Good morning, ladies and gentlemen, and welcome to Enbridge Inc.'s 2015 second-quarter fiscal results conference call. My name is Bakeeba and I will be your operator for today's call. (Operator Instructions). Please note that this conference is being recorded.

I would now like to turn the meeting over to Adam McKnight, Director of Investor Relations. Please go ahead.

Adam McKnight - Enbridge Inc. - IR

Thank you, Bakeeba. Good morning and welcome to Enbridge Inc.'s 2015 second-quarter earnings call. With me this morning are Al Monaco, President and CEO; John Whelen, Executive Vice President and Chief Financial Officer; Guy Jarvis, President, Liquids Pipeline; Leigh Kelln, Vice President, Investor Relations and Enterprise Risk; and Chris Johnston, 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 previous calls: we will take questions from the analyst community first and then invite questions from the media. I would ask that you wait until the end of the call to queue up for questions, and please limit those questions to two per person. Then please reenter the queue if you have additional queries. And let me remind you that Leigh and I will be available after the call for any follow-up questions that you might have.
Before we begin, I’d like to point out that we will refer to forward-looking information in connection with Enbridge and the subject matter of today’s call. By its nature, this information contains forecasts, assumptions, and expectations about future outcomes. So we remind you it is subject to the risks and uncertainties affecting every business, including ours. This slide includes a summary of the significant factors and risks that could affect future outcomes for Enbridge, which are discussed more fully in our public disclosure filings available on both the SEDAR and EDGAR systems.

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

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Al Monaco - Enbridge Inc. - President and CEO

Okay. Thanks, Adam. Good morning, everybody. I’m going to start off with a high-level review of the first-quarter results, which we are pleased with. John will then take you through the quarter in more detail, and where we see the remainder of the year. I will provide an update on our financial optimization strategy, mostly related to the drop-down of the Canadian liquids pipelines business to Enbridge Income Fund. But I realized there’s some interest in the US side as well, so I will provide some comments on the status of that review. I’ll wrap up with the status of our capital program and our longer-term outlook.

On slide 4, before we get to the results, as you saw we introduced a new financial metric this quarter alongside EPS, that being available cash flow from operations, or ACFFO. We have added ACFFO because we believe it provides a much greater degree of transparency into the very strong cash-flow-generating capability of our business, both today and in the future. We also think it’s a good way to measure our relative performance within the peer group, especially with respect to growth potential and dividend paying capability.

Through 2018, we expect annual average ACFFO growth of 18%, and that’s what we talked about in June. That growth rate, though, will be lumpy, which reflects the timing of our larger projects coming into service. Our ACFFO profile should allow us to increase dividends in the order of 14% to 16% annually while still maintaining very strong cash coverage of the dividend, especially as we work through our major capital program in the next couple of years. After that, we will have flexibility to redeploy cash to extend growth or further ramp the dividend, depending on the quality and size of opportunity set we see.

So today we’re going to roll out our Q2 and year-to-date ACFFO numbers, along with full-year ACFFO guidance. At Enbridge Day, we will update our five-year ACFFO look, which would be based on our revised long-range plan that will take us through 2019. And then in December, of course, we will provide our usual guidance for 2016 — on ACFFO, this time — but of course, all of this will include EPS as well.

Turning to slide 5 and our EPS and ACFFO results, we announced earlier this morning, as you can see, it was a strong quarter, with all segments generating higher earnings relative to Q2 of last year. Liquids pipelines was up CAD20 million quarter-over-quarter, and this is after taking account of the transfer of an interest in the Southern Lights pipeline to Enbridge Income Fund in the fourth quarter of last year. So we saw significant earnings and cash flow growth relative to 2014. Now John, of course, will take you through the details in a minute, but the growth you see in this chart basically reflects two things: first, a very good performance from most of our businesses; and, second, capital projects we’ve put into service that generated new earnings and cash flow. More broadly, the strong results illustrate the resiliency of our business model in this somewhat volatile environment for pricing.

On a full-year basis, we should be in good shape as well, with additional projects that we expect to put into service in the second half. So we expect to achieve our EPS guidance range of CAD2.05 to CAD2.35 per share, and our new ACFFO guidance range of CAD3.30 to CAD4.00 per share.

And, with that, I will turn it over to John to provide some more color on the quarter and how we see the year unfolding.

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John Whelen - Enbridge Inc. - EVP and CFO

Well, thanks, Al. I’m picking up on slide 6 with results for the quarter, focusing first on adjusted earnings. As you can see, it was a very strong quarter, with all segments generating higher earnings relative to Q2 of last year. Liquids pipelines was up CAD20 million quarter-over-quarter, and this is after taking account of the transfer of an interest in the Southern Lights pipeline to Enbridge Income Fund in the fourth quarter of last year. The
increase was driven primarily by higher volumes that resulted from the combination of increased oil sands production, higher Midwest refinery demand, and ongoing system throughput optimization initiatives.

The pace of throughput growth ebbed a little in this last quarter as a result of maintenance and upstream production plants. Although total deliveries, ex-Gretna, still came in at a very strong 2.1 million barrels per day on average. We expect that these maintenance impacts will be temporary and that the growth of volume will resume in the second half of the year. And we expect that throughput and deliveries will be pretty much right in line with expectations for the full year. Liquids pipelines also got a little help from foreign exchange rates. While the bulk of the US dollar revenue generated by our mainline is hedged, the average hedge rate is higher this year.

Moving to down to gas distribution. Adjusted earnings from that segment were up quite sharply, about CAD30 million over the second quarter of last year. By way of explanation, EGD had been operating under interim rates up until May 2015. New rates were formerly approved through a rate order from the Ontario Energy Board in the second quarter, to be effective from January 1 of this year. The approved rates were higher than the interim rates that had been recorded through the first five months of 2015.

The OEB decision triggered a recognition of a revenue catch-up within the second quarter. Last year, recognition of catch-up between interim and actual rates didn’t occur until the third quarter, so there is some timing noise in the quarter-over-quarter picture. However, on a year-to-date basis adjusted earnings are up still -- still up about close to CAD24 million, reflecting higher rates and growth in customer base.

And with these new rates now in place, EGD also remains right on track to deliver solid earnings growth under its customized incentive ratemaking model, in line with our expectations at the beginning of the year.

Gas pipes, processing, and energy services delivered a CAD47 million increase in earnings, driven largely by our energy services business, which capitalized on strong refinery feedstock demand, tank management strategies, as well as improved location differentials on certain pipelines where it retains capacity.

This segment also benefited from positive contributions from our Canadian midstream business, driven by higher volumes on the Pipestone and a step-up into the take-or-pay fees on our investment in the Cabin gas plant. It also saw additional contributions from wind power projects acquired in late 2014.

Aux Sable’s performance did partially offset positive contributions from the other assets in this segment. As expected, weak commodity prices and fractionation margins continued to limit opportunities for incremental upside sharing revenue above base processing fees.

I should also point out that the quarter’s results for this segment also impacted by the absence of earnings from our 50% interest in the US portion of the Alliance Pipeline, which you may recall was transferred to Enbridge Income Fund and is now reported within the sponsored vehicle’s segment.

