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PRESENTATION

Operator

Good morning, ladies and gentlemen. Welcome to the Enbridge Incorporated fourth-quarter and 2012 financial results conference call.

I would now like to turn the meeting over to Jody Balko, Vice President, Investor Relations and Enterprise Risk.

Jody Balko  
Enbridge Inc. - VP of IR and Enterprise Risk

Thank you, John. Good morning, and welcome to Enbridge Inc.’s fourth quarter of 2012 earnings call. With me this morning are Al Monaco, President and CEO; Richard Bird, Executive Vice President, Chief Financial Officer and Corporate Development; Steve Wuori, President of Liquids Pipeline; and John Whelen, Senior Vice President and Controller.

This call is webcast, and I encourage those listening on the phone lines to view the supporting slides which are available on our website. A replay and podcast of the call will be available later today, and a transcript will be posted to our website shortly thereafter. The Q&A format will be the same as always – we’ll take questions from the analyst community first, and then invite questions from the media. I would ask that for everyone’s benefit you wait until the end of the call to queue up for questions, and that questions are limited to two per person. Please reenter the queue if you do have additional queries.

Lastly, I would also remind you that Jonathan Gould and I will be available after the call for any follow-up questions that you may have.
Before we begin, I'd like to point out that we may refer to forward-looking information during the call. By its nature, this information applies certain assumptions and expectations for future outcomes, so we remind you it is subject to the risks and uncertainties affecting every business, including ours.

This slide includes a summary of the more significant factors and risks that might affect future outcomes for Enbridge, which are also discussed more fully in our public disclosure filings, available on both the SEDAR and EDGAR systems.

I will now turn the call over to Al Monaco.

Al Monaco - Enbridge Inc. - President and CEO

Thanks, Jody, and good morning, everybody. I'll start by providing a brief summary of our fourth-quarter results and our business and operational highlights. But after that, I'd like to spend a couple of minutes on the key issue facing our industry, which is the significant price discounting of Western Canadian and Bakken crude, and the various initiatives we have in progress to tackle that challenge; and that includes the joint venture that we announced earlier today to move crude to the eastern Gulf Coast refining market, which we're very excited about.

Earlier today, we announced our fourth-quarter results, as you saw. Adjusted earnings came in at CAD327 million or CAD0.42 a share, bringing the full year EPS to CAD1.62. This represents a year-over-year EPS increase of 11%, in line with our guidance range. We are pleased with those results, especially given the amount of equity pre-funding that we undertook last year. And we did that because of the magnitude of our secure capital program that grew larger as we move through the year.

2012 was, however, a tough year for NGL prices, which affected our Enbridge Energy Partners gathering and processing business, even after our hedging programs. But despite those headwinds, we delivered another excellent year of EPS growth. Now, Richard will provide more color around the pre-funding and our segmented performance in a few minutes.

So, based on those strong results, and management's and the Board's confidence in our long-term outlook, we increased our dividend by 12% for 2013, or CAD1.26 per share annualized. That continues our history of dividend growth over the last decade, as you see in the slide here, which also averaged 12% annually. And we believe it reflects the strength of our business model, which emphasizes disciplined capital investment with supportive business fundamentals and strong commercial underpinnings.

I won't dwell on this slide because it is history, but it does show how our growth profile and business model have consistently translated into shareholder value. 2012 was a rewarding year for our shareholders, with a total return of 16%, well in excess of the broader market. We believe the key ingredients to sustain this track record remain in place.

One of those ingredients supporting the outlook is the CAD15 billion of growth projects we secured last year, our largest single year ever. That brought our inventory of secured capital to CAD27 billion, all of which will be in service between now and the end of 2016. While in the past, we were driven by fewer larger-scale projects, you can see the CAD15 billion is made up of both large and medium-sized projects.

The magnitude of our liquids pipelines growth is substantial at this point, but you can also see that doesn't mean we've taken our eye off the ball on other business units. On Gas Distribution, we're undertaking the single largest capital investment in EGD's history. That's the CAD600 million GTA reinforcement. We also expanded our green energy power footprint with the Silver State North Solar plant in Nevada, and the Massif du Sud wind farm in Quebec.

With these investments, we're nicely diversified across the premium wind and solar markets in North America. And it's worth noting that we're now the largest solar power generator, and the second-largest wind power generator in Canada. We also advanced our Canadian midstream strategy. We acquired the Peace River Arch assets and liquids-rich Montney play. We believe that there are good future development opportunities here, which also complement our Alliance and Aux Sable position.
So with these newly secured investments, we are increasingly confident that we can extend our industry-leading growth rate beyond 2016. And having that growth profile well in hand allows us to develop our new platforms in a measured way — those being Canadian midstream, electricity generation and transmission, and international.

While we’ve made excellent progress on strategic development of the business, we are equally focused on safety and operational reliability of our assets. In fact, that is our number-one priority. Since the beginning of 2011, we have conducted what we believe has been the most extensive integrity management program in the history of the North American pipeline industry. To put that in perspective, we own about 10% of all the pipe in North America, but we’ve conducted 40% of all crack in-line inspections. This includes using the most advanced in-line inspection tools in the world, including the use of medical imaging technology.

An integrated part of that is our dig investigations, which we use to validate the tool data that we’re seeing on those inspections and make repairs as needed. And over the last year, we have done over 40 — two years, rather — we have done over 4300 digs. So, given the intensity of this current inspection program and the work done to date, we do expect the level of in-line inspections and dig activity to somewhat normalize after 2013.

I should note that this program has been fully accounted for in our long-range plan and reflected in our funding and earnings outlook. We’ve also placed into service a new state-of-the-art control center that you see in the photo; and made significant organizational enhancements. The goal with this ramp-up is quite straightforward — to be the industry leader across all of the key dimensions of operations and safety.

So, with that overview, let me move to the industry challenges and how we are at the forefront of addressing those issues. We’re on slide 10 here, which captures the price discounting I referred to earlier. These prices are from January, so they are pretty recent. And you can see here that Edmonton light crude, if you focus on that circle for a moment, was trading almost $30 a barrel off Brent at either the Gulf Coast or East coast of the US.

Most concerning, though, is the $40 a barrel disconnect between Western Canadian heavy and a comparable barrel priced in the Gulf Coast, and that’s the my Maya circle you see. In this case of Western Canadian select versus Maya — the basis, or the difference between those two points, should roughly reflect the cost of transportation if we had enough infrastructure; or about a $8 to $10 a barrel, not $40 a barrel.

And that disparity moves to $49 if you compare WCS to the Asian market. A couple of years ago we set out to address this issue, so let me review how we are doing that. This slide captures the three market access projects we’re currently executing to extend the reach of the Mainline. Several pieces will come into service this year, which will start to alleviate the market access constraints.

First, the replacement of Line 6B to Stockbridge, coupled with the Line 79 twin will allow 80,000 barrels per day of additional heavy to get to the Toledo and Detroit market by the end of the year. And just for reference on the slide, that’s the blue line and blue pie with the plus 80 in it.

