being \$1 billion to \$3 billion. If we figure out the puzzle, which is -- which has been Access Northeast, that's basically right in the middle of that zone for us with the partnership. So I think it's a very good risk. It's a risk. It's not -- it doesn't represent the total of all of the opportunities, it's just what we think we can capture. I think it's realistic.

**Jeremy Bryan Tonet** - JP Morgan Chase & Co, Research Division - Senior Analyst

Jeremy Tonet, JPMorgan. I was just wondering if you could pick up on the last question a bit more as far as Access Northeast and kind of unlocking that key, I mean, the slide you put up there shows a very clear need for this infrastructure. So just wondering, any thoughts on how you think the regulatory side could develop there that could allow it -- get that built? And then also just as far as Northeast pipeline development goes in general, it seems like Spectra has been able to kind of face less local opposition than maybe other development projects out there. So just wondering if you could expand a bit more on your approach?



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### **Bill Yardley** - Enbridge Inc. - Executive VP and President of Gas Transmission & Midstream

I'll take the second one first. I'm not sure we're facing any less opposition. We're -- maybe we look like the duck on the pond. There's an awful lot going on behind the scenes. I think pipeline companies, in general, have adopted a better approach to siting and permitting. I think because of our experiences in heavy urban areas in the Northeast -- honestly, New Jersey-New York was a bit of a bellwether for us and really taught us an awful lot about how to interact with the political environment, how to deal with, well this infrastructure is going through 1 state, and it primarily benefits another. We're not sure about this infrastructure being in such close proximity to major areas. I think we did a really good job upfront treating it like a political campaign almost. And we take that philosophy into our other projects, especially in more densely populated areas. But Jeremy, as you know, even a project like Sabal Trail, which -- it wasn't exactly rural. It went through plenty of highly populated areas, but it was less so than the New Jersey-New York. You still had to treat it that way. So that's probably the second question. The first one, specifically to Access Northeast. The area of -- that area of the country is very resistant to anything to do with fossil fuels right now. And I don't think there's any doubt among the folks that are developing policy that natural gas is needed. And folks don't like the term bridge, bridge fuel, but in all honestly, I think there's a good collaboration, if you will, between the ability to promote renewables, which currently do have the intermittency issue and natural gas, which is the cleanest fuel in the market right now for -- nonrenewable, for electric generation. And the match is actually very good. I think that's sinking in with most of the folks that are going to be making these policy decisions. In fact, I would say the governors, all 6 New England governors really understand this dilemma. And they're not blind or deaf, I should say, to what the ISO is saying about we've really got to work on fuel security in the region. So I feel very good about our prospects. It's not something you see a great deal of progress on day by day for sure. But it is something that we feel like we're going to get there in the end.

### **Linda Ezerailis** - TD Securities Equity Research - Research Analyst

Linda Ezerailis. So AI talked about this growing global connectivity of North American hydrocarbon industry with the world. And you've also extended upstream a little bit potentially. And downstream now, you've got utility connectivity, but where does LNG sit in the puzzle? Would there be some sort of commercial construct that would fit into Enbridge's risk profile that would allow you to buy or build into that extension?

### **Bill Yardley** - Enbridge Inc. - Executive VP and President of Gas Transmission & Midstream

I think you answered your own question. So I think, in general, our first method of participating is we're in our core, when we expand Texas Eastern, when we expand perhaps other pipelines that are Gulf-oriented to some of the facilities that are either under construction or planned. And so that's job one, is let's stick to our knitting, stick to our core and have some really solid pipeline expansions in the Gulf Coast. That's what that target opportunity of \$2 billion to \$4 billion represented. As far as -- the commercial construct would have to be right for us to go any further downstream. That's possible. There are some LNG export facilities that do have those characteristics, but they would have to fit very well within the model that was constructed. And -- but I do think it's possible.

### **Naqi Syed Raza** - Citigroup Inc, Research Division - Senior Associate of Oil and Gas

Nick Raza with Citigroup. Does the combination of the 2 gas utilities improve your ability to contract more on NEXUS, could you just comment on that? Also, if you could just confirm that your guidance for 2018 actually represents 60% contracted for that project as well?

### **Bill Yardley** - Enbridge Inc. - Executive VP and President of Gas Transmission & Midstream

Yes. So it does represent 60% contracted with the current mix of producers and LDCs. As far as the combination, I'd say it -- they have their own regulatory construct to go through. They've got to have a competitive process to determine what their capacity mix is going forward. I just think the -- I'm not sure it's a combination per se, but it is a very large utility, a nice target, maybe with one set of views for the future as opposed to two. So soft issues might help, but they've got to go through their own process in order to determine what the capacity additions would be.



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**Jonathan Gould**

Got time for one or two more here, and then I'll remind you that Bill will be back to talk SEP later.

**Darren Charles Horowitz** - *Raymond James & Associates, Inc., Research Division - Research Analyst*

Darren Horowitz with Raymond James. Quick question about the Northeast, just with what could be 15 or 16 Bcf of incremental long-haul pipe getting built in the region and effectively being online in, let's say, 2 or 3 years. From a recontracting perspective, what impact do you think that has on certain aspects of Texas Eastern's tariff? And more importantly, and I apologize for looking ahead, but in the corporate finance section, when you give a snapshot through your guidance, can you just give us at least the thought process or the construct behind the expectations for year-over-year base business growth versus the incremental EBITDA from project integration?

**Bill Yardley** - *Enbridge Inc. - Executive VP and President of Gas Transmission & Midstream*

So the first -- I think the year-over-year base and I can -- we can talk about this more when John gets up. But I think the year-over-year any slight increases in the base is probably due to some of the projects that have outer phases, Darren. So I'm not sure -- it's not a big needle mover, right? So fairly small. There may be some expectation of storage values, but again, remember storage is a tiny part of our business. So I don't think they're very large. The Northeast supply area that you're referring to that's getting 15 Bcf of pipeline supply is -- that's a lot of capacity to grow into for sure. I do think that there are -- we're going to have wait and see. Let's see, first of all, let's see what gets done, right. There's still an awful lot of question about what pipeline capacity is out there to be filled up. Is there -- are we going to see the larger projects get completed or are they going to run into more permitting timelines and when. I feel very good about where Texas Eastern runs through that area. But when you look at recontracting and you look at the rates that are -- that Texas Eastern enjoys, these are legacy rates, they are very low relative to new construction, and they're held by the utilities that I mentioned where the capacity goes directly to their city gates. It's very difficult to turn back that capacity in favor of some other capacity or a producer owning some capacity into the region. So that direct connectivity combined with the economic efficiency of Texas Eastern and the utility customers, I think that keeps that base secure for quite some time. I'm understating that. It's -- I'm extremely confident that, that continues throughout the next decade.

**Jonathan Gould**

Just one last one here with Ted.

**Theodore J. Durbin** - *Goldman Sachs Group Inc., Research Division - VP*

It's Ted Durbin with Goldman Sachs. Bill, historically, we've thought of the Spectra investments as a return on capital of, call it, 6x or 7x EBITDA build multiples maybe, is that still true for the \$5 billion to \$10 billion that's you're looking at across the system and maybe is there a difference between Canada and the U.S. as well when you invest capital?

**Bill Yardley** - *Enbridge Inc. - Executive VP and President of Gas Transmission & Midstream*

So the answer is yes, Ted. I mean, we have to have it way. I know things are getting more competitive, but we feel like we bring the right skills and the right geography to the -- to these prospects. And I think we have every reason to expect that our future investments will be in line with our current and past investments. And no difference between U.S. and Canada, sorry. All good. Okay. Ms. Cynthia, I'm going to turn it over to you.



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## PRESENTATION

### Unidentified Company Representative

Can I get a mic, please?

### Al Monaco - Enbridge Inc. - CEO, President & Not Independent Director

Just while he is sitting down, when I expand on this notion of major projects execution capability. These days, this is a prime factor in how customers look at the company. And our ability to win new business is really driven by this. Customers look for this capability and they're becoming a bigger part of the solution. So customers are more involved with making sure that the progress on the project moves forward. And they're becoming part of these projects going forward. So that's a factor in being successful today. Cynthia?

### Cynthia Lynn Hansen - Enbridge Inc. - EVP of Utilities & Power Operations

Thank you. Thank you, Bill, and thank you, Al. So good morning. I'm very excited to be here today to share with you the opportunities that Enbridge has to grow and leverage our utilities. Both Enbridge Gas Distribution, EGD, and Union Gas, are franchises that are high-value assets that together are going to provide a very strong platform for continued growth.

We now have the largest and best situated gas utilities in Canada supporting Ontario, Québec and Northeastern U.S. markets. The ability to double our utility infrastructure in North America was a very attractive part of the Spectra merger. As Al mentioned, the utilities are an important part of our move to mature pipeline and utility asset mix with predictable cash flows and dividends, growth opportunities and balance sheet strength.

We have exceptional growth in customers and assets. We add over 50,000 customers each year and deploy capital in excess of \$1 billion to maintain and grow our great assets.

Our storage and transmission assets are tied to large demand centers that are growing. Our reach into 3.6 million homes and businesses ensures we are well-positioned for growth both in our traditional markets and new markets in the lower carbon future.

While EGD and Union Gas currently operate as distinct entities in Ontario. Later, I will outline the key terms of the application we filed with the Ontario Energy Board, the OEB, to integrate these 2 great companies.

Our people continue to safely and reliably deliver the energy that heats homes and generates economic growth. The strength of our committed and engaged team is the platform that allows us to continue to deliver strong, stable financial results.

We're very fortunate; our assets serve one of the largest and fastest growing regions in North America. The Greater Toronto area population is forecast to increase by over 40% by 2041, according to the Ontario Ministry of Finance.

Population growth in Ontario continues to drive the need for infrastructure growth. Our rate base has grown significantly over the last decade. And looking forward, increasing urbanization, population growth will increase demand as we deliver the energy people want and need. Strong housing starts in Ontario provide continued rate base growth through customer additions.

Natural gas is and will continue to be an extremely cost-effective source of energy in Ontario at 1/4 to 1/3 the cost of alternatives. This cost advantage will continue to generate natural gas growth opportunities. Demand has been and is predicted to remain strong, even in a carbon constrained economy. We're able to -- we will be able to leverage diverse supplies of gas in North America with the Dawn Hub having access to Utica, Marcellus, the Western Canada supply basins along with the Mid-Continent markets.

We're expanding into new markets in Ontario with recent submissions to the OEB. Expansions that are partially supported by a government grant program that's allowing for more remote locations, including aboriginal communities, to have access. So a total program of about a quarter of a



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billion dollars. We continue to build connecting pipelines and expansions to support the commercial growth in Southwestern Ontario, like our \$265 million Panhandle Reinforcement project that went into service in November and our \$85 million Kingsville project that we will file with the Ontario Energy Board in January of 2018.

The Dawn-Parkway system has recently grown to 8.2 Bcf per day capacity based on the end market demand. The Dawn Hub, which is already the second most physically traded hub in North America, is attracting significant flows with large infrastructure projects, such as Rover and NEXUS, that are coming into service in 2018. These flows make even more attractive for consumers, both in Ontario and in the U.S. Northeast.