Speaking of which, it was another strong quarter for sponsored investments. Earnings were up CAD43 million quarter-over-quarter, driven by a number of the same contributors we saw in the first quarter. Firstly, the earnings contribution from Enbridge Energy Partners was up, driven by growing volumes and higher tolls on its US mainline, the impact of new liquids pipelines being brought into service over the last 12 months, and the acquisition of Enbridge Inc.'s 67% interest in the Alberta Clipper project, which occurred at the beginning of this year.

Strong results in the liquids business more than overcame weaker performance from EEP’s Natural Gas Gathering and Processing business, which continues to be negatively impacted by the depressed commodity price environment, which has affected drilling activity and demand for processing in certain markets served by the partnership’s gathering systems.

Secondly, earnings from this segment increased quarter-over-quarter as a result of Enbridge’s direct participation in the Eastern Access and mainline System Expansion projects, components of which were placed into service in 2014.

Lastly, Enbridge Income Fund was also a strong contributor to quarter-over-quarter growth, primarily due to earnings generated by the interest in Southern Lights pipeline and the US segment of Alliance, which it acquired from Enbridge in a drop-down transaction last fall.
Finally, the corporate segment’s contribution was up CAD37 million over Q2 last year, largely due to lower net interest cost during the period, partially offset by the higher dividends that result from the preferred shares that we’ve had issued over the last year to fund the Company’s growth capital program.

So, all in all, another strong quarter, which leaves us quite well positioned heading into the second half of the year.

Moving on, slide 7 shows the performance of the business through a cash flow [lens], using the available cash flow from operations= metric that Al referred to just a little earlier. Here you can see clear evidence of the impact on cash flow of the strong performance of our base business, as well as the impact of new projects coming into service. The large uptick in cash flow was primarily driven by the strong operating performance I just walked you through. Other significant factors impacting the change in ACFFO quarter-over-quarter are broken out on this slide.

You’ll see that maintenance capital expenditures during the year were lower than Q2 of last year. This was primarily a timing issue, although maintenance capital spending Q2 of last year was a little higher than normal, as a result of some specific program spending that has now ended.

The lower maintenance capital is offset by higher dividends to Enbridge, Inc. preferred shareholders, and by higher distributions to non-controlling interests, which reflect the increase in distributions we paid to the public through Enbridge Energy Partners and Enbridge Income Fund Holdings, Inc. All in all, strong operating performance and timely project execution has driven very solid cash flow growth quarter-over-quarter.

I should note that we have included a supplemental slide at the back of this presentation which provides more detail on the components of ACFFO for the comparative quarters.

So, after a very solid first half, let’s turn to our earnings per share outlook for the full year, and where we stand relative to guidance provided in December of last year, and I’m on slide 8 now.

Al has already noted that we are on track to deliver EPS within our guidance range of between CAD2.05 and CAD2.35 per share. And I would say that headwinds and tailwinds still remain roughly balanced at this point. The delay in receiving Leave to Open on our Line 9 reversal project is an obvious headwind, as we had originally planned for it to come into service at the beginning of the year. While this delay has been offset to a degree by O&A and other savings, it has clearly been a drag relative to expectations. Aux Sable is also expected to continue to be something of a drag on earnings, as we expect that weak NGL prices and fractionation margins will continue to limit opportunities for upside sharing.

Offsetting these negative factors are the positive impacts of a weaker Canadian dollar on the component of our US dollar revenue that remains unhedged, and the benefit of lower-than-anticipated financing costs. A new tailwind that has emerged this past quarter is the unexpectedly strong performance of energy services. We originally expected this business to be a bit of a headwind, as we anticipated the time and location differentials would not likely be as attractive in the weaker commodity markets that we expected to prevail during the year.

However, as I mentioned when discussing the quarter a moment ago, our energy services group was able to lock in some very attractive margins during the quarter, particularly through the execution of tank management strategies in response to strong demand for refinery feedstock.

And while we think that there will be -- likely be -- continue to be some attractive opportunities within energy services over the balance of the year, we don’t expect to replicate this quarter’s very strong performance in the remaining quarters of 2015. So again, at this point in the year, we see headwinds and tailwinds largely offsetting, and our EPS guidance remains unchanged.

So how does that full-year performance outlook translate into cash flow? Slide 9 provides our first look at 2015 guidance on an ACFFO basis. As you can see on the slide, our initial guidance range is CAD3.30 to CAD4.00 per share. The midpoint of this range would be a 21% increase over the 2014 ACFFO per share of CAD3.02 that we discussed at our June call.

The cash flow growth will be driven largely by the same factors that are driving our earnings outlook, including the strong operational performance from our base business, and of course the impact to new assets coming into service. It’s important to remember that we placed CAD10 billion worth of assets into service during 2014, and we will put another CAD9 billion into service this year.
As a reminder, we consider maintenance capital to be any capital expenditure that is required for the ongoing support and maintenance of existing assets, or that is necessary to maintain the service capability of an existing system.

We do expect that maintenance capital over the 2015 year will be higher than incurred in the first half of the year, which is in line with normal seasonal patterns; but should be lower than what we disclosed for 2014, as maintenance expenditures last year were higher due to some one-time initiatives.

If you look at the chart of the bottom right-hand side of this slide, you can see that the cash flow we expect to generate this year will provide very ample coverage of our current annualized dividend of CAD1.86 per share, both on an absolute basis and relative to many of our peers.

So turning now to slide 10, we have been fairly quiet in the capital markets over the first half of the year while structuring and negotiating the terms of the drop-down of our Canadian liquids pipelines business to Enbridge Income Fund. With an agreement now on hand, and the terms of the transaction broadly disclosed to the market, we do expect to ramp up our capital markets funding program over the second half of the year. And while there is plenty of capital to raise, we are also very well positioned to execute on our funding plan.

On the debt side, our credit ratings remain strong relative to most of our peers, even after the one-notch downgrade that was announced in conjunction with the announcement of the drop-down terms. And those ratings are stable.

We are committed to retaining strong investment grade credit ratings across the group, and we will take advantage of our ability to access a variety of markets through a number of issues within the group in order to raise debt capital on the most cost-effective terms. And with the transformation of Enbridge Income Fund into an industry-leading liquids pipelines infrastructure company, we believe we have created a very attractive vehicle through which we can efficiently and cost-effectively raise a significant amount of equity to support our ongoing growth program.

Having said that, we will be cautious in our approach to the market. A large portion of our planned debt is hedged. And as you can see from the charts on the right-hand side, we have secured more than ample standby liquidity, so we won't feel compelled to rush into either the debt or equity markets. And we will look to issue selectively when market windows are attractive.

And with that, I will turn it back over to Al.

Al Monaco - Enbridge Inc. - President and CEO

Okay. Thanks, John. Turning now to slide 11, everyone. This is an update on our Canadian financial optimization strategy, which is nearing completion. And when we say optimization, it really involves a two-part process. The first was an increase in the dividend payout late last year, and the second is a large-scale drop-down, that being our Canadian liquids pipelines business to Enbridge Income Fund.

The higher payout reduced equity requirements, and the benefits of the drop-down allow us to accelerate dividend growth. You saw the 33% bump in Q1 this year, and then the expected 14% to 16% average annual growth that we expect that I referred to earlier.

This should all translate to a lower cost of funding for our existing assets and the capital growth program. And that will make us even more competitive, in our view, in pursuing new growth opportunities to extend the growth rate beyond our planning horizon. The drop-down also transforms the Fund through a massive increase in scale: in our view, the best liquids pipelines franchise in North America and a highly visible and secure growth capital program. And lastly, it sets us up well to extend our growth beyond 2018, as ENF becomes an even more effective funding vehicle going forward.