Then, by mid-2014, our US Gulf Coast Access project will add almost 600,000 barrels per day of incremental, primarily heavy, capacity out of Chicago through our Flanagan South system. This timing will match up with the in-service of the Seaway Twin, connecting Cushing to the Western Gulf. So that’s the green line and the largest pie you see in the chart.

Also in mid-2014, the completion of our Line 6B replacement project will allow light barrels to float east to Chicago and tie into the Line 9 reversal, which should be ready to feed an additional 320,000 barrels per day to Ontario and Quebec refineries. So that one is the yellow, with the three quarters blue pie circle.

Then in 2015, as part of our light oil initiative that we talked about in December, the new Southern Access Extension Project will come into service and will add 300,000 barrels per day of light oil into Patoka, to serve the eastern PADD 2 refining market. So that’s the full yellow pie that you see.

As you can see here, we haven’t exactly sitting on our hands. All told, we have committed over CAD15 billion to add roughly 1.3 million barrels a day of new market access beyond Chicago to address the price disparities.
So that brings me to another important piece of the puzzle, which is today's announcement of our Eastern Gulf Coast initiative with Energy Transfer. On our last call, I mentioned that our Southern Access Extension was the linchpin to opening up the eastern Gulf and light markets east of Patoka. That strategy has now come together.

The project involves the reversal and conversion of one of Trunkline's three gas pipelines to crude oil service, which will run southbound from Patoka. The pipeline could provide capacity for up to 420,000 to 660,000 barrels per day to the St. James hub in Louisiana by 2015. And the range there really reflects the crude slate differences.

The US Gulf Coast is one of the largest refining centers in the world. And the eastern part of the refinery center around Louisiana makes up a good chunk of the refining capacity, at over 3 million barrels per day. It's both a heavy and light crude market that attracts premium pricing. And up until now, this market has not been directly accessible to Western Canadian and Bakken crude producers. Importantly, though, we're taking advantage of existing pipe in the ground. So not only are we minimizing the environmental footprint, but we can get it flowing to market sooner -- and that's very important in terms of the price disparities we're talking about -- and at a lower cost than a new build.

We and our partner Energy Transfer hope to have a decision from the FERC on taking a line out of gas service by the end of the second quarter. Leading up to that, we'll be conducting an open season to book long-term commitments on the line. We'll also be working closely with Energy Transfer to conduct final due diligence on the capital costs. Now, depending on the degree of commitments we receive, and the conversion costs, we expect our share of the investment to be between CAD1.2 billion and CAD1.7 billion.

The final picture I'd like to show here illustrates the scope of what we're executing to open up new markets as quickly as possible. And, in a nutshell, really, all of what we're doing here is allowing access to premium markets. Southern Access Expansion and Eastern Gulf Coast access provide light barrels, new access to LLS-based markets in Patoka and the eastern Gulf. The Line 9 reversal opens up Brent-based markets for light oil in Ontario and Quebec. The Eddystone rail terminal is an entry point for Bakken crude to access Brent pricing on the eastern seaboard via rail. And the possibility exists, as you see on the map, for vessels originating in the Gulf Coast to access these East Coast markets as well.

And, finally, the Flanagan South and Seaway systems provide Western Canadian heavy with access to Mayan-based pricing on the US Gulf Coast. We believe that these projects will go a long way to address the significant price discounting that Western Canadian and Bakken producers are currently facing, as well as to meet the demand of North American refiners seeking reliable domestic supply.

So with that overview, I'm going to turn it over to Richard to discuss the 2012 financial results and our funding position in more detail.

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

Thanks, Al, and good morning, everyone. I'll pick up on slide 14 with a walk-through of the quarter, touching on the areas which unfolded a little differently than we had expected on the third-quarter call. I think you'd have to call it a bang-up quarter for liquids pipelines, and a bang-up year as well, with the earnings up 45% for the quarter and 25% for the year. Nevertheless, the fourth quarter wasn't quite as strong as we had expected, specifically in the Mainline CTS earnings subsegment.

While CTS volumes were just a snick higher than the third quarter, the supply issues of the third quarter persisted to a degree into the fourth quarter, and Kearl Phase 1 did not come on as expected in the fourth quarter. However, even with a lower supply than forecast, we weren't able to accommodate all the supply which was available. And that was a result of operational constraints that will continue to have some impact on our available capacity in the first quarter, and then diminishing over the balance of the year.

Our effective CTS tax rate for the fourth quarter was also higher than expected due to a delay in commencement of tax deductions on an IT project. So in combination, the lower volumes and revenues than forecast, and the higher tax rate, cost us nearly CAD0.04 in earnings per share. The Other Liquids Pipelines subsegments generally performed in line with expectations during the quarter, and consistent with their performance during the first nine months of the year.
Gas distribution had a strong fourth quarter as we had expected, with EGD in its final quarter on incentive tolling, ending the year a little better than flat, despite the Enbridge Gas New Brunswick situation. Gas pipelines processing and energy services finished the year a little stronger than we had expected, though still off from last year. Aux Sable continued to be a source of strength, both relative to the prior year and relative to expectations. Energy services did a little better in the fourth quarter and for the year than expected, though it couldn’t capture as favorable arbitrage opportunities as it did last year. And the asset drop down to the Enbridge Income Fund, which occurred in late 2011, also contributes to the reduction in the full-year earnings from this segment.

Within sponsored investments, Enbridge Income Fund continued to benefit from the 2011 drop-down transaction, but Enbridge Energy Partners had a very weak fourth quarter, even weaker than expected, due to gas and NGL prices. Corporate finished the year pretty much as expected, with our preference share pre-funding contributing to higher net financing costs.

Moving onto slide 15, it was another active quarter for funding and liquidity actions, which totaled CAD3.5 billion during the quarter, bringing us to CAD10.9 billion for the year, and that’s inclusive of a substantial build in our bank credit facilities. Some highlights for the year included our 100-year term century bond out of Enbridge Pipelines; and also a 150 million ten-year [MTN] at a yield of 2.9%, which was the lowest coupon Canadian corporate ten-year issue in 2012. Also notable, our asset drop-down to the income fund, which actually punches above its funding weight in terms of its enhancement to our FFO coverage.

If this looks like an awful lot of capital market activity, it was. Enbridge was the fourth-largest issuer of capital market securities in North American markets in 2012. And with respect to equity securities, we were the third-largest issuer.

Moving to slide 16, our funding and liquidity actions were directed not only at keeping up with a record year of growth investments in 2012, but also at building additional liquidity and equity reserves to support the substantial growth program ahead of us. We now stand with over CAD1 billion of cash in hand, and over CAD13 billion of credit facilities. So, with only CAD3.5 billion of those facilities currently drawn or backstopped in commercial paper, we have nearly CAD11 billion of available liquidity. So, we’re very well-positioned to execute on our growth program from a liquidity perspective.

On slide 17, during the fourth quarter we continued to chip away at our five-year funding plan. For the year as a whole, our focus has been primarily on getting ahead of the curve on the equity side of the equation. As a result, the amounts remaining to be funded fall well within our issuance capability; and in particular, the remaining CAD1.4 billion of equity funding, as I’ve mentioned previously, should be readily manageable through additional press share issuance and another drop-down transaction or two.