Additionally, we have 278 Bcf of gas storage directly connected at Dawn, making the Dawn Hub an even more attractive location for sourcing physical supply. As Bill mentioned, we're extremely well positioned to grow and leverage both the storage and transportation systems to meet growing market demand as we move forward with our low-risk growth model.

So we recently completed an extensive build-out of the Dawn-Parkway transmission system to support recent and future growth. So the 2017 Dawn-Parkway capital expansion of \$620 million was placed into service between July and October of 2017. And that's completing a \$1.4 billion 3-year build-out that started in 2015. Our storage capability can continue to grow as our assets are integrated and optimized during the amalgamation. And downstream markets continue to seek that physical storage at Dawn. So in the last decade, we've completed about \$0.25 billion capital program for storage.

As, again, Bill mentioned, NEXUS is important. So NEXUS is contracted for more than about 0.67 Bcf per day to Dawn with EGD and Union Gas as anchor shippers. The Canadian Eastern LDCs are providing greater access to Dawn for their direct purchase customers, and that's further increasing the value of the Dawn Hub.

So as you can see from the 2 charts on the slide, our regulated assets are very stable, low-risk businesses that deliver strong risk-adjusted return. Both EGD and Union Gas will end their third 5-year term incentive regulatory frameworks in 2018. Incentive regulatory frameworks in Ontario have allowed both utilities to achieve superior returns. As detailed in the slide, you can see the blue line on the top is our returns, and they have exceeded the allowed ROE, which are the yellow chart -- bar chart. The incentives have driven a balanced approach that has benefited both consumers and shareholders. We're well positioned to continue to deliver strong returns for our low-risk regulated utilities in the future, supplemented by very strong returns on our nonregulated storage business.

So in November, we filed applications with the OEB to integrate EGD and Union Gas. We applied for a 10-year term starting in 2019. This is a price cap framework similar to what Union Gas currently operates under. Large capital investments associated with big growth or a material change in regulatory requirements above the base threshold level will be supported through separate applications with the OEB and will have an allowed rate of return on the capital deployed.

Rebasing of our rates is now going to be deferred until the end of 2029. The framework includes an earning-sharing mechanism beginning in the sixth year, which is 50-50 sharing of earnings in excess of 300 basis points above the allowed ROE.

So there are opportunities to also adjust the framework for any kind of unexpected economic results. The 10-year time frame provides sufficient time for us to recover costs through the capture of synergies and additional revenues that are going to generate great opportunities.

We have 2 large utilities operating in the same jurisdiction. Integrating EGD and Union Gas will allow us to eliminate overhead and align functions as is highlighted in this slide. So streamlining our combined operations will add value for both our ratepayers and our shareholders. Our combined size will allow us to leverage our supply chain strength in North America as a large utility and as part of Enbridge, which is now the largest infrastructure company in North America. The 10-year time frame allows us to tackle initiatives that require a little bit more time to drive that value.

Our objective is to generate returns in excess of the allowed rates of return, while delivering superior value and customer service. Amalgamation will create the single largest gas utility in North America in terms of send-out volumes and the third largest in terms of customers.



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So there are 2 applications, one for the approval of integrating using the MAADs process to amalgamate the 2 entities and the other for a rate-setting mechanism. They are very related, and we expect the decisions for both to come about the same time period. And we anticipate that we'll hear shortly from OEB related to the time line for the hearings and additional guidance on the process, and we requested a decision for Q3, so that we're in a position to implement effective January 1 of 2019.

We're critically focused on our core natural gas assets and the related opportunities. Supporting growth and rate-based renewal, we'll add 50,000 customers per year and continue to spend approximately \$1 billion in capital each year. We're expanding into new communities in Ontario. We'll optimize our infrastructure, delivering those superior returns. So one recent example is related to commercial synergies we achieved this year when Union Gas was contracted by EGD to operate its unregulated storage business. This reduced operating costs, generated additional revenue and simplified the service access for our customer.

So as we amalgamate EGD and Union Gas, streamlining again will benefit both our customers and our shareholders. We're currently working with the municipalities and commercial operations to expand the generation and capture of renewable natural gas associated with landfill, biogas and other opportunities.

So building on our current footprint and expertise, there is also various opportunities for significantly more compressed natural gas in transportation, both through the support of urban transportation systems, like buses and garbage trucks, as well as a heavy haul transportation within Ontario.

We're also starting to develop other opportunities, including things like integrating gas and electric infrastructures using combined heat pumps, geothermal loops and hydrogen storage and blending.

So in summary, we have great utility assets located in major growth centers in Canada and connected to diverse gas supplies. Our assets will continue to deliver strong predictable returns, and what we own and operate today is an extremely strong platform to support growth as we provide gas to heat your homes, run businesses and transport goods.

We'll capture synergies and create value when we amalgamate the utilities in Ontario, and we'll leverage the strength of our gas utilities into other opportunities, including various low-carbon programs. So in conclusion, we'll continue to build-out this franchise, maximize our operational efficiencies and leverage our size, while we deliver both strong, stable financial results.

So with that, I'm open for any questions you may have on the utilities.

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## QUESTIONS AND ANSWERS

### Unidentified Participant

Would you be able to discuss how you think about supply diversification when you think about Marcellus, Utica, Western Canada?

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### Cynthia Lynn Hansen - Enbridge Inc. - EVP of Utilities & Power Operations

Yes. So this is something that we've seen particularly in the last 3 years, this opportunity to develop with Rover and NEXUS and that connectivity and then we've seen others from the Western Sedimentary Basin respond to that, I mean TransCanada's long-term fixed program has again drawn those critical volumes into the Dawn Hub area to service that market, both in Central and Eastern Canada and to the U.S. Northeast. So it is that -- because it's the second-highest traded hub in North America, there is just so much demand that we're getting that diversity of supply.

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**Unidentified Participant**

(inaudible) on your needs -- I mean do you have any thought process in terms of how much when you source the gas? And how important is it for supply diversification versus how sensitive are you to tariffs?

**Cynthia Lynn Hansen** - Enbridge Inc. - EVP of Utilities & Power Operations

Yes. So right now, the cost of our gas is passed on to our customers. So we don't have a direct sensitivity, but what it does do, what's critically important, is to have that opportunity to deliver the low-price energy efficient solutions to our customers. So it allows us to -- having that multiple supply paths allows us to deliver an end-use product at the lowest cost available in North America.

**Al Monaco** - Enbridge Inc. - CEO, President & Not Independent Director

So part of the decision process that they go through and this sort of links up to what the question was before, in Bill's area around long-term transportation, part of the rationale for transportation contracts is that overall diversity and lowest-cost source of natural gas, so that helps them rationalize and justify transportation contracts for sure from all basins.

**Robert Hope** - Scotiabank Global Banking and Markets, Research Division - Analyst

Rob Hope from Scotiabank. Just in terms of the amalgamation of the 2 utilities, do you have an estimated cost to complete and then b) do you have an estimated synergy number between the 2 organizations?

**Cynthia Lynn Hansen** - Enbridge Inc. - EVP of Utilities & Power Operations

Yes. So our cost to complete on our synergies are outlined in the MAADs filing. And basically, we have looked at a number of alternatives. So because we don't know what the timing is or what the end product is at this point, we've kind of a range that we specified in that application. But what our target is that we're basically budgeting to have a modest level that's above the allowed ROE. So we feel that that's reasonable and achievable given how we're going to be able to deliver both value to our ratepayers and customers and to the company. So it's not a fixed amount at this point.

**Robert Hope** - Scotiabank Global Banking and Markets, Research Division - Analyst

And then just as a follow-up. The regulatory and political landscape in Ontario can be fluid; are you open to other potential sharing mechanisms there if you're not able to keep the total amount for 5 years?

**Cynthia Lynn Hansen** - Enbridge Inc. - EVP of Utilities & Power Operations

Yes. So the application is actually for 10 years, and we would have no sharing for the first 5 years under the MAADs process, which is what the OEB has outlined for these types of transactions and then in the final 5 years, 6 years going on, it would be sharing 50-50 over 300 basis points. So we will, as we go through the regulatory hearing process, obviously, be open to different comments through both the hearing and in the IR. So what we'll again be looking for is that kind of stable long-term opportunity to drive the value out and something where we can achieve, similar to what we've done in the past, that kind of opportunity to earn above the allowed ROE.

**Al Monaco** - Enbridge Inc. - CEO, President & Not Independent Director

Is it fair to say Cynthia that the MAADs process in Ontario, because it's been driven off electricity amalgamation is fairly prescribed in terms of how this all rolls out?



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### **Cynthia Lynn Hansen** - Enbridge Inc. - EVP of Utilities & Power Operations

Yes. So, Al, what I would say is that the MAADs process, there is a guideline that we'll go through and it lists out what your actual application is and how you have an opportunity to earn. And it has been used for -- it's only been used twice before. So once for an electric amalgamation and merger and once for a gas, but it was a very small gas utility that was acquired by EPCOR. So there is -- we're kind of leading into this. Now we've had an opportunity to have some really great discussions before we file with the OEB chair and staff at the OEB, and we believe we're aligned, but we will continue to learn more as we go through that regulatory process.

### **Linda Ezergailis** - TD Securities Equity Research - Research Analyst

Just a quick housekeeping question with respect to your \$5-plus billion of opportunities. Can you help us kind of notionally stratify between what would be in the regulated rate-based bucket and what would be unregulated and maybe further beyond that I don't want to split hairs, but within the regulated, notionally kind of what's within the regular course of maintenance capital? Is that already kind of somewhere else or is that in that number versus those separate large CapEx applications? And are we looking at 2021 to 2025 as well or a different time period?

### **Cynthia Lynn Hansen** - Enbridge Inc. - EVP of Utilities & Power Operations

Okay. So Linda, those were all great questions. I think there were 3 in there, and I will take a stab at answering those. So the \$1 billion -- or the \$5 billion there is basically kind of \$1 billion a year for 5 years in that time frame. And it does include both our regulated and unregulated opportunities. What we would see as we look through the 3-year forecast period is that we have most of that growth in regulation and that includes both our maintenance and then our growth. So as we're adding customers, supporting that, and there are a few expansion programs like, I mentioned, the \$85 million Kingsville. There's Sudbury reinforcement -- replacement. So there are things like that, things that we've seen that we've traditionally done in the market. So it's very similar to what we've seen in the past. There's some potential for some incremental capital on our gas storage in Tecumseh. So more of the same what you've seen in the past. We do have, as we're going out further, some other opportunities that are potentially regulated or unregulated in the lower-carbon environment. So right now in Q1 of 2018, we will have a hearing with the OEB regarding geothermal loops. So geothermal loops right now, there's a proposal to put those into rate base, we don't know. If that goes into rate base, it could be rate-based or non-rate-based. But the other opportunity would be to have some long-term contracts with the government. So it would be very PPA like, so it's like regulated-like activity. Just whether the OEB allows us to put that in or not and that's small in the first few years and then starts to grow in the later years. Does that answer all 3 of your components?