So, as to the status, last month we reached agreement on the terms of the drop-down for a value of CAD30.4 billion. You'll recall there's some other factors that go into that in terms of temporary performance distribution rights as well. A couple of weeks ago Enbridge Income Fund Holdings -- that's the public vehicle for the Fund -- issued its information circular, and the shareholder vote will take place on August 20. If approved, the transaction would be expected to close shortly thereafter.
As you know, we’ve also been evaluating the potential for a similar large-scale drop of our US liquids pipelines business to EEP. We have now concluded that assessment, so let me outline where we’ve landed.

Before I do that, though, I think it’s important to reiterate a couple of reasons why EEP is critical to Enbridge. First, EEP houses the US portion of our liquids mainline system. That system moves 2.2 million barrels per day across the border. And I think it’s fair to say the entire system on either side of the border is our crown jewel asset at Enbridge -- always has, and will likely be for a long time still.

Secondly, we have utilized sponsored vehicles to optimize our overall cost of capital, and EEP has been a very important source of funding and growth for Enbridge over the years.

Given EEP’s importance to Enbridge and the size of its organic capital program, we have invested alongside EEP over the last few years. You’ll recall our preferred share investment, as well, in 2014 and our joint funding arrangements on larger liquids projects. In addition to that, we have restructured the IDRs and also dropped down a two-thirds interest in Alberta Clipper. So hopefully all of that demonstrates our support for EEP, and the power the MLP can provide.

Enbridge itself obviously owns a large inventory of US pipe assets, which are ideally suited, in our view, to be held by EEP, which is what led us to consider the large-scale drop-down. I think this audience knows quite well the timing and effectiveness of any drop-down is driven by equity valuations, at least in part. And as you know, the MLP market as a whole has come under a lot of pressure in recent months.

So, our conclusion is, at this time, that in light of the weakening market conditions, it is more prudent for us to approach the drop-downs on a selective basis rather than a large-scale program like the one we’re executing with the Enbridge Income Fund.

So here’s how we see the bigger picture going forward for EEP. The long-term outlook for EEP is very strong, and it’s really driven by three things.

Number one, growth within the existing liquids pipeline business; and I think you’ve heard us talk about the growth in the volumes themselves on our mainline system.

Two, we have some CAD$5 billion worth of organic expansion projects that we expect will come into service by the end of 2017: that’s the Southern Access expansion, up to 1.2 million barrels per day; the new Sandpiper Pipeline; and the US portion of Line 3, which is Enbridge’s largest project in our history; and finally, EEP’s existing options to increase its ownership in Eastern Access and US mainline expansion projects, and that totals about CAD$700 million.

Now remember, EEP’s options to acquire these additional interests are at book value. So you can think of these like organic projects which come with very attractive economics. And another way to look at it is these would be low multiple of drops. So that’s the base case.

On top of that, the plan will be to monitor opportunities for drop-down transactions from the inventory of US pipeline assets I mentioned to further bolster EEP’s growth. We’re not going to get too specific on what that could look like, or the timing, but in general terms it would be of the medium-scale variety. You’ll recall that last year we dropped down that two-thirds interest in our Alberta Clipper system. That was about a CAD$1 billion transaction which yielded a strong result for both Enbridge and EEP.

So, the selective drop-downs will be in that general category. Could be smaller; I suppose they could be a little larger. And Enbridge, of course, through this piece, given all of the opportunities EEP has front of it, would consider taking back equity in EEP to help manage those funding requirements through this period.

Turning now to the status of our capital program on slide 12. The record CAD$44 billion growth that you see here remains on track, and CAD$34 billion of that is commercially secured. The remaining CAD$10 billion is in the risk unsecured category, as we call it, and those are projects that we’re working on, but not commercially locked in.
The green areas of the bar chart on the right shows the progress that we’ve made through 2014 and the first half of this year. This quarter we put four projects into service, on budget and schedule; so good movement in the green portion of the bar. And of course, we are working through the blue portion now, with roughly another CAD$5 billion in projects to come in online in Q3 and Q4.

Slide 13 recaps the CAD9 billion in projects slated to go into service this year, and John mentioned that figure as well. In April we completed for service a large chunk of the Edmonton to Hardisty Project, with the South Edmonton Terminal -- that’s the last piece -- to come in by Q4 of this year. Also, in May, the station work to bring southern access to 800,000 barrels per day became operational, which I think is a big milestone for our Lakehead System expansion program. And as I referred to earlier, there’s another piece of that to go to 1.2 million barrels per day later on.

The Canadian Mainline flexibility program at the Edmonton Terminal went into service in June. Perhaps most important in the last few months in July -- this is early in July -- we brought on the second phase of Alberta Clipper expansion at 230,000 barrels per day. And I think the team did a good job in getting that in a little bit earlier, even than we had targeted. This is an extremely important project for our customers because it provides much-needed ex-Alberta capacity in a capacity-tight market. We think this will make a good dent on mainline apportionment on our heavy lines starting in August.

We also saw first oil flow in our Woodland Pipeline expansion, and that’s of course going to bring Kearl oilsands production into the Edmonton Hub. So our major projects team has been hard at work this year, but more work to do over the next two quarters.

Onto slide 14, which highlights three projects that we have in execution that we thought we’d give you an update on. First, for Line 9, the reversal work of course was completed last October. But as we’ve mentioned before, the NEB is taking a very extensive review of this project that, as it should. Our Leave to Open was approved in mid-June, But as part of the approval, confirmatory testing on three segments of the line will be required. Our best estimate is that we can complete the tests by the end of this year. Once we do those tests and the results are reviewed by the NEB, we will be in a position to bring the line into service.

On Line 3, this project continues to progress well in the preconstruction phase. We are making very good headway on the land side of things. About 98% of the right-of-way here has been secured in Canada, and over 90% on the US side. In July, the Minnesota PUC on that project deemed the Certificate of Need and Route Permit complete, which triggered the need and routing process. So those two, need and routing, will happen concurrently. So, pleased generally with the progress on Line 3.

Moving on to Sandpiper, last month the Minnesota PUC also approved the Certificate of Need on that project, and the routing permit process is now getting underway.

The last update I have is on Alliance Pipeline on slide 15. Most of the legacy contracts, as you know, on Alliance were set to expire this November. Over the last couple of years, we have rolled out new service offerings which give customers a diverse suite of services at predictable and competitive tolls. And earlier this year, Alliance successfully re-contracted what we had targeted for capacity. The average term of the contracts is in the order of five years.

In July, both the NEB and the FERC approved the key elements of the service offering. And I think this is a major milestone for the pipeline because it effectively terms out capacity on the system. Bigger-picture, though, we think this confirms our view of the strong competitive position of the line with its ability to move liquids rich-production from Western Canada to a very strong Chicago market for liquid.

On to slide 16, and a brief update on the liquids mainlines volumes and our outlook here in the next couple of years. On the left, you can see a steady increase in mainline throughput over the last two years. I think Guy and his team in the liquids group have done a very good job of adding new and timely capacity through various initiatives when the industry needed it most. And the best thing about those is they have come at very, very low incremental cost to the industry. And with the additional 230,000 barrels per day of expansion capacity brought on this month, we expect throughput to ramp up to about 2.5 near the end of the year.