To finish off my financial perspectives on slide 18, I’ll add some more color around the financial impact of the pre-funding actions we took last year. These actions were taken in response to the substantial expansion of our growth capital program over the course of the year, and were intended to generate sufficient liquidity and a solid equity base to support the growth program. In particular, we made a call to pre-build significant equity to get ahead of the curve on our equity funding requirement, primarily in the form of preferred shares, but a little common equity as well. And we also issued more debt than we had planned to.

These were all prudent actions taken to support the growth program and ones we could afford, given we were headed for another industry-leading growth year in any case. But they did act to trim our earnings per share by nearly CAD0.06, leaving us below our guidance midpoint but still able to deliver an impressive 11% year-over-year growth rate.

So, with that financial summary, I will hand it back to Al to touch on the forward outlook.

Al Monaco - Enbridge Inc. - President and CEO

Okay. Thanks, Richard. So let me just wrap up here. This slide that you see essentially updates the makeup of the CAD35 billion capital program we’ve been talking about. As you can see, we have CAD27 billion of that secured, coming in service between now and 2016. We’ve made great headway on securing most of these projects that we had identified in what we call the highly probable unsecured categories since we introduced the concept last year.

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At this stage, the eastern US Gulf project that I talked about earlier would fall within the existing risk unsecured category until we finalize commercial underpinning to move forward. I should highlight, too, that we had already accounted for the funding of the CAD5 billion of projects in this category within our long-range plans. So the project has no impact to the funding requirement and plan that Richard had laid out.

On slide 20, a key element of assuring our success -- to address the size of that borrow you saw in the coming years -- will be project execution. Given the size of our capital program, it’s essential that we get them in the ground on-time and on-budget. Our major projects group has an experienced team and about 1200 people to manage the current slate of work. And, of course, there are thousands more in the field, contracted that to make that all happen.

In 2012, as you see in the chart here, we brought four projects online, all on-time and all below-budget. And if you run your eyes down the two columns to the right, we are in excellent position here to bring 14 projects into service this year. In fact, out of the 35 projects currently in execution that Major Projects is handling, which total about CAD25 billion, 33 of those are on schedule at the moment and either at or below budget.

In December we announced our 2013 EPS guidance range of CAD1.74 to CAD1.90 a share. The midpoint of that would represent another double-digit growth year for the Company, in line with our long-term average growth target. The bulk of the increase will come from Liquids Pipelines. We expect to see Mainline volume growth picking up through the year. And we should also see contributions from the long list of projects that I just referenced coming into service in 2013.

Finally, the recent project announcements have moved the majority of the highly probable projects to the secured bucket, which will tend to move us towards the high end of our five-year annual EPS growth range of 10% to 12%. This builds upon an already industry-leading long-term growth profile. And one more point on this, given the commercial model that supports many of these investments, we are gaining increasing confidence that we’ll be able to sustain an industry-leading growth rate into the second half of the decade.

So, to conclude, maybe just a couple of remaining points here -- the first one is that safety, operational reliability, and project execution remain our top priorities. That’s what’s going to drive the future. And as you see, we continue to deliver solutions to provide producers greater access to new markets. And, with that, we’re enabling our province -- the province of Alberta -- to maximize the value of resources. And that, of course, will benefit all of Canada.

And our continued business development success has set us up well to achieve the high end of our long-term EPS growth forecast through 2016.

So, that concludes the prepared comments. So I now ask the operator to open up the phone lines for questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions). Juan Plessis, Canaccord Genuity.

Juan Plessis - Canaccord Genuity - Analyst

Thanks very much. Some of the headwinds you have experienced on the Mainline that Richard referred to in his remarks, that may flow into Q1; do you see that at all impacting your confidence on 2013 guidance?

Al Monaco - Enbridge Inc. - President and CEO

So, Richard, go ahead.

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

Sure, sure. No, Juan, not at this point. We are going to continue to be below our nameplate capacity in the first quarter, but not to the extent that it should significantly eat into the level of earnings that we had anticipated. You could continue to see apportionment occurring as crude comes at us above and beyond what we're able to accommodate, but not above and beyond what we had provided for in our guidance.

Al Monaco - Enbridge Inc. - President and CEO

Yes, Richard, maybe I'll just tag onto that. It's pretty tight right now, obviously, with capacity versus supply coming at us. We have undertaken a number of initiatives in cooperation with industry to approve the capacity -- improve the capacity that we have available. That includes some things that help us with making sure that the volumes come into our system on a ratable basis. It includes some efforts downstream to make sure terminals and batches are cleared through our tanks in an efficient manner. And, as well, trying to look at ways from a tankage and terminal point of view to effectively increase the overall capacity. And one way to do that is to co-mingle some of the crudes that we're seeing. So we're doing all we can to make sure that we have enough capacity, Juan.

Juan Plessis - Canaccord Genuity - Analyst

Great. Thank you very much. It's very helpful. And, secondly, can you quantify how much your operating costs have increased year-over-year due to the operational risk management plan; and if you expect to see some of the additional ORM cost increases in 2013?

Al Monaco - Enbridge Inc. - President and CEO

Richard, do you want to guess?

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

Yes. That's not something that I've got at the tip of my fingertips, pulled out on a separate basis. We certainly have experienced some increase in operating costs year over year, although even back in 2011 we were starting to ramp up. So that's not a level of granularity that I've really got explicitly split out, Juan.

Juan Plessis - Canaccord Genuity - Analyst

Okay. Thank you.

Operator

Paul Lechem, CIBC.

Paul Lechem - CIBC World Markets - Analyst

Thank you, good morning. You've spent a lot of time talking about the expansion of the system to take Alberta crude out to market. You announced in the quarter an open season launching, or open season on southern lights to bring diluent back in. Just wondering what's driving that. And also the increased interest in the open season. And also, do you have any other plans around bringing diluent back into Alberta, either sourcing it from the Eagle Ford or elsewhere in the US, and then in Alberta to actually deliver it up to the oil sands?
Well, I'll start out, then I'll see if Steve has something to add. Essentially on Southern Lights it's all driven, of course, by the expected increase in volumes out of the oilsands, which is going to require more diluent. And we're in good shape in that we happen to have some capacity further on Southern Lights, and that's what's really driving it. We expect to see very good interest in that additional capacity. Anything to add, Steve?

Steve Wuori - Enbridge Inc - EVP - Liquids Pipelines

Yes, I think the only thing I'd add, Paul, is that we do expect to see some Eagle Ford condensates making their way out there. They are certainly not of high value down in the PADD 3 market. And they are of higher value in Alberta, so we would expect to see some of those making their way up to Southern Lights, also.

Paul Lechem - CIBC World Markets - Analyst

Okay. Are you looking to make any investments to actually transport the condensate?

Steve Wuori - Enbridge Inc - EVP - Liquids Pipelines

We've looked at that. At the moment, we just take in what comes to us at the Chicago end of Southern Lights, but we have looked at some possibilities. I guess it would be upstream of that, which means South in the case of Southern Lights; nothing specific at this time, though.