Well, if there are no more questions, then I think it's my opportunity to introduce the next rock-solid member of the team, Guy Jarvis, who leads our Liquids Pipelines team.

## PRESENTATION

### **D. Guy Jarvis** - Enbridge Inc. - Executive VP & President of Liquids Pipelines

Good morning, everyone. Happy to be here to talk a bit about our Liquids Pipelines business for a while and take some of your questions. Glad Cynthia mentioned how rock solid our business was because it's not like I'm competing with Bill or anything for business units, but we do believe we have a rock-solid business and outlook.

Our Liquids Pipelines represents a critical part of Enbridge's portfolio. We represent just over 50% of the expected EBITDA for 2018, and we've got assets with excellent growth potential. My slides and commentary are going to get into greater depth as I go along, but I want to introduce a few key messages right up-front.



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First, over the plan period and beyond, we believe our business will be very stable with a low-risk profile. Second, our Mainline is and will continue to be the most competitive option for strong netbacks out of the Western Canada Sedimentary Basin. And third, we're well positioned to leverage our portfolio of assets into future growth in the coming decade.

Our world-class pipeline network is North America's premier crude system. Not unlike what Bill referenced in terms of first mile and last mile, this math does the same thing. We've got supply areas -- key supply areas in the Bakken and in the oil sands and a lot of refiners attached to our Mainline system with our market access pipelines extending that reach even further. We've operated this system for decades, but I want to highlight a significant evolution in the last 5 years or so.

Our market access projects, the Flanagan South and Seaway Pipelines providing access to the U.S. Gulf Coast, Line 9 providing access to the Québec refining market and Southern Access Extension serving Patoka are all in service. The Express-Platte systems from the Spectra acquisition are highly competitive additions to our portfolio. And the acquisition of an interest in the Dakota Access and Energy Transfer pipelines provide Bakken barrels with highly competitive options to Patoka and the U.S. Gulf Coast.

The Mainline system is the heart of this portfolio, with a capacity of 2.85 million barrels per day to move a range of light and heavy crudes along with NGL and refined products. This system has developed, over many decades, to offer customers unparalleled market access, service offerings and flexibility, all while maintaining highly competitive tolls.

We serve two key North American producing basins, Alberta's oil sands region and North Dakota's Bakken formation. In the oil sands, we now own and operate a range of laterals and facilities serving 11 different oil sands projects, which aggregate supply into 4 separate regional pipelines with a current capacity of 2.35 million barrels per day that is expandable to 2.75 million as demand grows.

In North Dakota, our legacy Enbridge system and Bakken Expansion Pipeline can move up to 350,000 barrels a day into our Mainline at Cromer, Manitoba, and Clearbrook, Minnesota, while our 27.6% ownership in the Dakota Access and Energy Transfer pipelines provide up to 525,000 barrels a day of capacity.

Finally, a lot of the flexibility and service capability that we can offer across the Mainline and our other assets stems from an extensive crude storage and terminal portfolio. We own and operate 39 million barrels of contract storage, predominantly at Cushing and Hardisty, Alberta, while our Mainline terminals include 34 million barrels of storage used for operating and balancing purposes.

I mentioned the low risk, stable nature of our business and this slide provides more detail on our 2018 EBITDA by segment. Long-term take-or-pay contracts and cost of service or index tolling mechanisms represent 2/3 of the EBITDA, while the competitive toll settlement on the Canadian Mainline represents the remaining 1/3.

The strength of a take-or-pay contract is directly correlated to the credit worthiness of the counter party, and we have a very strong portfolio of North America's biggest and highest credit quality companies, Imperial Oil, ExxonMobil, Suncor, BP, to name a few.

Cost-of-service tolls now govern approximately 80% of the Lakehead System rate base and bear no volume risk.

FERC index tolls evolve from a starting point cost of service and then escalate by a formula updated by the FERC every 5 years. A key feature of these tolls is that we have a cost of service backstop that provides extra stability. These tolling mechanisms provide strong protection.

In our situation, on the Lakehead System, North Dakota pipeline and Platte pipeline, each have highly competitive tolls. And while we foresee no need in the planning horizon to contemplate new cost-of-service filings, there is competitive headroom on each of these pipelines if the situation presented itself.

Finally, given the outlook and timing for competing pipeline capacity, which I will get into later in more detail, we could see continuing strength of our Mainline volumes extending through the remaining term of the CTS agreement to mid-2021.



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The Line 3 Replacement is not depicted here as it will not be in service until next year, but I wanted to also highlight that it's underpinned by an initial 15-year surcharge to be applied on all barrels moving on the Mainline. Again, the arrangement is a stable, long-term mechanism.

This chart highlights that while there's been a lot of talk about new pipelines over the past number of years, we've increased throughput by about 400,000 barrels per day through increasing capacity and optimizing the system. These solutions are very low cost, providing huge value for our customers and strong financial performance for the business. Completion of the Alberta Clipper Expansion in 2015 increased our capacity to 2.85 million barrels per day, and we expect that the Line 3 Replacement will be the next new tranche of capacity serving Western Canada as our capacity increases to 3.225 million barrels per day in the second half of 2019.

We've talked a lot over the last 18 months or so about our efforts to optimize throughput on the system. A range of alternatives is now available to shippers that allow for certain crude blends to flow in light capacities that may otherwise not be nominated. While the range of opportunity is larger if needed, in 2017, we estimate that these actions increased throughput by 87,000 barrels per day.

The long and short of it is, just like many of our customers have dialed up their operating reliability of their production assets, we've done the same with our pipeline. We're ready to move a lot of crude every day, and we expect to be doing just that throughout the plan period, the balance of the CTS agreement and beyond.

Execution of our secured growth plan has been going very well with approximately \$6 billion of new projects going into service in 2017 that contribute to the portfolio of long-life, stable take-or-pay contracts. Athabasca Twin went into service early in the year, the Dakota Access-Energy Transfer pipeline went into service mid-year, with JACOS in August, and as of December 1, the Wood Buffalo Extension in support of the Fort Hills project. The Norlite Diluent Pipeline came into service in May, it is important -- excuse me, and is an important addition to our regional oil sands portfolio. Suncor and the Fort Hills partners are key customers of this line, but it also has expansion capacity, which is attracting healthy interest. We've recently executed 2 new long-term agreements, covering an additional 25,000 barrels a day of capacity and hope to secure additional commitments in 2018.

You can see by the chart that our project execution performance, meeting in service dates and budget expectations has been excellent for all of these projects delivered in 2017. We expect to continue the strong performance on the \$9 billion of projects, which will come into service in 2019, predominantly the Line 3 Replacement and related final phase of the Southern Access expansion.

Good progress is being made on the various elements that make up the Line 3 Replacement project. We remain confident in the regulatory time line that has been established in Minnesota, which we expect will lead to a PUC decision in the second quarter of 2018, and we continue to believe in the strength of our application and preferred route.

Our refinery customers in Minnesota have participated in the regulatory process with strong evidence of the need for the project, citing that replacing Line 3 is, by far, the best option with respect to public safety, environmental protection and cost effectiveness.

Our construction program in those jurisdictions where the project is fully permitted has gone very well. In Canada, we expect to complete about 400 kilometers of pipe construction this season and with the weather cooperating well in the fall, things are right on track. In Wisconsin, construction will be complete before year-end and is awaiting tie-in. Once permitted, construction in Minnesota is expected to take up to 12 months.

To wrap up on Line 3, I want to provide a better clarity on our expectation for the second half of 2019 in-service date. At this stage, until we get to the point where the construction plan can be fully optimized, it's very difficult to be precise about exactly when the project can come into service. Our goal is to be in service as early as possible in Q3 with an outer range for the window of expectation at November 1 of 2019.

The oil sands continue to be a world-class resource of 170 billion barrels with tremendous near- and long-term potential to competitively underpin growth on our regional, Mainline and market access systems. There is a lot of confidence and a good line of sight into expected supply growth into the early part of the next decade from projects that are already operating or under construction. CNRL's expansion, new supply from the Fort Hills, and PetroChina-Canada projects, along with continued development plans of many other projects already producing, suggest growth of as much as 850,000 barrels a day from 2016 through 2022.



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Producers are also actively improving the competitiveness of their existing projects, which we believe will translate into better opportunities for future sanctioning of new developments. New technologies, capital cost efficiencies, operating cost structures and improved production performance are driving down the oil price outlook to sanction new projects to below \$60 a barrel. And they are doing all of this with an eye to the environment, as many of the new technologies not only target lower costs but improved emissions performance that brings the oil sands into line with other global crude oil supplies from an environmentally competitive position.

So I'm sure you're wondering what all of this means about the future of pipelines and what does this supply outlook mean for ex-Alberta pipeline capacity and utilization? We've got a very busy slide here. So before we get into what it is telling us, let me explain our premise for how we see pipeline capacity being used in the future.

In some respect, it is like the dispatch curve on an electric grid. Western Canadian refinery demand, shown in black, will be served first. Contracted pipeline capacity on competing pipeline, shown in blue, and on Enbridge, shown in yellow below the brown line, will be utilized next. Uncontracted capacity on Enbridge, again, shown in yellow and competing pipelines will take up the balance of supply and the pipeline offering the highest netback to producers will attract barrels first.

As the chart illustrates, and as I will discuss in more detail in a minute, we believe that the Enbridge Mainline will continue to offer the strongest netbacks to producers and that we will attract marginal barrels before competing pipelines.

It's no surprise that in one new pipeline scenario, the outlook for the Mainline is to remain chock-full even under the lowest production outlook from cap, so let's focus on the 2-pipe scenario on the right.

In the 2 pipeline scenario, there may be excess capacity on the Mainline for a period of time, but when you consider today's apportionment levels, expected production growth of 850,000 barrels a day and the potential for new contracted capacity of 1 million barrels per day, along with the uncertainty over when those new pipelines may come into service, we do not see our volumes being materially affected, and in fact, they begin to recover quite quickly based on forecast production growth. We do not see this scenario materially impacting revenues through the remaining CTS term, if at all. Beyond that time, any throughput impacts are expected to be relatively small, with the Mainline returning to full in the 2025 time frame.

So in combination, with the expected volume protection and the new tolling agreement, we're not concerned about the longer-term financial stability of the Liquids Pipelines business, and at the Enbridge level, any impact is not -- just not material.

As I indicated on the prior slide, our premise is that contracted capacity will be filled first due to the lower marginal cost of shippers who will view their demand charges as sunk. This premise applies to the downstream contracts on our market access pipelines as well, which provide demand pull on the Mainline of approximately 1 million barrels per day.

But why do we believe our Mainline will be the pipeline of choice to move uncontracted barrels? It rests with the strength of the markets that we serve. Our traditional upper PADD II market has been and will continue to offer the Canadian producer the highest netbacks, and the 2 charts on the slide explain exactly why. Put simply, the Enbridge Mainline delivers to higher-priced markets than competing pipelines and at a lower toll. The result is an opportunity for a significant netback improvement for producers from barrels moving on our system. As we've discussed before, neither the refiner nor the producer is expected to realize all of this \$5.50 per barrel advantage, but each will realize some of it through this -- through their price negotiations.