More broadly, though, on the right side, the chart reflects our best estimate of crude production growth through 2025 coming out of the basin. Although with the downturn, the forecast is obviously less robust than it was in the past, we in the industry believe additional pipeline capacity is
going to be required for the near- to medium-term. Although heavy prices in Western Canada have been helped by the added mainline capacity I mentioned, the increase in production you see on this chart will once again put pressure on the heavy differential. We think our mainline will continue to be positioned quite well to help mitigate that issue.

And slide 17 is a recap of the expansion opportunities we still have on the mainline. And importantly, these are designed to provide incremental, low-cost capacity which can be staged based on what we see in production. We think this suite of expansion suits the current environment very well because of a combination of challenging industry dynamics that we see right now. First, very tight ex-Alberta capacity, increasing near-term oilsands production, with continued uncertainty on larger scale pipeline in service dates. Second, if it’s one thing that’s very clear in the current price environment, our discussions with our shippers is that they’re looking for the lowest possible low-cost transportation option to get crude to market. And they are obviously keen to have that by utilizing a common carrier system. And third, the need for producers to access premium PADD 2 and PADD 3 markets to maximize their netbacks.

So strategically, these expansions build on the priority to get crude to coastal markets. You see that with the green arrows in this map, particularly the Gulf Coast, which is an ideal refinery hub for Western Canadian heavy and for producers to get access effectively to global prices.

I will conclude with slide 18, which is really the bottom line of how we look at the next five years, at least from a financial point of view. EPS of 10% to 12% on average over a five-year period. A large component of that growth is commercially secured and in execution. ACFFO CAGR of 18% over the next four years, off of the 2014 base. As we’ve noted, the profile of this growth will be lumpy, given project in-service dates. In terms of dividends, we expect a smoother profile than ACFFO of between 14% to 16% on average annually from 2016 to 2018.

That’s the current outlook, but we also remain very confident that we can deliver industry-leading results after 2018 through embedded internal growth and further investment in all of our businesses, as well as utilization of our sponsor vehicles. We look forward to discussing that outlook at Enbridge Day in early October.

So to summarize on slide 19, second-quarter earnings and ACFFO were strong on solid results from all of our segments. There is another two quarters to go here, but the first half puts us on solid footing to be within that full-year adjusted EPS range of CAD2.05 to CAD2.35 a share, and ACFFO between CAD3.30 to CAD4.00 a share.

We’re pleased with the increase in capacity in our liquids mainline, which support continued earnings and cash flow growth through the year; and, importantly, supports our industry. The execution of record capital growth programs is progressing well. We on schedule to complete the drop-down of our liquids pipelines business to Enbridge Income Fund later this year.

And finally, our earnings and dividend growth outlook to 2018 and beyond remains intact.

So that wraps up our prepared remarks.

We will now turn it over to the operator for questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions). Paul Lechem, CIBC.
Paul Lechem - CIBC World Markets - Analyst

A couple of questions related to the mainline. So given that the Clipper expansion was completed post-quarter end, I was just wondering, where there any impacts to shippers on Flanagan South and Seaway similarly through Q1, where you couldn’t get the volumes down to those pipelines? Was there any capacity issues in this quarter?

Guy Jarvis - Enbridge Inc. - President, Liquids Pipelines

Hi, Paul. It’s Guy. So yes, we have had continuing issues related to the heavy apportionment on the mainline and its impact to shippers on Flanagan South. But with bringing on this extra capacity on Alberta Clipper is helping to alleviate that. I think it’s well known we were -- had heavy apportionment in excess of 40% earlier in the year. I know the number is out publicly for August, where it’s looking like it’s going to be down in the 25% range. So we see it improving as we bring that capacity on.

Paul Lechem - CIBC World Markets - Analyst

Okay, thanks. And then on Line 5, there was a report out from the Michigan Environmental Department on the crossing of Line 5 under Lake Michigan. I was just wondering, did you guys have any comments about that, and potential impact if they impose more restrictions around that going forward?

Al Monaco - Enbridge Inc. - President and CEO

Yes, Paul. In some ways, it was a little bit surprising to see the report because we had gone through a number of weeks and months of engagement with them. On the other hand, I think it reflects the overall scrutiny that we’re seeing on all energy projects generally. And obviously the Great Lakes are very important to the people of Michigan, as they are to us, so we share the concerns on it. I think the report is a good step, though, in the process where we can increase the dialogue here. And we’re going to continue to work very closely with the state. Obviously we have been doing a tremendous amount of work on the line over the years. And we feel pretty confident in its safety, but certainly we will continue to engage with the state on this as we go through.

The line itself, just to remind everyone -- very much strong system, built to very high standards when it was built, extra heavy thickness pipe, coated and waterproof enamel. With that, there’s many aspects of this line actually that make it extremely strong, and we’re confident in it. And one of them is that it operates at very low pressure: less than 25% of its maximum operating capability. So, overall, we feel pretty confident in this crossing, but we will continue to work with the state to ensure that we’re having a good dialogue on this, and address the concerns.

Operator

Rob Hope, Macquarie.

Rob Hope - Macquarie Research - Analyst

Congratulations on another good quarter. Just if we could look a bit more broadly, in terms of the acquisition market, we’re seeing some large corporate M&A in the US, and potentially some attractive assets being forced into the market in Canada. Maybe can you can update us on your acquisition strategy? Are you looking to diversify your business by buying single assets and then building around that? Or would you look more towards groupings of assets or even corporate transactions?
Okay. Well, the short answer is, all of the above. I think you've heard us say before that although we've got such a tremendous liquids pipelines franchise, if you look at that the contribution it's making now and over the next five years, it's clearly going to make up the lion's share of the earnings and cash flows. So, with that, though, we do feel very strongly about the fundamentals of both natural gas and power generation, renewables being one part of that. So I think it's our desire to expand the diversity of the asset base that we have.

Now, the question is, how do we do that? Traditionally the business at Enbridge has been focused on organic-based growth. Obviously that provides the best opportunity for value. But I think we're going to have to start looking more and more and other opportunities if we want to make a dent in the outlook for natural gas and power generation at Enbridge. So that's our desire. That's always going to be subject to the opportunity set at the time. And I think you've known us to be pretty disciplined investors, so it's going to depend on what the value that we can add is.

And what we've been most concerned about in the past when we look at the larger-scale transactions is that when we layer on top of our existing plan, which as you've just heard very robust, sometimes it's hard to make these larger-scale transactions work economically for our shareholders. So we will continue to look very carefully at all of these. We're scouring every opportunity out there, and we will continue to do that.

And I think once we get through the drop-down process for the Canadian pipeline business, and we see hopefully some improved valuation relative to the group, then that will give us an even more powerful currency to move forward with some of these initiatives.

Rob Hope - Macquarie Research - Analyst

Thank you for the color. And then maybe just as a very quick follow-up, are you seeing attractive opportunities right now in the gas or power side?

Al Monaco - Enbridge Inc. - President and CEO

There's a few out there that we're looking at. And obviously, as I said, we are scouring to see if there's anything that we could add value for our shareholders with, and we will continue to do that. Obviously I can't get too specific on what those are, but it's our job to keep looking and that's what we're doing.

Rob Hope - Macquarie Research - Analyst

Great. Thank you for the color.

Operator

Brian Zarahn, Barclays.