Paul Lechem - CIBC World Markets - Analyst

Okay, and what about in Alberta itself?

Steve Wuori - Enbridge Inc - EVP - Liquids Pipelines

In Alberta, I think we are working to add to the distribution system for condensates for the various oilsands operators, and pursuing a project or projects to do that from the Edmonton hub where most of the condensate pool becomes available from Southern Lights and from other sources. So, we are looking at ways of moving condensates up for diluent needs, as it is apparent that a lot of the growth will be from dilbit, which is condensate added to bitumen, as opposed to send it synbit, which is synthetic crude added to bitumen. So, the answer is yes, we are looking at projects to do that in trial (technical difficulty).

Paul Lechem - CIBC World Markets - Analyst

Okay. If I can sneak one more question in, on the write-down of the offshore assets in the quarter, can you talk about what the impact is going to be to results going forward and what you actually wrote off there?

Al Monaco - Enbridge Inc. - President and CEO

Well, starting out with what drove it -- obviously the fact that there's been so much gas supply coming on on the continental side of things in the US market. Obviously gas drilling, specifically in the Gulf is at a 0 level, so we're only talking about associated gas moving from oil projects in the future. That's certainly one thing. So we're running at relatively low volumes compared to the ultimate capacity of the system. We did look at some other potential opportunities to utilize that infrastructure. We weren't confident in that. And that's what led to the amount that you saw there, the CAD160 million pre-tax.
As far as the annual effect on that, in terms of the outlook for earnings, I don't expect that would be significant to the numbers. But I'll look to Richard to provide any further detail on that.

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

Yes, I think that's about right. As we saw in 2012, the offshore earnings -- or maybe losses would be a better word -- looked to have stabilized. So we're going to continue to run in the red on offshore in 2013. And then as we move beyond that, and some of the new projects come into service, we should be climbing back up into positive earnings.

Paul Lechem - CIBC World Markets - Analyst

Thanks very much.

Ted Durbin - Goldman Sachs - Analyst

Thank you. Question on the energy transfer project here. First is the CAD1.2 billion to CAD1.7 billion of capital. Is that a 50-50 split? Is it 100% to you? I'm sorry if I missed that. And then if you can talk about the returns there; the volumes that you need to make that project go. How do you think about that relative to some of pulled-through you did on Mainline volumes, which might've helped the overall returns on the system?

Al Monaco - Enbridge Inc. - President and CEO

Okay. So, Ted, the range that I talked about, the CAD1.2 billion to CAD1.7 billion, that is our 50% share in the project. And essentially that investment is made up of two things -- the amount of equity we're contributing for the existing assets, and then our share of the conversion costs, which include tankage and the lateral that you saw on the map there. So, I think that's the makeup. As far as the return, we expect the project to generate more or less the same type of return as we're seen on the other market access projects, in the low-double-digit level.

And that would be -- the way to look at that would be a stand-alone type of return on the project. As far as the Mainline, we haven't accounted for that in the view, related to this particular project, in that it's standalone on its own.

Ted Durbin - Goldman Sachs - Analyst

Great. And then staying on the same topic and more macro, but give us your views on the need to move light oil to the Gulf Coast and the potential for that to become oversupplied with light. If you think about your Seaway expansion; you've got TransCanada with the Gulf Coast project; you've got some Permian pipelines coming in; and then Trunkline, it just seems like there's a decent chance that LLS might trade at a bigger discount to Brent than what it is at currently.

Al Monaco - Enbridge Inc. - President and CEO

Yes, I'll take a shot at that, and see what Steve has to add. I think you're right. Our view of it is by 2014, 2015, you're going to see probably displacement of light barrels coming into the Gulf Coast because of what you refer to. But the way we're looking at it here, in terms of the market access initiative, most of the volumes that are going to be traveling on our Gulf Coast project -- and, as well, hopefully the Eastern Gulf project, are going to be light

Ted Durbin - Goldman Sachs - Analyst

Great. And then staying on the same topic and more macro, but give us your views on the need to move light oil to the Gulf Coast and the potential for that to become oversupplied with light. If you think about your Seaway expansion; you've got TransCanada with the Gulf Coast project; you've got some Permian pipelines coming in; and then Trunkline, it just seems like there's a decent chance that LLS might trade at a bigger discount to Brent than what it is at currently.
-- sorry, heavy barrels. So, remember that the refinery area in the Gulf Coast is configured very nicely for heavy crude. And of course that market is screaming for heavy and will continue to do so in the future, particularly given the decline in Mexican and Venezuelan crude.

Steve Wuori - Enbridge Inc - EVP - Liquids Pipelines

I think what I’d add to that, Ted -- I think you had a question about light oil, as well. Particularly in the St. James market, New Orleans, there is a tremendous demand for Bakken crude. There’s nearly 400,000 barrels a day of Bakken crude moving by rail, and maybe some by (technical difficulty) barge movements to New Orleans at the moment tend to be more heavy crude coming down the Mississippi. So there’s a good market for both, but certainly there’s a strong light market that the Trunkline project with Energy Transfer will intend to facilitate.

The other thing is that, looking at a very large volume of imported crude, the largest percentage of imported crude from abroad moves into the Gulf Coast market today. And inevitably, with greater and greater and greater American and Canadian supply, that’s going to back out those imports. And so there’s an opportunity for backing out the imports in the Gulf Coast, and that’s what’s going to happen. The other thing, when you talked about the LLS pricing, that would be related to Brent. And inevitably with diverted cargoes in fairly significant volumes to other markets, I think the inevitable is that Brent also falls.

And so while there is the issue of clearing that differential that exists today, with more and more pipe capacity into that Gulf Coast market, I think we’re also going to see that there is ample opportunity for Bakken and Canadian crude in that market to displace foreign imports. And as far as pricing goes, I think we’ll watch -- differentials are funny things, but the market is very efficient at removing large arbitrages. And I think that’s what you’re going to see happen as we move these volumes there.

Ted Durbin - Goldman Sachs - Analyst

That’s great. I’ll leave it there. Thank you.

Operator

Linda Ezergailis, TD Securities.

Linda Ezergailis - TD Securities - Analyst

Thank you. Just a follow-up question on your JV announcement. Does your core Mainline have enough capacity to support those additional barrels flowing through? Or is that in fact diverging barrels that would be flowing through anyway? So do you anticipate requiring additional twinning or looping within your core Mainline to accommodate those barrels? And if so, is that included in your CAD1.2 billion to CAD1.7 billion? It sounds like it’s not.

Al Monaco - Enbridge Inc - President and CEO

No, it’s not. But let me take you back, Linda. Right now we think there’s enough volume at Patoka through existing infrastructure. There is three lines currently moving in there; and there will be a fourth, of course, with our Southern Access Extension that would support about 250,000 barrels per day. Above that 250,000 a day, we will require some additional upstream capacity. We are currently in discussions with shippers on further capacity additions, but that might be developed; but obviously at this point, it’s probably premature to talk about what that might look like.