The size of this market as much as 1.9 million barrels per day of connected capacity is largely dependent on delivery of Canadian crude from Enbridge and is expected to be the key demand-pull driver for spot volumes on the Mainline system.

There's been a lot of questions about how we see tolling on the Canadian Mainline evolving beyond the expiry of the CTS deal in July of 2021. This slide is a reminder that by that time, we'll have been in one form or another of incentive tolling arrangements for over 25 years that have generated returns across the Mainline assets in the low double digits range. The various arrangements have met the needs of our customers, while offering the protections, incentives and financial stability required by Enbridge.



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Building on some of what we've just talked about in prior slides, we expect the Mainline to be the competitive choice of our customers. Because of that, we do not see a material volume erosion. And there is still a lack of clarity about when competing pipelines will be in service. So our expectation is that the extension of some form of incentive tolling will provide the best value for customers and for Enbridge. Our customers have told us that's what they prefer, not going back to cost of service. They value too much the things that incentive tolling brings, crude quality management, power cost management and system optimization to drive throughput. So we believe the key elements of the next arrangement will include volume protection for Enbridge and for our customers, incentives that align Enbridge and our shippers, toll competitiveness and certainty that will ensure the Mainline remains the first choice of our customers and low double-digit returns that are consistent with prior tolling agreements.

Now to this point in my presentation, the focus has been on the strength of our 3-year plan, our confidence in our ability to execute the Line 3 Replacement for 2019 in-service date and why we believe the post-CTS tolling arrangement will allow us to continue to be competitive, move a lot of crude and generate stable financial performance.

I want to shift gears a bit now and talk about the future of the business and the opportunities we have on our plate to extend growth beyond this 3-year plan period.

We continue to believe that the low-cost stage options to expand our Mainline capacity through highly executable solutions with reduced regulatory requirements will provide opportunity for us and our customers. Customers are asking us to continue to develop them and plans are in place for each one of them. Not only are they inexpensive to execute, they are low cost to continue developing at this stage, so we will continue to do so and begin making further decisions around them some time in 2019.

As we've stated before, complementary market access solutions are available on our Flanagan South and Seaway Pipelines to the Western U.S. Gulf, Southern Access Extension into the Patoka market and potentially in support of the Capline reversal that is now being evaluated by industry. In aggregate, these solutions represent \$2 billion to \$4 billion of future investment.

This opportunity is all about expansion. But we are also beginning to evaluate how the Mainline network may be optimized in the future to lower costs for our customers and possibly reposition certain assets depending upon how crude flows play out in North America. We are evaluating Mainline investment that may result in lower power or integrity cost. We're excited about the potential to invest in the Mainline to allow shippers to reduce their diluent costs. It may result in higher tolls on our system, but overall is an opportunity to generate dollars per barrel of cost savings to our dilbit shippers.

Finally, as always, we will be looking to invest in the system to continue to optimize crude slates and flow directions to ensure we meet the evolving needs of both the producing community and refinery market. I want to make sure that I leave one clear point on the future of our system. Our size, scale and geographic reach, along with the absolute criticality of our system to producers and refiners, means that our system is the most competitive in North America. The fact that we've added Express-Platte, Dakota Access, the potential to link the proposed Capline reversal to the Eastern Gulf by our Mainline expansions give us an incredible optionality to grow in the scenario of 2 competing pipelines. If only one is built, the potential could be larger.

Our competitive position in the oil sands and North Dakota each offer growth potential as supply increases. In Alberta, we have long-term relationships and contracts with many of the players, who expect to continue to grow their volumes. We have assets, bitumen pipelines and a diluent pipeline with capacity to handle additional volumes. We have a locational advantage that should make us the front-runner for a number of growth projects, and we have Mainline and market access options to deliver barrels from the oil sands through to multiple markets, including the U.S. Gulf Coast.

In North Dakota, DAPL continues to have expansion potential offering competitive tolls to strong markets. The Express-Platte system and how we fit it in as a complement to Enbridge's Mainline and the needs of the market continues to be evaluated. Construction of an interconnect of the Platte system to the Spearhead Pipeline is the first revenue synergy opportunity that we have identified, which extends the market access reach for Platte customers to Cushing and the U.S. Gulf Coast, while potentially driving new revenues on Spearhead and Seaway.



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In aggregate, we see the opportunity set across these assets early in the next decade to be in the range of \$1 billion to \$3 billion. The strength of our portfolio and its embedded growth positions us with competitive advantages and key relationships to open new doors in North America and further expand our footprint.

You would have seen yesterday that we launched an open season in conjunction with P66 for a potential crude solution serving the Permian Basin. As AI has also addressed in response to one of the questions, we're very pleased to expand our relationship with our partner in DCP to bring this exciting new opportunity to the market. The Gray Oak pipeline would have a capacity of 385,000 barrels a day, providing access from West Texas to markets, storage and export options at Corpus Christi, Freeport and Houston. The targeted in-service date is the second half of 2019.

We know that the Permian is a highly competitive market, and it's important to get this opportunity and the benefit it represents into the customers' hands. Given the competitive nature of the region, I'm not going to say much more about the project, as it remains confidential between the proponents and potential shippers. The expected capital cost of the project also remains confidential and will be subject to the scope that results from the open season submission.

As you know, we've been interested in the opportunity in the U.S. Gulf Coast for several years now. And if anything, the fundamentals of the market today have grown even stronger in our view. Crude oil exports are growing, Permian production, as we referenced, is growing significantly and targeting that export market, and these developments create an even stronger link between U.S. Gulf Coast activity and existing and future pipeline operations as the pipelines become more and exports become more essential to global trade.

Our 50% ownership in the Seaway Pipeline and related Freeport and Texas City docks is a strategic Gulf Coast link to our Mainline system via our Flanagan South pipeline.

We're evaluating a range of options to more fully enter the terminal and dock export business in this region through greenfield or acquisition opportunity and have a line of sight into \$2 billion to \$3 billion of opportunity.

While we like this region, opportunities to enter into it will need to meet our strategic and investment criteria in order to attract the capital. We're looking for stable cash flow streams, assets with organic growth potential and ideally an ability to leverage value from existing or future pipeline investment.

So to wrap things up, I want to go back to where I started. We have a very strong 3-year plan underpinned by our optimization efforts on the Mainline and completion of the Line 3 Replacement project. We're sharply focused on the competitiveness of the Mainline to ensure its financial stability post CTS. And we continue to have growth potential in our key supply basins through continued Mainline expansion and optimization and within the Permian and the U.S. Gulf Coast.

Thanks for your attention. And I'm happy to take some questions.

## QUESTIONS AND ANSWERS

**Ross Payne** - *Wells Fargo Securities, LLC, Research Division - MD & Senior High Grade Analyst*

Ross Payne with Wells Fargo. Two quick questions. First of all, crude has obviously been out of contango for a number of months here. Is that impacting your recontracting rates in Cushing? And second related to Minnesota, obviously, EEP abandoned Sandpiper, went with DAPL. We hear there is a significant amount of pushback in Minnesota. What gives you greater confidence to get through Minnesota on Line 3 this go around?

**D. Guy Jarvis** - *Enbridge Inc. - Executive VP & President of Liquids Pipelines*

Okay. So to go to the first question, obviously, the -- how the crude market is setting up does have an impact on recontracting efforts for storage at Cushing or anywhere else. One of the things we're finding over the last number of years at Cushing, as more and more pipeline flows are coming

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in and out of Cushing, we're seeing rates that will be less dependent on that on the forward curve and how people can trade around it, more dependent on the operating storage flexibility that people need when they've contracted for firm capacity on a pipeline and want to be able to move the barrels in and out. So it is a factor, but it hasn't been a material move to the needle one way or the other. In terms of Sandpiper versus Line 3, I think the key distinction between the 2 is Line 3 must be replaced. It's a critical replacement project to allow us to have a new pipeline, not continued with the integrity program that we have on the existing one, which requires a lot of ongoing digs and other work and disruption of local landowners as we do that. So Sandpiper, we're disappointed about that outcome. But it was about a different premise. It was about a growth opportunity that didn't come to bear. This is at its heart, not necessarily -- while there is a growth aspect to Line 3, at its heart, that's not why Line 3 is being replaced. It's being replaced for integrity reasons. So long and short of it is, we're not backing down at all. We believe that the need, both from the integrity perspective and the support we've got from our Minnesota refineries for the need for growing crude supply, is going to win the day.

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**Al Monaco** - Enbridge Inc. - CEO, President & Not Independent Director

I think the FEIS, if I'm not mistaken, Guy, also confirm that replacement was the best way to go.

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**D. Guy Jarvis** - Enbridge Inc. - Executive VP & President of Liquids Pipelines

Correct.

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**Andrew M. Kuske** - Crédit Suisse AG, Research Division - MD, Head of Canadian Equity Research, and Global Co-ordinator for Infrastructure Research

Andrew Kuske, Crédit Suisse. Guy, maybe just give us a bit of perspective on the longer-term outlook for oil sands crudes, as historically, if I go back, I think dates to the prior 17 Enbridge days, you typically have all the third-party provider forecasts and then you'd have an Enbridge number, which was effectively usually a discount to those forecasts. That's noticeably absent in this forecast. Maybe just give us some perspective on that and what that means for things on a longer-term basis?

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**D. Guy Jarvis** - Enbridge Inc. - Executive VP & President of Liquids Pipelines

Yes. So I think what happened over the years is, back in the glory days of \$110 per barrel oil, the range of expectations was pretty wide. And we tended to lean towards the conservative side. I think what we've seen since 2014 is a lot of those forecasts have collapsed around a very narrow range. So we're really leaning more and more heavily on the cap outlook. I think it's interesting, as we go around and talk to individual customers, there seems to be, I wouldn't say more of a bullish view, but certainly a more confident view about how successful they can be in profitably sanctioning new projects in a lower-price environment. It goes to the efficiencies that I spoke about in terms of capital investment, operating costs, the way they -- I think the hidden piece in the oil sands right now that isn't getting picked up by a lot of people is the improvement in our operating reliability. These things run a lot more than they used to. That drives their cost down. So there is a strong undercurrent of confidence that we're starting to see about new project development in the oil sands.

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**Jeremy Bryan Tonet** - JP Morgan Chase & Co, Research Division - Senior Analyst

Jeremy Tonet, JPMorgan. Just turning back to the ROCE slide for the Mainline that you had there. We're just wondering if you could help us walk through how volumes have materialized in the Mainline since the '11 CTS settlement at that point? And kind of how that ties together with the ROCE that you presented on that slide there?





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**D. Guy Jarvis** - *Enbridge Inc. - Executive VP & President of Liquids Pipelines*

Yes. So I think I don't have the exact numbers. I'll use the volume floor and the competitive toll settlement as a bit of a marker to set where we were. The volume floor is 1.3 million barrels per day. So back at that time, I think we were probably 200,000 to 300,000 barrels a day above that, so in -- say in the 1.6 million range. Since that time, through the addition of capacities and optimizations and whatnot, we have added -- today for 2017, we're going to average just over 2.5 million barrels per day of throughput. So obviously, a lot of good volume growth and good revenue growth, along with that came capital investment to make those -- that capacity available. And as evidenced by some of what you've seen in the past, a very significant pipeline integrity program. So while, on balance, volumes and revenues may be higher than what we would have expected going into the CTS, pipeline integrity cost and keeping our systems safe had gone up similarly. So we're finding ourselves, over the life of that agreement, going to be in a very similar band to what we've seen historically.