Brian Zarahn - Barclays Capital - Analyst

I appreciate the clarification on EEP drop-down strategy, and it's certainly understandable given the MLP market performance this year, in terms of not pursuing a large-scale transaction now. But it still remains your intention to transfer some of the assets over time to the MLP.

So I guess my question is, is a more likely scenario no drop-down this year, and then the Eastern Access US Mainline expansion upsize options more likely? And then maybe something similar to the size of Alberta Clipper, that type of the transaction, looking ahead?
Al Monaco - Enbridge Inc. - President and CEO

I think that's pretty much right, in how we would look at it. I think the call options that EEP has on Eastern Access and Mainline, I think those are the two most obvious candidates, as I said in my remarks there. They would be low multiple drops. I wouldn't say they're huge, but they total about CAD700 million. And those call options come due in 2016 and 2017, so that's a natural set of drops to occur in those two years.

And then as I said earlier, opportunistically we'd look to see what else is available for drop-down. Obviously a lot of assets that could head down there. But it will be, as I said, on a more selective basis depending on what we see in the valuation and how we can manage it from a financing point of view.

One thing that I think sometimes we probably need to communicate a little better is that EEP is a little bit different than a pure drop-down story, because we've got large organic programs that we're carrying through, in our case, through 2017. So that's the CAD5 billion I talked about earlier. That requires obviously a lot of financing, so we need to manage between the organic story and the drop-down story; and, hence, the desire to move to more selective approach at this point.

Brian Zarahn - Barclays Capital - Analyst

Appreciate the color, Al. As a follow-up, looking broader at the CapEx backlog for Enbridge, given the commodity price environment expectations that will probably be lower for longer, any change to the unsecured backlog? Or at least -- it seems like you are still sticking with the CAD10 billion. But could that actually be pushed out much farther beyond your time period, it do you still think that's an achievable target over the next few years?

Al Monaco - Enbridge Inc. - President and CEO

Yes, that's a good question, Brian. Brian, by the way, is referring to the CAD10 billion that we showed on that one chart that we call risk unsecured, so basically that's a collection of projects that we're working on that we apply risk numbers to, and we added up to CAD10 billion. And the reason we do that, by the way, is to ensure that from the financing point of view we are taking into account that we're going to be successful on some projects going forward, which our history has shown that we can be.

I'm still relatively bullish on that CAD10 billion, and the answer to the question as to whether we can extend that further: I think we can. There's a lot of opportunities out there. The fundamentals of energy development in North America I think are very positive long-term. So I think there's going to be opportunities.

As I alluded to earlier, it's really going to depend on whether or not those opportunities can fit the value proposition. And I think it really emphasizes the need in our business, when you are putting so much capital to work, to make sure that you are really testing these opportunities against your capital allocation discipline in terms of how does it match up against other opportunities, including increasing the dividend or doing other things with the cash flow that's going to be coming at us.

So, long answer to your question, maybe, but I think we'll probably get into a little bit more detail on this CAD10 billion and how we see that number going forward once we get to Enbridge Day. And we'll probably bring that down to the business unit level, and the guys will give you some transparency into the opportunity set there.

Al Monaco - Enbridge Inc. - President and CEO

Thank you, Al.
Ted Durbin - Goldman Sachs - Analyst

I'm wondering if we can just dig in a little bit on some of the forecasts that were in the circular out through I think 2021, maybe just the assumptions that you are making there, that the key assumptions on -- whether it's volumes or costs or project timing, that get you to three different cases.

Al Monaco - Enbridge Inc. - President and CEO

Let me see. Ted, can you be more specific as to --? Maybe what we should do actually is maybe will start with volumes.

Guy, do you want to just give where we are on that?

Guy Jarvis - Enbridge Inc. - President, Liquids Pipelines

Yes, I think the chart that we’ve included in this presentation around the volumes is really premised on the fact that we're continuing to see this near-term front-end growth on the heavy side of things. Year-to-date in 2015, we are really pleased that our heavy volumes are bang on. We think that's providing support to that near- to medium-term outlook. Our conversations with our customers who are developing that production in the next 2 to 3 years have indicated that it's all progressing. And, in fact, in some cases, they are trying to get there a little bit sooner rather than later.

So I think we have got a good plan through that 2018 time frame. Beyond 2018, as you get to the end of the decade, there is more certainty that begins to emerge. But one of the things that we believe is that our mainline is really well positioned to continue to do some marginal expansion along the way over a range of production outcomes. So, we feel that with the uncertainty that is emerging out in that period, it actually strengthens our competitive position.

Al Monaco - Enbridge Inc. - President and CEO

Yes, and maybe the other points, I think the easiest way to look at this is -- like Guy has given some comments on the volumes. But from the capital side it's really pretty much the same as what we've just described in our update here. Those projects that are secured will drive the outlook for Enbridge Income Fund and the Enbridge Income Fund Holdings for the next five years. So I think that's pretty transparent. After that, of course, the income fund does -- we'll ineffectively have acquired the business. And so all of the opportunities that go with the liquids pipelines business today will accrue to the Income Fund.

But just to clarify, maybe, the valuations in there were -- and cases were presented by the independent financial advisers there -- and a lot of that detail we don't necessarily have transparency into, as it was an independent valuation. So I'm not sure if that's what you were getting at, but I think we can broadly say that what we've got in our plan for CapEx is flowing in through the income fund in the future.

Ted Durbin - Goldman Sachs - Analyst

That's helpful. I was referring just to the management forecast, not necessarily the valuation. I think those came from you, so that's helpful color. And then the other question I have here is just on the dividend itself. And you are now very clear on the cash flow metrics, which we appreciate the disclosure there. At what point would you consider actually increasing the dividend, maybe drawing on coverage if you feel the appropriate valuation is not being reflected in the market? Because clearly you think that you are trading at a discount to where you should. And I guess maybe tie that notion of dividend growth to the capital program and -- if and when this backlog is not growing, some of the call in capital at the ENB level rolls off, how does that then translate into dividend growth?
Al Monaco - Enbridge Inc. - President and CEO

Yes, I think that’s a very good observation. And really when we set our dividend payout strategy last year -- revised it, rather, I guess -- really had two different time frames in mind. I think over the next 2 to 3 years as we work through this large secured program of the CAD34 billion that I talked about, I think we’re very comfortable with where we set the dividend strategy to reflect the fact that we need to retain some capital to ensure that we have a good buffer to execute the program.

And the reason for that, Ted, is that the last thing we want to do is put the capital program in jeopardy. Because at the end of the day, that is really the mechanism that will drive fundamental value for our shareholders.

So I guess it’s another way of saying we want to protect that capability, and a bit of an extra buffer now through this 2 to 3 period makes sense. The next period I guess is the last two years of the plan, in which case I think we would have to revisit. And that revisit will depend upon pretty much the capital allocation framework that I referred to earlier. So we will look at potential organic projects; we will look at asset deals; we’ve look at alternatives, one of which is to ramp up the dividend, as you say, draw on that very sound coverage. And I guess I’d just reiterate the importance of your question, because we are going to see a lot of cash flow coming at us in the next five years.

And so it’s a good position to be in, because we’ll have some good options as to what we do with that cash flow once we get through this 2- to 3-year period.