But I will say that we’re fairly confident in our ability to add capacity -- further capacity in the Mainline upstream, given the scale and scope of our system beyond even what we have already talked about in terms of scaling up and powering up Alberta Clipper and Southern Access.
Linda Ezergailis - TD Securities - Analyst

Okay. So would those additional Mainline capacities be done on time for this project? Or would infer, maybe, a scaling up of this project to 2016 or something, as those capacity expansions come through?

Al Monaco - Enbridge Inc. - President and CEO

I think what we are saying, Linda, is that there is sufficient capacity right now to underpin this particular joint venture to the level of 250,000 barrels per day. However, if we do get more commitments than that, then we will certainly investigate potential further upstream expansion.

Linda Ezergailis - TD Securities - Analyst

Great, thank you. And a follow-up on Seaway de-bottlenecking this year. At what point in Q4 of this year will that lateral be completed? And how might we think of how much of that D-rated capacity would be take-or-pay volumes versus maybe pro-rating down the contribution from Seaway on a volumetric basis?

Al Monaco - Enbridge Inc. - President and CEO

Well, we should see the lateral in by early Q4, I would say. And there are a number of other actions we’re undertaking right now to mitigate the downstream issues that we’ve seen so far.

Steve, I don’t know if you have any further detail on that.

Steve Wuori - Enbridge Inc. - EVP - Liquids Pipelines

No, I don’t think so. Certainly that lateral is being very actively worked on. It isn’t that far from Jones Creek over to the ECHO terminal. And so we have high confidence in the Q4, and we’ll update that year -- as the year goes along. We’re also working on a number of other initiatives to de-bottleneck the downstream end of Seaway in the meantime. So, it’s a little early to tell, quite honestly, exactly what the run rate for Seaway will be, now that its capacity came up just over a month ago. And we’re just going to have to see how the next quarter falls before we can really know.

Linda Ezergailis - TD Securities - Analyst

Okay, thank you.

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

It may be just to close the loop a couple of interrelated questions here. So, with respect to the 250,000 a day throughput on the new joint venture that Al mentioned can be accommodated from existing infrastructure into Patoka. And the returns that he described when he answered the previous question -- those returns are based on that 250,000 case. So the low double-digit returns are consistent with that level of throughput.

Al Monaco - Enbridge Inc. - President and CEO

Yes, that’s a good clarification. Thanks.
Carl Kirst - BMO Capital Markets - Analyst

Thanks and good morning, everybody. In fact, Richard, you just hit one of my questions there, so thank you. A second also on the Trunkline conversion -- and this really may be more on the possible in-service date of early 2015. Al, I note you noted ETE was hoping for the first FERC maybe to come out in the second quarter. Clearly, there are some LDCs who aren’t as happy with it. And I guess my question is, in order to get to the early 2015 in-service date, when do you need FERC approval and signed contracts to be wrapped up by? When do you have to start construction, shall we say?

Al Monaco - Enbridge Inc. - President and CEO

Yes, I think our best guess right now on that is the end of 2013 for that to happen by early 2015. I guess I would say -- it’s a good point you raise about the process they go through here. I guess our view on the FERC approval is that, first of all, this is one of three lines that is being converted. So there’s lots of capacity to serve the market. The other issue is, and I know there’s lots of considerations here, but one of the things that FERC considers is how their long-haul pipes going into that market -- which there is in this case.

And of course, as you know, there is some pretty significant supply growth outlook here from the Marcellus and the Utica. So we feel reasonably good about the ability to get approval here. But obviously it will take some time to work through. And remember, the (technical difficulty) for this by Energy Transfer was made back in the middle of 2012, so hopefully our second-quarter estimate is not unreasonable.

Carl Kirst - BMO Capital Markets - Analyst

Great. And I appreciate the color. And then just one other question, if I could. There was some concern, perhaps, that back last year it looked like Keystone was continuing to get delayed decision there, was the January time frame out there on the CTS. Is there anything to report on that? Or did that come and go and shippers don’t really care, so the speak?

Al Monaco - Enbridge Inc. - President and CEO

Well, I wouldn’t say they didn’t care, but it did come and go in that the notice was supposed to be provided, according to our CTS agreement, by February 1. We did not receive the notice. And I think that probably reflects the fact, as we’ve been saying all along here, that I think the shippers are quite pleased with CTS. And that they’ve got toll certainty and it really is a good arrangement for both the shippers and us, frankly. So we didn’t expect that to be triggered, and it wasn’t.

Carl Kirst - BMO Capital Markets - Analyst

Excellent. Thanks, guys.

Operator

Matthew Akman, Scotiabank.
Matthew Akman - Scotiabank - Analyst

Hi, thanks. Maybe this is for Steve. I’m just wondering where all the heavy oil is going to come from that gets into Patoka? I think at one point you guys said that the Southern Access Extension is for light. And then you said you expected most of the oil on this new venture that moves south through the eastern Gulf Coast is going to be heavy. So, what is your thought on where the heavy is going to originate, or where it’s going to come in from on the pipeline?

Steve Wuori - Enbridge Inc - EVP - Liquids Pipelines

Well, that’s a great question, Matthew. And you are already, I’m sure, checking your left forearm for the playbook. You can suspect that we’ll be looking at what Southern Access Extension’s size and capacity needs to be for both light and heavy. We also have our Mustang system coming in on the same routing, our joint venture with Exxon Mobil. And so we’re looking at how to optimize capacity for light and heavy into the Patoka market.

In the interim, as Al said, there are a number of pipelines that go into the Patoka hub, including Mustang, soon to be Southern Access Extension. There’s the Keystone system. There is the now Spectra Platte system. And there is our Ozark system. So there is quite a variety of feeds available for different crudes into Patoka to feed this joint venture. But, clearly, there is a strong heavy demand market in the eastern Gulf Coast; some very large refineries with coking capability, and we’ll be looking to piece that together. But one of those points will be, what is the final size and capacity of Southern Access Extension when we finally order the pipe.

Matthew Akman - Scotiabank - Analyst

Got it. But some can also come off Keystone.

Steve Wuori - Enbridge Inc - EVP - Liquids Pipelines

Yes, I think so. And that’s going to depend somewhat on XL and when it comes into service, which would tend to offload the base Keystone system often somewhat and allow for more possible movements into Patoka. And then Platte, I think Spectra will do what it does, which is it runs pretty much full all the time at 140,000 barrels a day. So, yes, there’s a few different possibilities there, and we’ll be exploring how the picture ought to evolve.

Matthew Akman - Scotiabank - Analyst

Okay. And just one other question, maybe keep Steve busy this morning, and is on your findings to date on the integrity program. Can you give us a quick update? Are you finding that you can phase down this big capital spend, and based on some of the inspections you’ve been doing? Or is it going to extend further into 2014 and 2015? How is the program going? Are things on track, or are you getting any negative surprises?

Steve Wuori - Enbridge Inc - EVP - Liquids Pipelines

Actually, things are very much on track. And I think you’ve seen a very high level of spend on pipeline integrity and management and maintenance in 2010, 2011 and 2012, continuing on into 2013. But we are going to be running out of that high level of work to do.