**Jeremy Bryan Tonet** - *JP Morgan Chase & Co, Research Division - Senior Analyst*

So higher-than-expected volumes that effectively offset higher-than-expected CapEx over the time period?

**D. Guy Jarvis** - *Enbridge Inc. - Executive VP & President of Liquids Pipelines*

Yes. More than offset the new capital investment and the integrity program.

**Robert Michael Kwan** - *RBC Capital Markets, LLC, Research Division - Analyst*

Robert Kwan, RBC. Guy, when you look at CTS, I'd like to go back to discussion we had at the mid-year Investor Day, you talked about how much more volume you move, but you've also increased capacity on a fiscal basis. Can you talk about though how much capacity you've added on your own dime into the system when you think about drag-reducing agents and optimization, i.e., how much of that capacity would actually go away if you went back to full cost of service?

**D. Guy Jarvis** - *Enbridge Inc. - Executive VP & President of Liquids Pipelines*

Yes. So it's a tricky question to answer, and the reason is as you -- we do things to create the capacity, and it's there for the shippers to be used. So one measure I will use is we now believe that we have in the neighborhood of 200,000 barrels per day of alternatives for shippers to use when light volumes may weaken. So that's one marker. Here recently, you would have seen in our Mainline expansion growth that we've uncovered a way to restore about 50,000 barrels a day of capacity on Line 4. It was actually very, very low cost, but while the cost was low, the effort internally that went into the engineering and the sciencing of the solution was very time-consuming and took many, many months. So if you use that one as an example, in the cost-of-service world, there would have been no incentive for us to spend that time and effort and money and change management to eke out that last 50,000 barrels a day. Those are the critical aspects of CTS that lead us to believe that incentive tolling is always going to be the best solution for ourselves and our customers.

**Robert Michael Kwan** - *RBC Capital Markets, LLC, Research Division - Analyst*

Okay. And then just following on the return side of things, can you talk about where the rate base is in the system? Or put differently, what's the achieved return at this point as compared to that 10% to 12% expectation going forward?

**D. Guy Jarvis** - *Enbridge Inc. - Executive VP & President of Liquids Pipelines*

Well, I don't think we're going to get into any of those gory details here other than to say, I think clearly with the way volumes are today, we're going to be on the higher end of that return range than we may have been when things started off. But on balance, we've looked out through the balance of the remaining term and on balance -- and again, this is a Mainline snapshot, this is the Canadian Mainline and Lakehead System combined,



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when we think about tolling. So while the performance might be on the higher end on the Canadian Mainline system, on balance we're all falling into that same range.

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**Robert Michael Kwan** - RBC Capital Markets, LLC, Research Division - Analyst

So higher end, but not through the high end?

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**D. Guy Jarvis** - Enbridge Inc. - Executive VP & President of Liquids Pipelines

I'm sorry?

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**Robert Michael Kwan** - RBC Capital Markets, LLC, Research Division - Analyst

Higher end but not through the high end.

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**D. Guy Jarvis** - Enbridge Inc. - Executive VP & President of Liquids Pipelines

Well, I think you could probably say that on the Canadian Mainline, you're a little bit through the higher end, but on balance, across the entire Mainline, you are within that boundary.

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**Praneeth Satish** - Wells Fargo Securities, LLC, Research Division - Senior Equity Analyst

Praneeth Satish, Wells Fargo. Just wondering if you could provide a little more clarity on how U.S. tax reform, income tax lens, how that flows through the Enbridge Liquids Pipelines? I think on the EEP side, you could see a little bit of weakness and maybe that gets offset in other places, and it's neutral to the ENB level. Just a little more clarity.

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**D. Guy Jarvis** - Enbridge Inc. - Executive VP & President of Liquids Pipelines

Yes. I think that's exactly right. There is a potential for a bit of weakness in terms of how taxes at the EEP level flow through to our cost-of-service tolls, as an example. But you're equally right, that if cost-of-service tolls go down at EEP under the joint -- the international joint tariff relationship, they're going to go up on the Canadian Mainline. So overall for our Liquids Pipelines business, it's pretty much a wash.

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**Praneeth Satish** - Wells Fargo Securities, LLC, Research Division - Senior Equity Analyst

Just had a question on the dispatch curve versus the slide where, you say 1.9 million barrels are tied to the system and you've got pull-through down to the Gulf coast for another 1 million barrels a day. Is that reflected in that dispatch curve? Or is that something that, would say, on top of the analysis on tolls and commitments, we also have this sole connectivity in the Midwest?

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**D. Guy Jarvis** - Enbridge Inc. - Executive VP & President of Liquids Pipelines

(inaudible).

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**Praneeth Satish** - Wells Fargo Securities, LLC, Research Division - Senior Equity Analyst

Are those 2 slides incorporated with each other?



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**D. Guy Jarvis** - *Enbridge Inc. - Executive VP & President of Liquids Pipelines*

Yes. So looking at this slide here, you can see the first segment of that yellow bar is characterized as Enbridge downstream take-or-pay commitment. So that's the 1 million barrels a day downstream pull that we have on Flanagan South, Southern Access and Line 9. We believe that stuff will dispatch first along with the other contract capacity. Beyond that then, the remainder that's shown as the balance of the Enbridge Mainline capacity, we're going to be out there competing to move the marginal barrel, and our premise is that because we offer the best netbacks, we will attract the marginal barrel first and fill it back up to our levels.

**Praneeth Satish** - *Wells Fargo Securities, LLC, Research Division - Senior Equity Analyst*

Just as a follow-up to that. So within those marginal barrels, you're the sole supplier for some of those refiners or some of that demand?

**D. Guy Jarvis** - *Enbridge Inc. - Executive VP & President of Liquids Pipelines*

Yes. Looking at that 1.9 million barrels per day, I don't like to use sole supplier because it's not exactly true, but they are highly dependent on Canadian crude, and they're highly dependent on deliveries from our system.

**Jonathan Gould**

Maybe time for just one more, and then we'll...

**Unidentified Participant**

On Slide 62, you discussed some potential expansions, including Seaway, Flanagan South and you made reference to the Capline reversal. Could you just talk about some of the critical path items to that? Seems like there's quite a bit of congestion building up in the Cushing to Gulf Coast corridor. How do you see the market need for those expansions? What needs to happen? And how specifically this Capline reversal impacts your business.

**D. Guy Jarvis** - *Enbridge Inc. - Executive VP & President of Liquids Pipelines*

Okay. A couple of answers. So first and foremost, as it relates to our expansion capabilities on the Mainline itself and the timing of a lot of those, a lot of those hinge off of Line 3. We talked about the integrity benefit of Line 3. One of the other benefits of Line 3 being a brand-new pipeline is you can really manage your crude slates more efficiently. So Line 3 is a key driver of future growth for us there. When you get into thinking about the market access pieces of it, then, obviously, Flanagan South, Seaway expansion, expanding Southern Access into Patoka, those are things we own, and we can control, and we can do. Relatively low capital cost because they're already in the ground. But to your point, potential for some congestion in those markets, when our shippers show up with more barrels. That's why we really believe the Capline reversal has the potential to be a great outcome for the industry, in that it's going to allow the opportunity for some of these barrels to get to a new market to avoid some of that congestion on the Gulf Coast. So we've had a lot of conversations with those proponents over the years. We're big fans of the idea, and we're hoping that it gets the traction that we think it should and that we'll be a key part of supply net.

**Jonathan Gould**

Okay. I'll remind you, Guy will stick around after to support the Enbridge Energy Partners discussion afterwards.



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**D. Guy Jarvis** - *Enbridge Inc. - Executive VP & President of Liquids Pipelines*

All right. Thank you, and I'm going to now pass it over to John Whelen.

### PRESENTATION

**John K. Whelen** - *Enbridge Inc. - CFO & Executive VP*

Well, good morning, everyone. Just to let you know in the audience today, we've got Wanda Opheim, our Treasurer; and Max Chan in the back corner there, Director of Capital Markets. And if you have any questions around our financing or financing plans, they're certainly equally capable of commenting on them. So please catch them at lunchtime if you wish to talk about all things finance.

So you've already heard a lot from AI and the executive team on our strategy and our focus on the, dare I say, rock-solid execution of the company's secured growth program. And I'm going to take a little time in my segment here today to review how the company plans to fund that growth over the next 3 years and to position for the opportunities beyond 2020, but also how, in a fairly granular way, our current strategy is expected to translate into earnings, cash flow and dividend growth over the next 3 years. And if there is an overarching message from my side today, it would be that the outlook is truly strong, and we are very well positioned from a financial perspective heading into 2018 and our first full year as a combined company post the Spectra acquisition.

So get the slides up here, the Q&A, going backwards. Okay, there we go. So 2017, it was a busy year around the company and for finance, in particular. There's lots of things I could mention, lots of things AI has already talked about, but some of the key ones are noted on this page. We did close the Spectra deal as planned in the first quarter with no material regulatory issues. And as AI has mentioned, we've been making really good progress on the integration front. Once closed, we were quick to get out of the gate on the financing front, and since March of this year, we've raised close to \$14 billion of new long-term capital for the combined company with over \$5 billion of that capital being in the form of common equity or equity-equivalent funding.

On the finance side, we've also been chipping away at other aspects of our debt funding structure, looking to eliminate layers of structural subordination through the tender offer for Spectra Energy corporate level debt.

We did top up the common dividend in the second quarter by another 5% to bring the total increase in 2017 to 15%, consistent with our announced merger plan. And, of course, just last week, we announced another 10% increase to the dividend to \$2.68 per share, effective with the next quarterly dividend payable on March 1 of 2018, which, of course, is in line with our longer-term guidance. So taken all together, some very solid progress in 2017, which sets us up very well from a financial perspective to execute on the strategy that AI and the team have laid out today.

So this next slide sets out in simple terms how finance will support the execution of the company's broader strategy. First and foremost, we're going to be critically focused on maintaining financial strength and stability as the company builds out its secured capital growth program. That means ensuring ready access to low-cost capital, maintaining ample liquidity in the event that Capital Markets are disrupted, maintaining a strong investment-grade credit profile and strengthening the balance sheet, while we continue to grow out the asset base and position for the future, proactively managing all controllable risks to ensure the stability and predictability of earnings and cash flow, employing a very strict discipline around all investment and capital allocation decisions and continuing to simplify our debt funding structure, all with a view to reducing our overall cost of capital and enhancing long-term value.

No real surprises here. These priorities and objectives are the ones that have driven our execution strategy in the past and will continue to guide our strategy and planning going forward.