On the other hand, it’s not like the business is standing still and we’re waiting to do things three years from now. We are continually monitoring what is out there from a strategic point of view. We need to make sure that if there are opportunities, we grab them up. And to the extent they are there, we do have a lot of flexibility. John went through his funding slide, and you can see that we’re building up a lot of extra dry powder on the bank credit side in particular. So I think that will put us in good position, that if we do see something in the interim then we can capitalize on it.

Operator

Robert Catellier, GMP Securities.

Robert Catellier - GMP Securities - Analyst

I just have a couple questions to clarify the situation on EEP here. I understand why the market conditions may not warrant a large-scale drop-down currently. But is that option really effectively off the table now for the foreseeable future, given the timing of the call options they have on some of the other assets? Or if market conditions improve, can you go back to that strategy?

Al Monaco - Enbridge Inc. - President and CEO

Robert, anything’s possible. I think to be clear, though, I think for the immediate term we wouldn’t see that being an opportunity based on where we see the valuations today. I understand why the market conditions may not warrant a large-scale drop-down currently. But is that option really effectively off the table now for the foreseeable future, given the timing of the call options they have on some of the other assets? Or if market conditions improve, can you go back to that strategy?

Robert, anything’s possible. I think to be clear, though, I think for the immediate term we wouldn’t see that being an opportunity based on where we see the valuations today. I suppose things could change in the future, but that’s where we are today. And I think you’re right to point out the call options and the selective opportunities that we could bring to bear on an interim basis to bridge us through this period of time.

We recognize that we need to bolster the growth in the next 2 to 3 years. Because I think if you look out to 2017 when these big projects come out, that’s where the organic cash flow growth, transparency of that, really comes to bear. So we recognize that in this interim period we may be able to take some opportunities to drop down some assets depending on what the valuations look like.
Robert Catellier - GMP Securities - Analyst

Okay. I think I understand the message there. And then I think you mentioned previously that in that strategy, you would consider taking back some equity from EEP. And you did again restructure the Series 1 preferred to deferreds from the cash payment. So I'm wondering what the appetite is on any equity you take back to have that payment in kind, or a cash pay equity.

Al Monaco - Enbridge Inc. - President and CEO

Yes. The short answer is, yes, we will be flexible on that. As I alluded to earlier, we've got lots of capital in front of us that we need to execute on in the Partnership. And to the extent that we see an opportunity that we can see going down into EEP on an existing asset, we might do that. And certainly we would consider taking back units just to manage the amount of equity financing in the Partnership. But that's an approach that we've taken in the past, and we could do that again.

John, is there anything else you want to add to that?

John Whelen - Enbridge Inc. - EVP and CFO

Well, I just think we will strike a balance, obviously. To the extent we would do that, it wouldn't be material at the Enbridge Inc. level in terms of the degree of deferral or the amount of deferral. That's something that we would always look to balance at the end of the day because we're focused on cash at Enbridge as well.

Al Monaco - Enbridge Inc. - President and CEO

Yes, but you were referring I think, Robert, to the ability for us to take back the equity in EEP. And I think the answer to that is yes, if we see that fitting at the time.

John Whelen - Enbridge Inc. - EVP and CFO

Right, and we do have precedence for doing that.

Robert Catellier - GMP Securities - Analyst

Yes, the equity was part of the question, but also the balance between payment in kind and cash. And I think John just answered it as well. Thank you.

Operator

Andrew Kuske, Credit Suisse.

Andrew Kuske - Credit Suisse - Analyst

If we look back in the last few months, a large part of the MLP underperformance has really been driven by interest rate concerns in the US. And so if we just step back a little bit, clearly the US is facing a rising rate environment; Canada's environment is a bit more benign. So how do you think about your financing strategy throughout North America, and just capital market access and primarily looking at the debt markets?
John Whelen - Enbridge Inc. - EVP and CFO

Well, you raise a good point, Andrew, and I think that's partly why we have this strategy of being able to issue in multiple markets through multiple vehicles. At the end of the day, we will be going to look to raise the capital, and we'll need to do that, but I think we'll do it -- we will do it selectively over time. As I mentioned during my part of the discussion a little earlier in the prepared remarks, we are substantially hedged on the interest rate side, which makes -- quite frankly, gives us a lot of flexibility in terms of when we want to time issuances to make sure that we've got the right sort of supply/demand perspective.

And the plan that you will see us talk about at Enbridge Day coming up reflects quite frankly the impacts of all of that hedging activity and so on. So we've built it into our plan. We want the flexibility to be there. We've got multiple markets; we've got multiple issuers; and we've got a substantial amount of, if you will, risk management in place and liquidity in place to give us the flexibility. So that is how we will approach the market. It will be methodically but selectively in -- so where market windows exist.

Andrew Kuske - Credit Suisse - Analyst

Okay, that's helpful. And then just related to the interest rates, obviously the interest rate parity theory and starting to think about the currencies, how are you positioned on the currency?

John Whelen - Enbridge Inc. - EVP and CFO

Well that's the other side of it is that obviously forward foreign exchange rates are reflections of differential interest rates. We've done a lot already, to lock in our foreign exchange exposure, substantially hedged over the next three years and really throughout our planning horizon. So we aren't meaningfully exposed at the end of the day. We noted on the call that we've had a little bit of an uplift, but we're probably in the order of close to 90% hedged over the balance of 2015. So very little variability going to come out of that. So we put ourselves in a position where we don't have a whole heck of a lot of upside, but we've also taken care of any exposure, which is our typical approach.

Andrew Kuske - Credit Suisse - Analyst

Okay, very helpful. Thank you.

Operator

Robert Kwan, RBC Capital Markets.

Robert Kwan - RBC Capital Markets - Analyst

Just on funding as it relates to Enbridge Income Fund's equity. You've got the luxury of time here, just with all the credit availability, but I'm just wondering if you can update what you were thinking is on timing, along with if you've got a sense as to how sensitive the Enbridge Income Fund share price issuance is to the 18% ACFFO growth rate?

John Whelen - Enbridge Inc. - EVP and CFO

It's John again, Robert. Not very sensitive at the end of the day; there is a little bit of sensitivity, but the overall Enbridge Inc. growth rate is not overly sensitive to that. The answer to timing is I guess it comes back to we'll be selective and opportunistic at the end of the day. Certainly watching the market and we want to get that strategy up and running and humming, and so we will certainly be working in the market, getting the investor story out on Enbridge Income Fund Holdings, Inc., which is a very attractive story, we think. It's been an interesting period here because we haven't had the ability to go out and fully market that, but we'll be doing so. But in terms of actual market access we will pick our spot.
Al Monaco - Enbridge Inc. - President and CEO

I think just to tag on to what John said on the market work that we need to do over the next little while, I think that will be very important. Particularly with respect to the US side of things, because we see an opportunity here to tell a story that really is quite strong. Obviously relative to the peer group, in our view, but just generally in most environments that we're in, even the interest rate environment that we're probably heading into, if you think about what the income fund could generate on closing, it's 10% dividend growth plus another 10% in early 2016, is what we've said.

That's a pretty attractive proposition right out of the gate with a very high transparency and dividend growth beyond that, not to mention a huge strategic business that it will be overseeing. So I think that it's a great story. and I think we need to do more work, particularly in the US side, to make sure that story is told and understood.