For one thing, Line 6B, one of our tape coated lines, will be completely replaced by later this year. That brings our total tape coated percentage on the Mainline down to somewhere in the teens percentage. And so, as you know, the maintenance intensity is higher on tape coated lines. And we’ve been actually doing on the order of 150 runs a year on various segments.
And so after a while you have just run everything you can run. And then you would could go into more the cycles, which would be two, three, four year cycles. And so I think what you can expect is that in 2014 and beyond, you'll see some of those costs taper off, as the very extreme level of activity that we have (technical difficulty) system with really does come off a bit.

Al Monaco - Enbridge Inc. - President and CEO

Yes, actually, that's a great point. If you look back to mid-2010 until today, it's been a three-year blitz, I would characterize it as, to get us to where we want to be, which is industry leadership position on the operations and integrity side of the business. And we'll still be very, very active. But obviously, like Steve said, it's going to tail off a bit.

Steve Wuori - Enbridge Inc - EVP - Liquids Pipelines

One way to look at that, just to keep you busy writing, Matthew, is that prior to 2010 we were spending about CAD150 million a year on pipeline integrity, maintenance, and management, which was industry-leading through that period. There's very few companies that spend that much. Now we've been spending nearly CAD1 billion a year in 2011, 2012, probably 2013. And then it is -- we simply will have looked at all of the pipe there is to look at.

Matthew Akman - Scotiabank - Analyst

Okay, thanks. My pen is already blitzing like you guys were on integrity, so I'll stop there.

Operator

David McColl, Morningstar.

David McColl - Morningstar - Analyst

Good morning, everyone. Just two questions. I'll start with the first one, which really builds off some of the questions and comments from everyone else. I'm just wondering, given the growing list of projects by yourself and various operators, whether there is any concern that we could be approaching a North American pipeline glut; excepting the fact that there will be some constraints in certain areas, around the 2016, 2017 timeframe.

Al Monaco - Enbridge Inc. - President and CEO

Glut -- are you referring to labor requirements, or can you specify?

David McColl - Morningstar - Analyst

Sure. Just thinking like an excess capacity of pipelines.

Al Monaco - Enbridge Inc. - President and CEO

To us, if you go back to the maps that we looked at and the supply profile that we see coming out of Western Canada and throughout the US, we are definitely tight right now. And I would say that by 2015, 2016, when we finish our initiatives and some others get done by others, I think that will probably be in balance by that time. We are definitely tight today. We will be short if we don't move forward with these initiatives. So I would say that all of that's happening right out there is going to meet the increasing supply that is out there.
Now, from our perspective, what you are raising is a good question because you just never know is where supply is going. So, and that's why we focus, from a commercial point of view, to make sure we have long-term commitments and take-or-pay arrangements on these lines.

Steve Wuori - Enbridge Inc - EVP - Liquids Pipelines

I think, too, Al, if I could add into your question, David, the important thing is to take a surgical approach to where pipe ought to be built. And for example, the Trunkline project with Energy Transfer, that is really designed to take what is currently a rail and water market and make it a pipe market. There is very little crude that can move by pipe into that market. It ought to be a pipeline market. It will be a pipeline market, just like the western Gulf Coast.

On the other hand, Philadelphia is not a pipeline market for crude oil, and it likely won't be. And so therefore rail projects and water projects are important there, like the Eddystone rail company that we've developed in Philadelphia; because that would be, and will likely remain, not a pipeline market. And so that's the important thing, is taking a very surgical approach to understanding the market, and understanding where pipelines ought to go, and where they ought not to go.

And also, in our minds, it's very important to show a lot of optionality to the barrel. Because as Al said, who knows where the various crudes are going to need to go? Who knows what differentials are going to do? And so the projects that we are putting together, as you look at the map, allow the producer to show that barrel to Minneapolis and Chicago, Detroit, Toledo, Eastern Canada, the western Gulf, the eastern Gulf, Philadelphia. There's a lot of optionality for the future that's going to be very important in a world where differentials do move around.

And so that's the approach we take. And I think it goes beyond worrying about whether there's things that are going to be -- areas that are going to be over over-piped, but rather looking at where pipe needs to go, knowing that we're short today.

Al Monaco - Enbridge Inc - President and CEO

And just commercially, what we always say is that if you visualize a typical upward-sloping production profile, where we want to be in that profile is near the middle of it. We certainly don't want to be attacking the top end of it, which obviously comes with more uncertainty. So we are really attacking the highly certain type of volumes that we think are going to move.

David McColl - Morningstar - Analyst

To follow up on that, and this is this is the second part, which you actually almost alluded to. We've been very fortunate having periods of growing production, the ability to bring pipes in the ground during a period of what is rather weak economic activity. I'm just wondering what the long-term plan, outlook, or concerns are. And, again, over the next five years, as it relates to skilled trades, this is the specifically for really building these pipes across North America. Thank you.

Al Monaco - Enbridge Inc - President and CEO

Yes, that's a good question. So my view on this is that I don't think at this point we're looking at a very tight pipeline market. You're right -- there's lots going on, but there is a lot of capacity for pipeline skills and trade. And where we see the biggest issue, frankly, is more in the oil sands area itself. And we don't necessarily double up or duplicate with the skills that are required there. So we feel reasonably comfortable over the next five years that we'll have good skills and labor to execute.

For us, a big chunk of the costs, and likely a third in some of these new pipeline projects, comes from the steel itself. And steel costs look reasonably well attainable at reasonable levels. And plus, we have a long-term arrangement that allows us to access that pipe. So I think we're -- in the realm of things, there's lots of risks out there, but I wouldn't put that one necessarily at the top. Although we're watching it very closely.
Steve Wuori - Enbridge Inc. - EVP - Liquids Pipelines

The other side to that is the labor side that you alluded to, and particularly in a hot labor market like Alberta, what we've done is made long-term agreements with certain large pipeline contractors for year-round work, which is unusual and pretty highly sought after in the contracting world. And so, because we know we have a slate of projects that can keep contractors working year-round, we've made agreements with them to do exactly that. And that way they can keep their best people, their best leadership, and supervision and so on, and keep that going year-round. So that we've done pretty aggressively in the Alberta marketplace, and in select areas also, in the United States.

Al Monaco - Enbridge Inc. - President and CEO

The underlying theme to that question, too, has to do with the quality of labor. And we watch that very carefully in terms of our processes to make sure that what we're putting in the ground is properly reviewed, inspected and signed off. You do tend to get in sometimes tight conditions of bit of a dilution of skill that we are trying to keep on top of that as best we can.

David McColl - Morningstar - Analyst

That's great. Thank you very much.

Operator

Andrew Kuske, Credit Suisse.

Andrew Kuske - Credit Suisse - Analyst

Thank you. Good morning. The question really relates to your access to capital markets, and Richard, you touched upon this. You had a pretty heavy year with six income issuance, the press, which obviously you did a lot of; and then a tiny little bit of equity. And you look on a go forward basis, obviously has your asset base grows, you're going to have to have more fixed income issuance primarily to help fund that growth. Do you have a concern that you would just become, frankly, too big in the market, and you really get driven towards alternative sources of capital, whether they be pension fund partnerships or some other alternative?