So before going too much further, I think it is important to reiterate the strength and stability of the company's core businesses. Post combination with Spectra, the scale and scope of our business has grown significantly, and we're much more broadly diversified across energy basins, across commodity types and across regulatory jurisdictions. The cash flow generated by our core businesses is highly reliable with over 96% of EBITDA being generated from long-term take-or-pay contracts, rates and tolls that are generated by cost-of-service formulas or fixed fee arrangements



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with downside protection like our Liquids Mainline competitive tolling settlement that Guy was just talking about. And the customers behind these revenue streams are strong. Over 92% are investment-grade, and the remainder are broadly diversified and very closely managed.

A small proportion of the EBITDA that we generate is directly sensitive to commodity price movements, but that percentage is coming down as we look to selectively divest of gathering and processing assets, whose performance can fluctuate directly with commodity prices. Looking forward, commodity-sensitive businesses will be an even thinner slice of the pie, further increasing the reliability and predictability of our earnings and cash flow. We believe this adds up to one of the very strongest business risk profiles in our peer group and one which the rating agencies continue to acknowledge in their assessment of our overall credit risk.

Our management team remains focused on preserving this highly reliable business model as we look to grow the company. In that same vein, we're continuing to proactively hedge exposure to movements in market prices to the extent that we haven't already been able to contract or transfer away these exposures through tolling agreements or supply arrangements. Foreign exchange exposure arises as a result of U.S. dollar-denominated tolls in our Canadian assets, primarily the Liquids Pipelines Mainline, and through our U.S. dollar earnings generated by U.S. subsidiaries. As we stand today, about 75% of earnings exposure has been hedged at a rate about CAD 1.18 per US dollar on average for 2018.

Exposure to interest rates is also limited. After taking into account existing hedges, the interest rate on about 85% of our debt is fixed, and we actively hedge the balance of the residual floating rate exposure. We've also hedged about 65% of planned term debt issuances in 2018. Even with this amount of hedging, interest rates and FX rates have the potential to move the needle a little on bottom line earnings and ACFFO, and I'll provide some sensitivities a little later in the presentation when I get to the outlook for 2018. But you can see from this slide that our overall direct exposure to movements in market prices is very well contained. Cash flow at risk, which is basically the impact of a 2-standard deviation shock in prices after taking into account correlations across various exposures, is really very modest, less than 3% of 12-months forward ACFFO, as you can see up here on this slide.

As I mentioned a moment ago, we have had some good success in funding the secured growth program, raising just about \$14 billion through debt, equity and hybrid securities offerings across the Enbridge Group since the merger closed. As you can see from the schedule on the left-hand side, we've been able to efficiently raise long-term capital in the U.S. and Canada through both public markets and private placements at the parent company level and through our sponsored vehicles and wholly-owned subsidiaries. Demand for our securities continues to be strong, and we continue to enjoy ready access to capital on favorable terms. In the last 2 weeks, since announcing our strategic plan, we've raised just under \$2.6 billion of capital, and we may look to get a little more done before the year is out. Proceeds from all of these offerings have largely been used to repay commercial paper and bank debt incurred to fund construction in progress. And as you can see from the graphic on the right-hand side of the slide, we're well positioned heading into 2018, with over \$14 billion of committed standby liquidity available to help manage through any market disruptions should they occur and of course, provide for flexibility to tap into longer-term capital markets when the conditions are most attractive.

So Al put this slide up a little earlier, which shows our CapEx profile for the next 3 years on an as-spent basis, broken out by business segment. Total spend is about \$22 billion on the secured program over the next 3 years, and it's significantly more diversified across business lines than would have been prior to the Spectra acquisition. It's also fairly front-end-weighted, with the bulk of the spend occurring in 2018 and 2019. And while it's still a substantial program, the total 3-year forward spend is lower than it has been in recent years and very manageable given the combined sources of funding available to us. And this next slide, which Al has been through in part already, does give a little bit more detail on where the funding will come from.

So the financing plan that was substantially laid out in our news release the week before last has been designed to ensure timely funding of the secured capital program while, at the same time, bringing down consolidated leverage, all with a view to achieving our longer-term credit metrics early in the planning cycle and driving out further improvement in those metrics as major projects are completed and brought into service. A substantial portion of the total funding requirement will be met by internal cash flow generated by our core businesses, which, after dividends, amounts to about \$14 billion. As Al talked about, another \$3 billion will come from sales of noncore assets to be completed in 2018, and we're actively working on those divestitures now. That would leave about \$9 billion to fund over the 3-year planning period. As Al noted, we've already prefunded about \$2.1 billion of that through the common shares issued by Enbridge Inc. and Enbridge Income Fund Holdings Inc. last week, and those deals have now closed.



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As announced, another \$4 billion will be raised through hybrid issuance of hybrid securities, either preferred shares or hybrid debt instruments, both of which get 50% equity credit from most of the rating agencies. We've already made a good start on this chunk of the funding plan with the issuance of \$500 million of rate reset preferreds by Enbridge Inc. in the Canadian market last week, and we're looking to issue about another \$3.5 billion in both Canada and the U.S. over the next year.

The balance of any equity funding required to support the secured growth program could be raised through a variety of sources, which far exceed identified requirements. As AI pointed out earlier, Enbridge Inc.'s DRIP program, together with the DRIP and PIK programs at the sponsored vehicles, have the potential to raise about \$2 billion a year or \$6 billion over the planned period if we chose to leave them in place as is, which, by itself, would be more than enough to fund the remaining requirement. But we also have the flexibility to turn off or ramp down the DRIP program depending on performance and raise additional capital over the next 3 years through either additional hybrid offerings in 2019 and 2020 or through the issuance of additional equity at the sponsored vehicles, where we believe there's more than enough market capacity to raise \$1 billion to \$1.5 billion annually between ENF and SEP. And we could look to further asset monetizations, as AI pointed out. We have identified another \$7 billion to sell or monetize if that was the most efficient thing to do from a financial or strategic perspective.

The bottom line is the overall funding plan is sizable but very manageable, and there are plenty of alternative sources we can draw upon to meet the balance of the funding requirements without any further follow-on issuance of common equity by Enbridge Inc. Ultimately, we'll look for the lowest-cost combination of these alternative sources that meets our requirement and most efficiently achieves the improvement in credit metrics and strengthening of the balance sheet that we are committed to over the planning horizon.

So looking now a little more closely at credit metrics. Our plan has been designed to systematically de-lever and achieve our longer-term targeted ratios early in the planning cycle while the secured program is being executed and to continue to strengthen the balance sheet from there. Over the longer term, we're looking to maintain adjusted debt to EBITDA comfortably below our target of 5x and adjusted FFO to debt comfortably above our long-term target of 15% once the Line 3 placement program is completed and other current projects are in service.

It's important to note that the targets shown on the slide are based on the company's calculation of the key credit ratios. Each agency makes different adjustments to our reported numbers in their determination of these metrics. As always, we've been in ongoing dialogue with all of the agencies. And in developing our plans and setting our targets, we've looked to ensure that we ultimately achieve or exceed the specific targets that each agency has established to maintain our current credit rating based on their calculations and methodology.

I want to emphasize that the deleveraging glide path illustrated on this slide will continue to be an important input parameter into our ongoing strategic and financing -- financial planning process. Put another way, if new investment opportunities come along that we wish to pursue before or after 2020, they will be funded in such a way as to maintain credit metrics within these established targets.

So let me shift gears now and talk a little bit about the financial outlook for 2018 and the balance of the 3-year planning period. But before doing so, a quick reminder here on this slide. That as a result of the Spectra acquisition and our shift in the shareholder base, Enbridge is becoming a domestic filer and registrant, so our year-end results that will come out in February next year will be reported on a Form 10-K. We'll report subsequent quarters on Form 10-Q and other material events on Form 8-K. And we'll also be replacing our existing universal shelf refiling with a universal S-3 in order to comply with earnings status for securities issuance early in the new year. Not really a big change for us as both EEP and SEP have been U.S. public filers and issuers for many years. That said, there will be a look -- a change to the look in our MD&A and investor material, which should align us a little bit more closely with our broader peer group. Going forward, business unit results will be reported at the EBITDA rather than the EBIT level. And while the calculation isn't changing, we will start referring to available cash flow from operations, or ACFFO, as distributable cash flow, or DCF, starting with our year-end reporting in February. To be clear, this is just a relabeling of the metric. It doesn't change the calculation.

So before getting into the numbers, let's have a quick look again at the capital program, but this time focusing on when capital actually comes into service because that is what will drive our growth profile. While we will generate growth on existing assets as contractual commitments ramp up and we optimize capacity to increase volume throughput, the big drivers in EBITDA through this planning cycle will come from new assets being placed into service. We've included 2017 on this chart as a number of the major projects completed in 2017 were brought into service relatively late in the year and will be a major contributor to EBITDA growth in 2018, in addition to a new -- other new projects that come on stream. 2019 is also expected to be a big year for project completions, with several major projects scheduled to come into service, but the largest, of course, being



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the Line 3 replacement project north and south of the border. And more on that in a moment. But for now, we'll just concentrate on our guidance for 2018, which comes up on this next slide.

As you can see, we're expecting a significant uptick in projected EBITDA performance to about \$12.5 billion in 2018, something in the order of a 20% increase on where we expect to come out on EBITDA this year. This slide summarizes the outlook for each major reporting segment and the key factors driving year-over-year growth. The EBITDA estimates for each business clearly do have the potential to vary around the estimates shown. But in most cases, the variability is expected to be relatively modest given the stability and predictability of our core businesses. The main drivers for each segment are highlighted in the rightmost column on the slide. New projects coming into service in Liquids Pipelines, Gas Transmission and Gas Distribution are a very significant growth driver, as you would expect. We're also getting a strong uplift to Liquids Pipelines' EBITDA from higher expected average throughput enabled by the Mainline capacity optimization projects completed this past summer, higher residual benchmark tolls and higher realized toll revenue on the Canadian Mainline as we've hedged out the growing U.S. dollar toll revenue at higher effective exchange rates.

In addition to rate-based growth, the improved performance of the Ontario utilities assume normal weather after a somewhat warmer normal year in '17 here. And of course, the Gas Transmission utilities business and to a lesser extent, the liquids business will each benefit from the fact that we will pick up an additional 2 months of earnings and cash flow in 2018 from the legacy Spectra assets.

So that \$12.5 billion of EBITDA is expected to translate into ACFFO of approximately \$7.25 billion after allowing for our estimates of maintenance capital, financing costs, current income taxes and distributions to noncontrolling interest. These estimates reflect the midpoint of a range of potential outcomes for each line item, which, when taken together, could cause some deviation from our expected bottom line distributable cash flow. Taking into account the potential for this variation, as we announced last week, our guidance range for bottom line ACFFO in 2018 is \$4.15 to \$4.45 per share.

So what could move our results upward or down from the midpoint of this range? The table on the right-hand side of the slide should give you a bit of a feel. As we look to move to a pure-play pipeline and utility company, a few operational factors should really move the needle, but there's a couple to note. On the mainline, as a rough rule of thumb, a 50,000-barrel per day variance for a full year would impact 2018 ACFFO by about \$0.03 per share. You can see similar types of sensitivities for the impact of mainline apportionment on our downstream Liquids Pipelines and for the impact of weather on send-out and distribution margin in our utility business.