Robert Kwan - RBC Capital Markets - Analyst

That's great. And the second question I've got is just on the ACFFO guidance. There's a CAD0.70 share range there. It's CAD0.30 in your EPS. I don't know if some of that is cash tax. But can you just talk about what some of the major drivers are from the top to the bottom of the range, and the magnitude between that and the earnings guidance?

John Whelen - Enbridge Inc. - EVP and CFO

Yes, sure, Robert. It's John again. I think you're right, it is a somewhat wider range both on an absolute basis and even on a percentage basis, it's a snick wider. And I think that gets a little bit to the variability of some of the other components of cash flow. It probably -- and our newness to regular cash flow reporting and regular cash flow guidance. But I'd say the variability, you've nailed them -- cash taxes would be one in the range that we would see there, the other might be maintenance capital; our ability to project maintenance capital, that is something that we're fine-tuning over time. So we think there is a little bit more variability naturally that you'll see in some of those numbers and that variability also comes about because of revenue, project timing, and everything else like that, on an absolute basis.

Obviously cash flow would be higher than earnings. So, we're working through that, but I don't think you should read anything into the variability of the underlying business in terms of where we've set those parameters for the range.

Robert Kwan - RBC Capital Markets - Analyst

Okay, that's great. Thanks, Al, thanks, John.

Operator

Steven Paget, First Energy Capital.

Steven Paget - First Energy - Analyst

I have bit of a more macro question. Would the opening of the US to crude oil exports be positive or negative for your earnings outlook, and why?

Al Monaco - Enbridge Inc. - President and CEO

Well, as far as the near-term outlook, I don't see it being material. Now, from time to time we will, for our customers, arrange exports I guess in the current circumstance. But I think your question is more broadly, what happens if US crude exports open up? I think it's probably a net positive for us. And that's simply because, at the end of the day, if there is more connectivity of domestic production in North America to the rest of the globe,
then that will be positive for infrastructure in North America. And particularly from a Canadian point of view, so I would see that generally positive to infrastructure development and our opportunities, at least on a very broad basis, Steven.

**Steven Paget - First Energy - Analyst**

Well, thank you, Al. Maybe a little bit more on connectivity as a follow-up. Other than crossing or exports out of Western Canada, are there any major connectivity bottlenecks in North America that you are seeing in crude oil?

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

Steven, it's Guy. I think clearly that the biggest bottleneck is the one we're experiencing here in Western Canada in terms of apportionment on the heavy side of our system. And we're chipping away at that day by day by day. The outlook, however, is that it -- there still could be apportionment on our system through 2017, so I think that's the biggest issue. Obviously there's a bottleneck for pipeline access out of North Dakota. I think the last numbers I saw suggested that in excesses of 600,000 barrels a day was still being railed out of North Dakota. Our Sandpiper project is going to take a good chunk of that out of play.

I think down along the Gulf Coast, there has been a lot of existing [to be] repurposed in some of those prolific areas down there. There's still new opportunities that I think people are pursuing in the Permian and whatnot, and we'll have to see how those play out in the current environment. But I think the biggest ones are the ones that are not new to us, being Western Canada and the Bakken.

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

Yes it still feels to us, Steven, that although we've made some decent inroads into the Gulf -- and I'm talking about connectivity all the way from Western Canada now -- I think longer-term, bigger-picture, we think there still is some opportunity there, especially given the eastern Gulf Coast is really not that well-connected right now. So that's probably, in the big-picture sense, where we'd see things going in terms of connectivity from the Western basin. And so, that's what we'd like to see.

The North American market, particularly in the Gulf Coast, is very competitive, with 8 million barrels per day of refining capacity, so generally we'd see more connectivity into the Gulf as positive.

**Operator**

Linda Ezergailis, TD Securities.

**Linda Ezergailis - TD Securities - Analyst**

I'll go back to some microeconomic questions. Appreciate the cash flow guidance for 2015. Just to help us sharpen our pencils a little bit, can you update us on how you see maintenance capital trending beyond 2015, as well as cash taxes?

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

Linda, it's John. Maintenance capital would be something in the order of CAD800 million to CAD850 million annually, going forward. That's what we see as we work through some of our new planning material, and so on and so forth. So, we'll work with that as a run rate at the moment.
Al Monaco - Enbridge Inc. - President and CEO
Cash taxes isn’t --.

Linda Ezergailis - TD Securities - Analyst
Is that fully consolidated, or --?

John Whelen - Enbridge Inc. - EVP and CFO
Yes, that’s across the organization, consolidated up.

Linda Ezergailis - TD Securities - Analyst
Okay, thank you.

John Whelen - Enbridge Inc. - EVP and CFO
And on cash taxes, it is bit of a variable. I think that’s a number that we will refine over time, at the end of the day, and probably try to give you a little bit better guidance over time. It will move around a little bit, simply by virtue of existing tax pools, et cetera, et cetera. So I think that’s one that we’re going to refine over time before we get out with a very specific guidance at this stage.

Linda Ezergailis - TD Securities - Analyst
Is it reasonable to assume, at a very high level, with all the growth projects that you have underway that cash taxes should be fairly modest for the next number of years?

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

Linda Ezergailis - TD Securities - Analyst
That’s helpful. And just a follow-up related question with respect to depreciation and amortization trends as well -- what sort of a reasonable trend line for new projects -- a 40-year amortization, on average, straight line?

John Whelen - Enbridge Inc. - EVP and CFO
Maybe a little lighter than that. But you are in the zone, Linda.

Linda Ezergailis - TD Securities - Analyst
Okay. Some more clarity around that would be helpful, too, over time. Thank you.
Operator
Matthew Akman, Scotiabank.

Matthew Akman, Scotiabank - Analyst
Most of my questions have been answered, but I wanted to just circle back on one item. Al, you mentioned that there still a lot of appetite among producers for low-cost incremental capacity, which Enbridge can deliver profitably. I'm wondering if you could just make a comment on the business environment, vis-a-vis larger-scale new infrastructure. We’ve just been through a period where Canadian producers are clamoring for everything from big new oil pipes to liquefaction and large-scale processing of gas.

I'm just wondering in your conversations with your customers whether you are seeing that wane a little bit due to just confidence over the next few years and balance sheet issues?

Al Monaco, Enbridge Inc. - President and CEO
Okay, that's a good question, Matthew. So in terms of the larger-scale solutions that are out there and being proposed, I don't hear any sort of big concern around not needing those projects. I think, at the end of the day, the producers have lived with, and are expecting to live with an inability to get to tidewater, particularly in Canada. So I think the downturn here is obviously creating a lot of caution and focus on cost reductions. So they are working feverishly on that. But I think there’s a recognition that we still need more pipeline capacity.

I think my comments were really focused on if the production profile is going to be more variable, and the sanctioning of new oilsands projects is uncertain, along with the fact that we have a 2- to 3-year period here of pretty prescribed oilsands production growth, I think that there is still some immediate/near-term need for new capacity. So when we look at our system and we've got a big chunk of capacity across the border right now, we're looking at every opportunity to see if we can optimize that.

So I think really the issue is how can we manage in the near term and what can we do that has a high degree of transparency for new capacity that can be low-cost and that can be done with a very little incremental throughput commitments? So we think that that's really where the focus is, it's this near-term. I think the long-term is still a fair degree of optimism going forward. The resource in the oilsands is obviously very robust, and it's a question of getting some price recovery.

Matthew Akman, Scotiabank - Analyst
Thank you, guys. That's all I had today.