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

Well, pension fund partnerships is certainly one of the tools that we've got in our back pocket, so to speak, Andrew. And we have do have good direct relationships with a number of the large pension funds. But I would characterize that as a tool or an option as opposed to the basic case plan. No, I think with access to both the Canadian and the US capital markets, and given that our fixed income issuance is spread around three different Canadian issuers plus EEP in the US, we're pretty comfortable that over the remaining four years in that five-year plan, we can accommodate that issuance just in the normal course.

And also of course that very massive liquidity buffer that we've built up is intended, in part, to give us some flexibility to spread that around, if we need to. So, I think we've got lots of options.

Andrew Kuske - Credit Suisse - Analyst

And then a related question on the CAD35 billion of growth, enterprise-wide. That's largely secured, and more or less locked and loaded for the next several years. Do you have some sort of blue sky scenario that you think about in an unconstrained kind of environment, that you would think about allocating capital beyond the CAD35 billion?
Al Monaco - Enbridge Inc. - President and CEO

I'll take a first shot at it. You know what, Andrew, it's our job to be thinking about things like that. I think right now with the CAD35 billion we have our plate full for sure. But I can assure you that we are always looking for new opportunities. And, sure, we think about ways that we may be able to attack that from a funding perspective all the time. So, we're thinking about it; we are not there at this point; but those thoughts are there.

Andrew Kuske - Credit Suisse - Analyst

Okay, that's helpful. Thank you.

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

So I guess the only thing I would add, Andrew, is that the CAD35 billion isn't all spoken for at the moment. We do have a pretty good chunk of capital. Maybe it doesn't look big relative to CAD35 billion, but CAD5 billion of that CAD35 billion isn't spoken for just yet; although the Energy Transfer joint venture, once it's secured, will take a chunk out of that. At the moment, as Al indicated, I think we're -- our base case plan is for the CAD35 billion. But we continue to consider whether we might need to expand beyond that, and look at different ways we could do that.

Operator

Robert Kwan, RBC Capital Markets.

Robert Kwan - RBC Capital Markets - Analyst

Good morning. First question on the Mainline and the maintenance work and de-bottlenecking work. We've seen some of the apportionment numbers get better. I'm just wondering if you're able to give us some color as to how much of that is some of the fiscal improvements that you have versus some of the access changes around things like air barrels. And is the worst behind us as we head through Q1?

Al Monaco - Enbridge Inc. - President and CEO

I think we'll have Steve talk to that.

Steve Wuori - Enbridge Inc - EVP - Liquids Pipelines

Sure, Robert. I think what we've been doing very actively in the last number of months is tightening, more than ever, the entire chain of feeder pipelines that come into us; terminal constraints within our own system, as we keep 70 or so different varieties of crude separate; and then downstream constraints, and really squeezing out the inefficiencies that have been there, in terms of batches parking in tanks for longer than they should. In terms of feeders not bringing in crude on the schedule that they said they would.

We've done really done an entire value chain scrub of all of that, and that's actually paying some dividends now. And I think that's what we're seeing. It would be bold to say the worst is behind us. We do have the Exxon Mobil Kearl volumes coming from their new facility in the oilsands. And so we're watching that very closely as well. But we certainly have looked at maximizing the efficiency of the system. And it really is paying off. In a system this large, there are naturally times when certain refiner's batch would park in a tank for a number of days and it really oughtn't to do that.

And so we're squeezing all of that out. And also through verification, squeezing out the air barrel issue, as to what people are nominating that really doesn't exist; or if they are nominating the same volume to the Kinder Morgan Trans Mountain pipe and our pipe on the same month. We've
got ways now of figuring that out, so that's also helping. We've got a team that, every single day, works on that issue -- capacity, optimization -- and are just newshounds for every scrap of news and understanding they can get about what operations of third parties are doing in the upstream and downstream.

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

You know, just big-picture was, too -- to add to that, obviously as a common carrier, we have a responsibility to manage things for the betterment of the entire industry. And I will say that there has been some good cooperation between industry players. You can imagine that, in this environment, everybody wants to grab every piece of space for themselves. But I think in the big picture, we are seeing a decent amount of industry cooperation to make sure that we can maximize the entire capacity available, and the measures that Steve mentioned go a long way if we can squeeze those out.

**Steve Wuori - Enbridge Inc - EVP - Liquids Pipelines**

Yes, and I think we've seen the behavioral changes in some of our very large customers and we really appreciate that, because those behaviors tend to be entrenched over a long period of time.

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

So, with things like Kearl supply, obviously -- potentially causing some apportionment issues in the greater scale as we go forward -- as it relates to your volumes and your efficiencies, it sounds like we may be fairly close to a bottoming of the constraints as it relates to CTS volumes on the Mainline?

**Steve Wuori - Enbridge Inc - EVP - Liquids Pipelines**

Again, it would be a little bold, but I think that's true. We certainly had a conversion of different -- convergence of different factors late in the fourth quarter. And those tend to be clearing up now in the first quarter. So, I think that's true. We haven’t had constraints on our light crude system. We have had constraints on the heavy crude system. Kearl is a heavy barrel. And so we're preparing for that, as soon as that turns on.

The other thing to remember is that our Line 5 expansion is going to go into service very shortly. And that's going to add 50,000 barrels a day to the light system capacity, which in turn could draw more barrels through the North Dakota system off of rail, as an example. So, that's -- yes. That's a few of the factors that are in play.

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

And if I can ask one last question, shifting to regional and is being a smaller line item question, but it sounded like there were some one-time amounts that impacted the fourth quarter. I think, Richard, you might have alluded to that on the last conference call. I'm just wondering, are you able to quantify what some of those one-time items or shorter-term items and how long that might persist in coming quarters?

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

In terms of the regional oilsands earnings, was that the question?

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

Correct.
Richard Bird - Enbridge Inc. - EVP, CFO and Corporate Development

I think we did have some higher O&A in the fourth quarter. It wouldn't have been a huge number, but it would have been enough to take a little bit of the wind out of the sails. I wouldn't say it was necessary -- it was maybe peculiar in the quarter, but not necessarily something that would be out of the normal course over the course of a full year.

Robert Kwan - RBC Capital Markets - Analyst

Okay, so more of seasonality, rather than unusually high maintenance that wouldn't persist going forward?

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

Yes.

Robert Kwan - RBC Capital Markets - Analyst

Okay. That's great, thank you.

Operator

Alex Pinkerton, [Mastic].

Alex Pinkerton - Mastic - Analyst

Hi. You said in your statements that there were third-party restraints at the southern end of the Seaway pipelines that had been inhibiting flow. I was wondering if you could elaborate a little bit on what the nature of these bottlenecks are; and that time, scale, and nature of the other actions you mentioned that you are undertaking to solve the problems?

Al Monaco - Enbridge Inc. - President and CEO

Well, maybe Steve can take the first part of that, and then we can talk about the rest. Steve?