While our direct exposure to commodity prices is expected to decline with the sale of the gathering and processing business, we will still have some residual exposure to movement in natural gas and NGL prices. And the sensitivities, as you can see here, however, are pretty modest.

As I noted a few slides back, we are substantially hedged against movements in interest rates and the U.S.-Canadian exchange rate. However, we do remain exposed on any unhedged amounts. Given the overall size of our debt book and the growth in our U.S. dollar earnings and cash flow that resulted from the Spectra acquisition, exposure to interest rate and FX movements has grown. Right now, a \$0.01 movement, and this is after taking into account hedges, in the exchange rate would result in about a [\$0.015] movement in ACFFO per share, and a 25 basis point movement in interest rates across the curve at the beginning of the year will move ACFFO by about \$0.02 per share. We will continue to be proactive in managing these risks in 2018. Today's spot interest rates and FX rates are a little better than the rates embedded in our projections, which provides a little tailwind to the outlook.

So I'm not going to spend a lot of time on this next slide, but it's here as a reminder that our EBITDA and our ACFFO profile is not evenly generated throughout the year due to a number of factors, and the big ones are highlighted on the slide: seasonality of our utility and gas storage and interruptible gas transmission businesses, which typically deliver peak earnings and cash flow in the first and fourth quarter of the year; and then planned maintenance and unplanned maintenance, which tends to occur more often in the second and third quarters. And of course, the timing of capital projects in service states will always impact the profile of quarterly performance in any given year. So this should give you a feel in '18 as to roughly how we feel the quarters will play out.

So the longer-term financial outlook, and we're going out 3 years here. AI has really already provided you the punch line here. We expect to deliver approximately 10% growth in ACFFO per share in dividends from 2017 through 2020. Estimates for EBITDA and ACFFO and other key factors are



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provided in the table on the left-hand side of the chart. And the big drivers are really no surprise. It's the impact of additional projects coming to service over the 3-year period, volume growth arising on new and existing systems and the continuing optimization of operations and ongoing achievement of cost efficiencies. Perhaps the biggest impact on these projections and the biggest potential source of variation in the year-over-year growth profile is the timing of start-up for the Line 3 Replacement Program. As Guy pointed out, there's a window of between July and November for that project to go into service. As I mentioned already, we've conservatively assumed for financial planning and funding purposes that the project goes into service in November of 2019 in our model in November first. However, moving up the in-service date earlier in that window, which certainly Guy is striving to do, would significantly lift ACFFO in 2019 and year-over-year growth between 2018 and 2019.

So sponsored vehicles. As you know, we did issue 2018 guidance and longer-term outlook for each of the sponsored vehicles that we manage. I'm going to provide some very quick highlights for each vehicle before I finish up my section. As Jon Gould noted, for those of you who are looking for the opportunity to review this material in more detail with the executive, I think we'll be coming back into this room right after lunch to carry on after the main session concludes. So for those of you who want to do that, the opportunity will be there.

By way of a quick summary, I'll go through each of them. I'll start off with Enbridge Income Fund Holdings, or ENF, here, which holds all of our Canadian Liquids Pipelines, including the Mainline system as well as our interest in Alliance pipeline and a portion of our onshore renewables business. Guidance for 2017 remains unchanged at this time. And as you can see on the slide, for 2018, we expect Fund Group ACFFO to come in between \$2.45 billion and \$2.65 billion. This represents a strong year-over-year uplift, driven largely by the growing revenue on the Canadian Mainline that's been mentioned earlier; new projects coming into service like the Wood Buffalo pipeline, which has just come in and will be a big driver next year; and again, low operating -- lower operating and administrative costs. Growth continues to be driven through 2019 and 2020 by volume growth enabled by new projects coming to service, primarily, of course, the impact of the Line 3 replacement project. Distribution coverage at the fund is expected to remain strong between 1.2 and 1.3x. And the distributions coming up from the Fund Group should be more than sufficient to support annual 10% increases in the dividend paid by ENF to its shareholders right through 2020.

So turning -- moving over to SEP now. Again, we should be close to our current guidance for 2017. For 2018, we expect EBITDA to come in around \$2.3 billion and distributable cash flow between \$1.63 billion and \$1.7 billion, driven primarily by completion of expansion and extension projects on the U.S. transmission, all those projects Bill talked about, and through ongoing cost containment. The projects that Bill had brought into service in the latter half of 2017, the Sabal Trail, the Access Adair, he had a long list, Lebanon Extensions, et cetera, et cetera, are the biggest drivers and will enable SEP to continue to make ongoing distribution increases of \$0.0125 per share every quarter through the end of 2018, which will represent about a 7% increase over the distribution we'll have paid in 2017.

Growth in 2019 and 2020 continues to be very solid as the gas team continues to bring additional projects into service. The secured project portfolio alone can drive dividend growth of 4% to 6% while maintaining coverage in the target range of 1.1 to 1.2x. And that's before consideration of any potential drop-downs, further organic expansions or planned IDR restructuring.

So finally, turning to Enbridge Energy Partners. After undertaking a significant reorganization earlier in the year, EEP has delivered a couple of solid quarters and is performing pretty much right in line with expectations post-restructuring.

Looking forward, for 2018, we expect EEP to deliver adjusted EBITDA of proximately \$1.68 billion and distributable cash flow of \$775 million to \$825 million. EEP has a number of call options to acquire increased interests in projects that are being jointly funded with Enbridge at book value, and that has the potential to drive out distribution growth of around 3% between now and 2020, while maintaining coverage of approximately 1.2x.

These options are noted in the footnote at the bottom of the slide and can be exercised by EEP when appropriate to maximize their accretive potential.

In the nearer term, EEP will continue to focus on driving out efficiencies and maximizing returns on its low-risk Liquids Pipelines asset base.

So that's a very quick summary on the outlook for the Sponsored Vehicles. Again, you can follow up here in the main room here over lunch if you wish to -- with more detail.





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I'm going to finish up my prepared remarks here pretty much with what I started out with today, with our priorities and objectives. We have, I believe, made some very good progress since the 2 companies teamed together at the end of February of this year, but there is lots of work to be done. And these priorities and objectives will continue to guide our planning and drive our decision-making from a finance perspective. At the end of the day, our goal will be to provide all the necessary support to help ensure that the company can deliver on its strategy and on the financial performance that we've outlined here today, while setting ourselves up to deliver industry-leading value for investors in the years to come.

And with that, I'd be happy to take any questions at this time that you might have.

### QUESTIONS AND ANSWERS

**Andrew M. Kuske** - *Crédit Suisse AG, Research Division - MD, Head of Canadian Equity Research, and Global Co-ordinator for Infrastructure Research*

Andrew Kuske, Crédit Suisse. John, if could just maybe give us some of the sensitivities. I appreciate the sensitivities for '18 and then also some of the discussion around the timing on L3R. But when you think about what's embedded in your guidance assumptions on a longer-term basis just the potential impacts of KXL and then TMEP?

**John K. Whelen** - *Enbridge Inc. - CFO & Executive VP*

Okay. So our forecast is developed now. The timing really for those comes just out of the back end of the forecast, quite frankly, but, Guy, I think we've got TMX coming in, in 2020, right? And then KXL really at the end of 2020 is the way it's been modeled.

**Unidentified Analyst**

Quick question on the cash tax forecast. You've got about \$200 million dollars in cash tax -- \$200 million of growth in cash taxes versus \$2.5 billion EBITDA growth through 2020. Could you just maybe talk about some of the assumptions [inaudible] moving around with taxes?

**John K. Whelen** - *Enbridge Inc. - CFO & Executive VP*

Sure, I mean, on the U.S. side, there's a fair amount of NOLs that are really protecting us there. We are getting modestly more taxable in Canada, and that's really what you're seeing in those consolidated projections.

**Rebecca Gill Followill** - *U.S. Capital Advisors LLC, Research Division - Senior MD and Head of Research*

Becca Followill, U.S. Capital. Can you talk about, I think in general, investors are pushing now to be more self-funded instead of continuing to pressure the equities with DRIP programs and ATMs. Can you talk about why you wouldn't just go ahead and sell the remaining \$7 billion of noncore assets instead of issuing the equity on the hybrids?

**John K. Whelen** - *Enbridge Inc. - CFO & Executive VP*

Yes, that always remains a potential. I think we always want to evaluate, as you trade off, balance sheet strength, growth potential and so on, what's the most optimal thing to do. I think the point of the slides we're putting up earlier was we have a number of levers that we can really draw on at the end of the day. At the end of the day, we will do what we think is right and optimal. So the DRIP's a useful tool because it can be flexible, you can ramp it down or ramp it up depending on the discount that you offer. But it will all really come down, at the end of the day, to try to ensure we can achieve that logical balance as we go to kind of strengthen the balance sheet as we build out the capital program.



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**Al Monaco** - Enbridge Inc. - CEO, President & Not Independent Director

Maybe, I'll just add. So from a strategic point of view, it's pretty clear that \$7 billion fits in the noncore category. So we're going to deal with that. It's a question of timing. From a financial perspective, just, I guess, to be on the conservative side, we've assumed a DRIP. I think I mentioned up there that that's the base case. Frankly, you might be right; that's what we might end up doing, and turning off the DRIP or using other levers. So that's certainly in our minds.

**Theodore J. Durbin** - Goldman Sachs Group Inc., Research Division - VP

Ted Durbin with Goldman Sachs. So sort of that same question as Becca, but on a -- with a different flavor. Why do 10% dividend growth on the front end, but then be issuing in equity on the back end to help finance that dividend? Why not split on the dividend growth, reduce the equity needs within the business? Why is 10% the right number, I guess, as you've thought about (inaudible)?

**John K. Whelen** - Enbridge Inc. - CFO & Executive VP

Well, that's a good question. I mean, I think we've been trying really to strike a logical balance. We believe the long-term potential of the business certainly is capable of doing that. Our track record has been always to deliver steadily growing dividends, which more or less follow our asset growth potential. At the same time, obviously, we want to pay attention to where the balance sheet -- what the balance sheet is looking like and manage that over time. In an increasing utilized businesses, while -- which ours is becoming more pipeline and utility-like, would not be unusual to be paying out dividends, while, at the same time, raising a certain amount of capital back into the market. But you're right in noting that there has to be a balance there. We need to be sort of efficient, if you like, as we do that. So that'll be a part -- as you know, planning is an ongoing thing. It's a point in time thing. We'll look forward and continue to assess as we build out and see new opportunities come in and so on as to what that right balance is. But right now, that's where we struck the balance, basically with that amount of dividend growth, which is arguably a little lower than bottom end of what our range was before, balanced with ensuring that we keep the balance sheet in good shape.

**Theodore J. Durbin** - Goldman Sachs Group Inc., Research Division - VP

So is it fair to say the 65% payout is the higher end of where you want to be? Is longer term, your target closer to 50% to 60% like you used to be in?

**John K. Whelen** - Enbridge Inc. - CFO & Executive VP

Yes, I think it's probably the right capital allocation sort of decision for now at this particular point in time, and it's still very strong coverage relative to almost all of our peers at the end of the day. But as we look forward, depending on where the growth profile is and so on and so forth, I think we see it more naturally come down a little bit over time into the range that we have been working under.