Operator
John Edwards, Credit Suisse.

John Edwards, Credit Suisse - Analyst
One of the things, from listening to the EEP call yesterday, I was just curious about plans to talk about what kind of EBITDA will be available to drop down. And understood that you can't do a full scale drop-down now, given market conditions. But a lot of the other MLPs out there have provided guidance as far as EBITDA eligible for drop; and provided, say, a trajectory -- kind of a broad trajectory for delivering on that drop-down over time, subject to certain market conditions. And that has led to a lower cost of capital for that captive MLP, if you will.
And I was just wondering what the thought process is, or if there’s plans to ultimately disclose the EBITDA eligible EBITDA. You guys have indicated it’s been about CAD10 billion of book value pipelines. But maybe if you could comment on what the plans are for talking about EBITDA available to drop-down in the future to EEP.

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

Yes, John, I suppose -- let’s put it this way: I don’t think that would be that difficult to do. But maybe just to loop back a little bit and to the premise of your question as to why that trajectory is not there. I think we have explained why the large-scale opportunity doesn’t make sense for us right now. But I think it has more to do with the fact that some MLPs I think are strictly drop-down stories. And a lot of those MLPs are, let’s call them in the smaller market cap category where the conveyor belt and the transparency of that EBITDA that’s available, I think that makes a lot of sense. And we recognize that, for sure.

I think in our case, although the EBITDA associated with that CAD10 billion -- it’s probably more than CAD10 billion by now, by the way -- but it’s really dependent on how we want to manage not just the drop-down opportunities, but also the fact that we have such a large organic program in front of us. So we see ourselves as a little bit different than a peer drop-down story, where we’re trying to manage through a period of time with large organic growth. At the same time, when that organic growth comes on, that should provide some uptick to our valuation.

So I guess all to come back to say that it’s doing this large drop, similar to the Enbridge Income Fund, just doesn’t work right now. But I think the EBITDA itself is easy enough to estimate. It’s more what do you do with it then? And so that’s why we landed on this approach, which we think fits our situation with the organic growth that we have in front of us a little bit better.

I think what we could do, though, is when it comes to the call options that EEP has around Eastern Access and Mainline expansions, I think it’s fair enough to provide some look for what that could be in the market. That will likely be helpful as well, so that’s probably a good suggestion.

**John Edwards - Credit Suisse - Analyst**

Okay. And just following that up, so under the call options in aggregate are roughly CAD720 million, give or take, based on the book value of those expenditures or expected book value. So, our guess is that there’s probably another CAD1 billion or so of EBITDA that we obviously don’t have a specific figure.

So we were just thinking it would -- some kind of -- project, say, over the next 5 or 10 years, Enbridge would drop whatever that number is, EBITDA down to EEP and sort of create a bit of an expectation. Right now we’re left wondering if it’s even going to happen at all. And it leaves uncertainty, I guess, in the minds of investors and those of us that follow the MLPs.

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

Okay, well let me try and be clear, then. We have at minimum CAD10 billion of assets that could be available. Our strategy at the moment, given where valuations are, is to proceed on a more selective basis. And I think it would be easy enough to calculate -- you can probably do that in round numbers on what the EBITDA would be for that.

I think the root issue, once again, is that our plan at the moment is to pursue those on a more selective basis. So that’s why it’s difficult and probably inappropriate to provide a whole bunch of information at the moment as to what the drop-down profile will be, when we are indicating that it’s going to be more of a selective and opportunistic drop-down process from here on. We’re not saying we’re not going to do it, but it will be more selective. I guess that’s the point.
John Edwards - Credit Suisse - Analyst
Okay, fair enough. That's helpful. Thank you very much.

Operator
Thank you. And at this time, we would like to invite members of the media to join the queue for questions. (Operator Instructions).

And our final analyst question is going to come from [Avi Fender] from Deutsche Bank.

Frank Greywitt - Deutsche Bank - Analyst
This is actually Frank Greywitt speaking. The question that I have is looking at your announcement about the postponement of the drop-down strategy and looking at the relative share/price performance, if you look at the dividend yield multiple, really any metric, it appears that the arbitrage between EEP and ENB is really for ENB to be the buyer rather than the seller. So the question I have is at what point would ENB look to do a stock-for-stock transaction on EEP and EEQ?

Al Monaco - Enbridge Inc. - President and CEO
Okay, so I think your question is Enbridge taking out EEP and EEQ. Okay. Obviously we would -- we're always looking at those opportunities. As you can imagine, at this point, we don't have any plans to do that. And the reason for that is we believe that EEP has some very good runway ahead of it, has got some great organic growth, and we believe that it can still be a very effective funding vehicle for Enbridge. And I think at this point that's the plan, so there's no immediate plans to do that. And that's where we are today.

Frank Greywitt - Deutsche Bank - Analyst
Thank you.

Al Monaco - Enbridge Inc. - President and CEO
Okay, are there other questions, operator? Hello? I think somebody must still have their phone queued up. Operator, are you there?

Okay. It looks like the operator is --.

Operator
Our --.

Al Monaco - Enbridge Inc. - President and CEO
Oh, okay, here you go.

Operator
Ashok Dutta, Platts.
Ashok Dutta - Platts - Media

Just a few, couple of quick questions. Al, I know it’s probably not in your hands, but any kind of indication as to when the crude filling could start on Line 9, please?

Al Monaco - Enbridge Inc. - President and CEO

Okay. Well, the timeline on this is really going to depend on when we can get into the field to do the additional confirmation testing that the NEB is requiring us to do. We have planned that out now. The NEB has approved the confirmation testing plan, so that’s underway. After we complete that testing, then from there the NEB will review the results and then they will determine when we can start operations. At that time, we hopefully will be ready to fill the line with crude. And so, in general terms, it’s probably going to be into the fourth quarter before we get full clarity on that, so that’s where we are.

Ashok Dutta - Platts - Media

Okay. The second question is stock up of Sandpiper. Any kind of indication when you’re going to complete that?

Al Monaco - Enbridge Inc. - President and CEO

The project -- Guy can correct me here -- is in-service date is into 2017. I think we’re assuming sort of mid- to fourth-quarter 2017. That’s assuming that we get through the regulatory process here that I referred to earlier on the call.

Guy?

Guy Jarvis - Enbridge Inc. - President, Liquids Pipelines

No, that’s correct. I think it’s within the back half of 2017. And the current regulatory process in the schedule as we understand it will support that in-service date.

Ashok Dutta - Platts - Media

Okay. And the last question, Northern Gateway, any kind of updates on that at all?

Al Monaco - Enbridge Inc. - President and CEO

Well, this particular project has been a long time in making, but we’re still looking at it as a strong, long-term opportunity for producers in Western Canada and for us. The goal right now is to continue to work with the communities, continue to work with First Nations, and as well work with our producer customers. That’s what we continue to do. There is, as you know, a number of conditions that have been put in place through the Joint Review Panel report that we’re also working on at the moment. So, I guess the bottom line is we continue to work on the project and that’s where we are.

Operator

Thank you. And as there are no further questions, I would now like to turn the call back over to Mr. Adam McKnight for any closing remarks.
Adam McKnight - Enbridge Inc. - IR

Thank you, Bakeeba. We have nothing further to add at this time. But I would remind you that Leigh and I will be available for any follow-up questions that you might have. Thank you for joining us this morning and have a great day.

Operator

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