Steve Wuori - Enbridge Inc. - EVP - Liquids Pipelines

Sure. Alex, I mentioned the Q4 timing for the lateral from Jones Creek, which is essentially the end of the sea wave system over to the ECHO terminal. That will largely relieve the constraints, so you can probably book ended there. There's also some things we're working on on the current takeaway line out of Jones Creek, which is a Department of Energy, DOE, line that gets shared by a few different parties. And we're looking at ways of maximizing the capacity out of that.

So, that's all the color that we have right now. Certainly Enterprise, our partner, and ourselves are looking at all of the possibilities for the de-bottlenecking downstream of Seaway. And we'll be working on those every week, as we build that lateral across.
Alex Pinkerton - Mastic - Analyst

Okay. Well, I guess one quick follow-up would be, up until the end of the third quarter this year, were you expecting this (inaudible) out of Cushing to be?

Steve Wuori - Enbridge Inc - EVP - Liquids Pipelines

Well, I think, as I said, it’s a little early to establish a run rate. We’ve only had the capacity increase for the last month or five weeks. And so we’re not in a position to pin exactly what that rate is going to be. There’s a lot of traders that would love to trade around that information, for one thing. And so I think you’ll see ourselves and Enterprise communicating that as it becomes more certain. The line has a nominal capacity of 400,000 barrels a day in light oil. We are seeing a certain amount of heavy crude being nominated to it, but which isn’t surprising given the Canadian crude -- the heavy crude differentials.

And so, in mixed service, heavy and light, it goes down somewhat from there into that 300,000s. And will be doing everything we can to de-bottleneck downstream to achieve that, but it’s too early to pin a number or a run rate for the first three quarters of the year.

Alex Pinkerton - Mastic - Analyst

Okay, thank you.

Operator

Chad Friess, UBS.

Chad Friess - UBS - Analyst

Thank you. I’m interested in slide 13 that shows tankers moving from the US Gulf to eastern refining markets in the US and Canada. It strikes me that this is a better solution than one competing proposal, if some of the regulatory semantics can be alleviated. I wonder, could you speak to the current challenges of making that trip, and how you think transportation in that corridor will evolve over the next few years?

Al Monaco - Enbridge Inc. - President and CEO

Well, I guess the first thing about that, Chad, is that obviously that is a very timely solution to markets that could certainly utilize the crude, being that eastern coast, both in Canada and the US. So, from the point of view of moving crude from the US to other parts of the US, we think that’s doable. There are some requirements from a tanker point of view that would have to be met.

As far as movements from the US Gulf into Canada, I think that there is certainly allowance to do that through the NAFTA exemption. It does require licensing, but we think it can be done. So the thing we like about it the most is that once you are in the Gulf Coast, which is the primary market -- and I think people sometimes forget that -- the first objective is to get to the primary market, which has both heavy and light processing capacity.

It certainly makes a lot of sense to us to then move, or have the ability to move, crude beyond that to the East Coast of both the US and Canada. We think it’s doable, and we think it’s a very timely solution.

Steve Wuori - Enbridge Inc - EVP - Liquids Pipelines

I think the other thing I would just add, Chad, is that the maritime refineries in eastern Canada and Philly, for that matter, in PADD 1, have historically received all of their crude by water. And they’re very much tooled for that. For pricing reasons, most of them are engaged in rail transportation for
the interim, to access the Baaken barrel or the Western Canadian light barrel more economically than they can purchase Brent. But they are waterborne refineries. And this is a great way to play to their strengths, which is the receipt of crude by water.

Chad Friess - UBS - Analyst

That's great. And you have gone into the rail business. Are you going to get into the barge business?

Al Monaco - Enbridge Inc. - President and CEO

Well, probably not. It's obviously something that others do, and generally we are not -- well, we won't be, at least in the near-term, involved in taking crude on barges ourselves, at least not at this point. But it's certainly a well-developed market.

Chad Friess - UBS - Analyst

Fair enough. Thank you.

John Edwards, Credit Suisse.

John Edwards - Credit Suisse - Analyst

Yes, thanks for taking my question. Real quickly -- it wasn't clear -- who would be the operator of the Trunkline project? And then, just wanted to verify what I thought you I heard you say was, to make it financially feasible that you needed commitments of about 250,000 barrels a day. And then lastly, in terms of the rate or tariff structure, are you thinking a fixed fee commitment? Or you are talking more of a cost of service type rate structure?

Al Monaco - Enbridge Inc. - President and CEO

Okay, so let me get those. The first, on the operator, the operator would be Energy Transfer. Of course with their recent acquisition of Sunoco, they're more qualified to operate. And, as well, manage the conversion process. With respect to commitments, yes, it's somewhere in the order of 250,000, perhaps a little bit less than that. In terms of the ensuring economic viability on this particular project. And, thirdly, with respect to rates, we're going to be going into open season on that. So I think you can take away that there will be fixed fee take-or-pay structure on it. But other than that, we won't be getting into any details at this point.

John Edwards - Credit Suisse - Analyst

Okay. Thank you very much.

Jeremy van Loon, Bloomberg.
Jeremy van Loon - Bloomberg - Media

Just a couple of questions; one is on the new pipeline plan. I recall Energy Transfer had talked about doing the whole conversion in the past for CAD1.5 billion. I’m just wondering if you can provide a little bit of insight into how the partnership is planning to change that project, adding more components to it. And then the second question is just wondering if you can provide some insight into your plans for returning to the international business. Thanks.

Al Monaco - Enbridge Inc. - President and CEO

Okay. Well, on the first one, related to that capital cost of the conversion, essentially it involves -- and the lateral, by the way -- so we’re talking about a lateral into St. James from the takeoff point on the gas line tankage. And of course, conversion costs, which relate to confirming the integrity, as well as adding pump stations. I think on where the estimate would be, right now the range I gave you was for our share, both the capital and the equity entry-level investment. We’re going to be going through the capital cost, as I mentioned earlier, with Energy Transfer in a fairly detailed due diligence. So I think at this point, that’s probably all the color we can provide on the estimate.

With respect to your second question on international, right now we essentially have three focus areas that we are looking at. Australia, Peru and Colombia. At this point, we don’t have anything that would be ripe enough to talk about. But, as I said in my comments earlier, with all the growth we have in the next little while here, it allows us to bring these other platforms on like international, on in a measured way. So I think that’s how we’re approaching it. There are some good opportunities, particularly where we can bring some value to the equation.

So, if we’re talking about obviously crude oil or gas pipeline, then we will be a strong player. Colombia is probably one where that fits exactly right -- good volume growth profile there for oil. And certainly we have a good opportunity in that. There is a lack of infrastructure generally in terms of connecting that crude supply with markets, so that’s where we would play.

Al Monaco - Enbridge Inc. - President and CEO

Okay, next question.

Operator

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

Jody Balko - Enbridge Inc. - VP of IR and Enterprise Risk

Great. Thank you, John. We have nothing further to add at this time, but I’ll remind you that Jonathan Gould and I are always available for any follow-up questions that you might have. So thank you, and have a good day.

Operator

Thank you. Ladies and gentlemen, this ends today’s conference call. Thank you for your participation. You may now disconnect.