**Al Monaco** - Enbridge Inc. - CEO, President & Not Independent Director

I think also in connection with the balance sheet strength that we're at as well as the, let's call it, the purification to pure utility and pipeline, regulated pipeline utility model, as you said, that's kind of the right level for this point in time.

**Theodore J. Durbin** - Goldman Sachs Group Inc., Research Division - VP

And then, if I could just ask one more, sorry, on the SEP buy-in. Is there any kind of color you can give us around how to think about the value of that transaction? Are there -- should we look at precedent transaction? There's a lot in the marketplace to tap in there in terms of crystalizing the IDR value in it.



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**John K. Whelen** - Enbridge Inc. - CFO & Executive VP

That might be the right place to start, Ted, looking at precedent transactions. I mean, there's not too much we can say about it right now because it ultimately will be a negotiation between the independent committee and the company, but there's lots of precedents out there for how this has been done in the past.

**Al Monaco** - Enbridge Inc. - CEO, President & Not Independent Director

And obviously, we've got to make it -- it's got to be effective at the end of the day. So the valuation -- you can look at the markers. But at the end of the day, we have to make it work for both sides. And we understand the equation very well of pushing that envelope too far and making it negative to SEP. At the same time, there's value from an Enbridge Inc. perspective on that. So it's a careful balance between the 2. We recognize that, and we'll watch that carefully.

**Linda Ezergailis** - TD Securities Equity Research - Research Analyst

Realizing that the long-term end game will never be a C-Corp in its pure play, but maybe there might be some further steps of simplification. Can you talk about, in the medium term, how you think of the bookends of ownership levels of your various affiliates? What might be appropriate? And how much of that is informed by your discussions with the rating agencies and some of the strong stable assets that are held by your affiliates, whether it be in Canada, Enbridge Income Fund and then your various affiliates in the U.S. as to EEP?

**John K. Whelen** - Enbridge Inc. - CFO & Executive VP

Well, yes, I mean, I think at the heart of it all are the assets themselves, however they happen to be owned. So I think if you were to sit down and talk to -- well, any analyst for that matter, that's really what they're focusing on, where's the cash flow ultimately coming from and how does it find its way up through the organization. As Al talked about earlier, there's things over time that I think would be logical in terms of trying to simplify, if you will, that structure and the visibility of the cash flow coming through the structure. It's very traceable right now, but it is -- particularly as we -- we're required to consolidate. I'll blame -- I'll always blame the accountants at this stage. It starts to make it a little difficult to follow. But I think, in our minds always, Linda, will be those assets are crown jewels. I think that's what Al called them, the crown jewel assets, and we have to be careful, obviously, that we're preserving them. So I don't think you're going to see anything radical in terms of the ownership -- a change in ownership. Right now, we still hold roughly 75% of SEP, Bill. And I think we're a little between 80% and 85% of ENF. And we're not uncomfortable with owning a fairly large amount. That's partly why we end up consolidating them, and it really is a consolidated view we have right now. But clearly, those things will come to mind at the end of the day as we look to think about how we can simplify over time.

**Unidentified Analyst**

John, can you talk about -- in the past you put forward multiyear plans that have been financial over the course of those years and that's exactly what you've done. But just given what we've seen over the course of past year and some of the changes to market preferences, as you think of especially the \$4 billion on hybrids, can you talk about the pace or the sense of urgency about getting it done earlier in 2018, just given that high yield can shift a little bit faster?

**John K. Whelen** - Enbridge Inc. - CFO & Executive VP

Yes, I mean, we've never been reluctant to get out and do things. We did a fair amount just in this last couple of weeks here, obviously. It has to be -- obviously, we want to do transactions that make sense to the market, transactions that clear, well -- where we think we are getting a good cost of capital. But we won't dawdle, I guess, might be the right way to put it in terms of getting after the plan. The good news is, as I said, there is --

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and as AI has already pointed out, there's a lot of levers here. There's a lot of levers that we can pull. And so we'll be flexible, and we've got liquidity, obviously, more than ample liquidity to kind of manage through it. But the approach has been to get out there and get at it and continue to do it.

**Unidentified Analyst**

And then just on new projects. You talked about bringing the financing at the time that from a credit metric perspective, what we see is what you're going to achieve. So just to clarify then. Historically, you've been able to get multiyear passes on construction builds. So if you've got a, call it, large- or medium-size initiative, multi-billion dollar initiative, where there would be spending ahead of 2020, you would still be managing to the credit metrics that you put up there not to a multiyear path?

**John K. Whelen** - Enbridge Inc. - CFO & Executive VP

Yes, that's -- the glide path is what we're essentially committed to.

**Jeremy Bryan Tonet** - JP Morgan Chase & Co, Research Division - Senior Analyst

Jeremy Tonet, JP Morgan. First of all, I want to say thank you very much for the increased disclosures on the guidance by segment level and the EBITDA focus. That's very helpful. Just want to think about SEP. If you're successful there in folding in the IDRs, does that change the calculus as far as drop-downs in the future? Would that be something that you'd still be willing to pursue? Or does that make less sense if the IDRs are gone?

**John K. Whelen** - Enbridge Inc. - CFO & Executive VP

Well, frankly, I mean, the fundamental premise, and I think AI mentioned it in his opening remarks, is transactions with the Sponsored Vehicles do have, have to be a win-win. That's what we're looking for. That's what we're looking for at the end of the day. It makes it probably a little easier to be a win, obviously, for the Sponsored Vehicle, in this case, with the IDRs removed. But we've been through cycles where there can be given a fairly powerful valuation to a well-functioning flow-through vehicle. And if that is the case, there could be opportunities definitely there to do that sort of thing. But it changes the equation. The (inaudible) changes just the equation just a little bit. But the intent here is to make it a stronger and more powerful vehicle going forward.

**AI Monaco** - Enbridge Inc. - CEO, President & Not Independent Director

It's still a strong equation though, because from our perspective, Enbridge, Inc., if they're successful, we're successful through increase in distributions, even though they'd be through LP units. But also, the value of those units goes up. So overall, I think it's still a powerful story to have drop-downs.

**Unidentified Analyst**

Great. And then just want to see as far as the drop-downs are concerned, just want to clarify if that's part of the divestiture program. I think it's not, but just wanted to clarify that. And with regard to asset sales as part of the gathering and processing, are there any parts of that business that make more sense to divest or more sense to keep or any color that you might be able to share there?

**John K. Whelen** - Enbridge Inc. - CFO & Executive VP

Well, I'll give the high-level answer. And I'm sure AI and Bill and others may want to chip in. I mean, the part of the business we've never really liked and it's never been a really good fit with our value proposition has been the business is commodity sensitive. So where you've got percentage of proceeds, percentage of liquids, make-whole fractionation, what I would typically call sort of the U.S. Mid-Continent, Gulf West -- Gulf Coast, sort of model, not really within our wheelhouse. Frankly, we've tried to hedge a lot of that exposure away, which isn't the natural thing that you do in



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that business. There's other parties out there who would naturally embrace that risk better than we would. So the bias from the finance guys, that's the part of the business. However, there's a much broader business at the end of the day out there, and I think it ultimately depend on how well it all gets packaged up.

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**Al Monaco** - *Enbridge Inc. - CEO, President & Not Independent Director*

Within the category of G&P, the only thing I would add is perhaps there's -- we're not going to get into the prioritization of what's first. But certainly, that whole category fits in the noncore area. For example, DCP is a stand-alone business, very well positioned, they've got a great partner there. So maybe not as much in a hurry on that one, but still within that category that would need to be resolved, I guess, at some point.

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**Unidentified Analyst**

[Dan Mongo], BofA. Regarding the \$4 billion of debt reduction over the next 3 years, can you break out at which entity the debt reduction will come?

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**John K. Whelen** - *Enbridge Inc. - CFO & Executive VP*

I don't think I'm going to do that right now, but I'd say the preponderance, there's a fair amount of corporate level debt that is there, but there's still also some within the subsidiaries that we'd take out as well.

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**Jonathan Gould**

I think you've answered it.

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**John K. Whelen** - *Enbridge Inc. - CFO & Executive VP*

All right. I'll turn it back to Al for closing remarks.

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## PRESENTATION

**Al Monaco** - *Enbridge Inc. - CEO, President & Not Independent Director*

Okay, well, maybe just before I close off here, I want to just provide a little bit more color to that discussion when Guy was up here about the Mainline system and the attributes of that system. I think it's really important. So let me just mention a couple of things. And it really relates to why we think customers will be supportive of extending the current incentive tolling arrangement, and that goes to the strength of the Mainline and the financial outlook that we believe will still be very strong even in a 2-pipeline scenario.

And so what it really comes down to is oil is not gas. It seems like a simple statement, but it's not homogenous. So there are many, many different types of products that flow through the system. There's probably 50 different types of blends, if you will, of crude in different qualities. And so what producers are looking for is ensuring that what they put in the system, they get out. And so it's important that they're able to see that value come out of the system and they rely on us to keep that quality there to maintain its value.

And a lot of these producers also have downstream refineries. So they like to create certain types of crude for their refineries to take, and they rely on us to make sure that happens.



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Transit times is another big one. Storage capability, often our system is used to optimize how they're moving crude to their own facilities or to other customers. So being able to have the flexibility through the system is really important.

Low tolls. If you look at our tolls through this entire period over the last while, well, we've earned good returns, as you saw there, but they're very, very cost-effective for our customers.

And, of course, lastly, low-cost expandability of the system. Guy showed a slide that had numerous options for increasing capacity at very low cost, but also with a lot less permitting risk in them. So those are the kinds of things that give us confidence in the system.

Maybe just to wrap it up here, this concludes the day. We hope this has been helpful to you. Maybe the overall comment would be we do feel we have the best assets in the business. We're excited about this cadre of assets, they're extremely well positioned. We kind of made fun of being rock solid several times here, but that's actually how we think about this business today, and it's even more enhanced by this move that we're making to the noncore assets and monetizing those.

We think that the future is very bright for this business, and we think the management team is very capable, strong and, if anything, with the Spectra acquisition came with it a real bolstering of the management team and capability.

So the slide kind of summarizes the content today. With the completion of their strategic review now, we're moving really to this pure pipeline and utility mix where we're focused on the crown jewel assets. We're going to deemphasize, sell or monetize the noncore assets. We're very focused, as you've heard a few times here, on the balance sheet and achieving the target metrics. And we expect to deliver on our ACFFO growth and dividend growth over '18 to '20.

So in combination, it's really the combined yield plus the growth that we have that we think provides a real good investment opportunity here, good total return opportunity at least in our view. And as you saw, the business unit leaders are working hard on that next phase of growth past 2020.

Finally, this was just mentioned, thank you, Jeremy, that we made an effort here to provide more information on the segments and in other areas. I mentioned the ESG deck that we'd like you to have a look at, and a lot of that content has been built from input from the group here today and others. So if you have any thoughts on ESG, we know that's a big issue today, please forward them on.

So that's it for today. We thank you for attending and, as usual, the team will be available over the next few days to provide additional information and answer any further questions. So thank you very much for joining us today.

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