Good morning, ladies and gentlemen. Welcome to the Enbridge Inc. and Enbridge Income Fund Holdings Inc. second-quarter 2016 financial results conference call. Please note that this conference is being recorded. I will now turn the call over to Adam McKnight, Director of Investor Relations.

Adam McKnight - Enbridge Inc. - Director of IR

Thank you, Christine. Good morning. And welcome to the Enbridge Inc. and Enbridge Income Fund Holdings Inc. second-quarter 2016 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 Pipelines; Perry Schuldhaus, President, Enbridge Income Fund; Wanda Opheim, Senior Vice President of Finance; and Chris Johnston, Vice President and Controller.

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

Q&A format will be the same as always we'll take questions from the analyst community first, and then we'll invite questions from the media. I'd ask that you wait until the end of the prepared remarks to queue up for questions, and please limit questions to two per person, then re-enter the queue if you have additional queries.

As always, the Investor Relations team 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 forecast, assumptions and expectations about future outcomes, so I remind you that it's 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 Enbridge or could affect future outcomes for Enbridge, which are discussed more fully in our public disclosure filings available on both the SEDAR and EDGAR system.

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

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

I'll start the call today by reviewing how the Enbridge Valley proposition stands out, particularly in the current environment, followed by the business updates. John will then cover the second-quarter financial review. Before that, I will recap our strong Q2 and first-half results, even after the impact of the Alberta wildfires, which I'll begin with on slide 4.

Operator, we're getting a lot of background noise. I'm not sure if somebody's got their phone connected to the call-in for questions, but --?

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

Yes, there should only be one number dialed into the participant line, and that should be ours.

Operator

Yes, please proceed.

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

Okay. The wildfires affected -- I'm on slide 4, by the way -- the wildfires affected thousands of Albertans, and we're thankful that things are getting back to normal, although they will need to support to rebuild the community. This was an unprecedented event, of course, but Canada's world-class energy industry has once again demonstrated resiliency.

Some of our assets in the region sustained some minor damage, which we dealt with, and systems have now returned to full-service. Western Candida production was severely curtailed, about 1 million barrels per day, which, for us, translated to about 255,000 barrels per day in lower mainline volumes for the month of May and June, due to what ended up being an extended upstream shutdown due to the fires.

The impact was CAD74 million in EBIT or about CAD0.08 per share on ACFFO; not huge in the context of the year or the bigger picture, but relevant to Q2. The volume impact was, of course, transitory. In fact, we are back to our previous trajectory. August nominations actually are very strong with 15% heavy apportionment. So in that context, slide 5 highlights the quarter and first-half results.

A couple of broad points here to take away. There's a lot of numbers on the page here, but first, in one of the most challenging commodity price environments ever, our business is growing nicely. And the projects we put into service over the last two years are generating strong results.

Second, we're having a very good start to the year. If you look at the first-half results, EBIT and ACFFO per share, after adjusting for the wildfires, grew by 22% and 20%, respectively. In fact, for Q2, even with the impact of the wildfires, in adjusted EBIT of CAD1.1 billion came in where we expected. That translated into ACFFO of CAD0.95 per share, or CAD1.03, adjusting for the wildfires.
And that's also, remember, with a CAD0.06 per share drag from the higher share count from the [2.3 billion] Q1 equity issue. Even with those two factors in Q2, we expect to be nicely within our guidance range for the year.

The growth and resiliency that you see this year is part and parcel of our value proposition, so let me get to that on slide 6. The value proposition combines a reliable low-risk business model with industry-leading growth. Over the two years, the combination of the two has driven strong and predictable dividend growth and superior total shareholder return. This model isn't about to change.

Turning to slide 7, our low-risk business model generates predictability of cash flow, and is proving to be very valuable in this commodity price environment. And that comes down to strong commercial underpinnings, the credit profile of our customer base, and our attentiveness to managing interest rate and foreign exchange risk. Equally powerful is the organically-driven growth element of our value proposition on slide 8.

Ignoring for a minute our backlog of development projects, our CAD26 billion secured capital program generates transparent average annual ACFFO growth of 12% to 14% through 2019, and 10% to 12% annual dividend growth. And that's while maintaining dividend coverage at about two times, which is very healthy, relative to the peer group.

So, a robust outlook, as we look to extending growth beyond 2019. With $10 billion of the $26 billion already in service, slide 9 shows the remaining CAD16 billion, which provides that transparency into expected cash flow growth, through 2019.

So far this year, we've completed four projects totaling CAD1.8 billion, largely on time and on budget. Over the next 12 months, there's another CAD4 billion coming into service (those are the highlighted ones) in the box, which generates further growth prior to the CAD10 billion in projects coming in for 2019.

So this CAD4 billion includes [2.6] Regional Oil Sands Optimization Project and the Norlite Pipeline. Each of the five highlighted projects is on track. Also supporting growth prior to 2019 is our tilted return investments, shown on slide 10.

By the end of 2019, we will have put in about CAD25 billion of capital in tilted return profile projects into the ground. These projects provide a natural source of growth with no additional capital, because of their upward sloping revenue profile. Some of that is beginning to bear fruit now, with CAD15 billion of tilted projects that come into service over the last three years: Seaway Twin and Flanagan South are a good example.

As you can see on the right, the tilted return profile generates organic growth and ACFFO of about 3% on its own without any new growth projects. Turning to slide 11, another element of our plan is to maximize returns through capital optimization and cost management.

Last year, we drove up CAD400 million in capital savings through supply chain management, and we are working on more. Reconfiguring our Regional Oil Sands Project saved another CAD400 million for our customers, and we've introduced a number of enterprisewide efficiency measures. For example, you can see the impact of that on our GMP cost structure on the chart.

All of this further supports our near-term growth outlook and enhances our competitiveness going forward. Let's now turn to opportunities to extend growth beyond 2019. I'll talk about Liquids Pipelines first, because despite low oil prices, we've got a lot on our plate on this front.

Slide 12 shows the strong heavy oil production growth outlook over the next four years. That growth is happening from upstream producer projects and execution, namely Fort Hills, Christina Lakes, Sunrise, Curl, and Surmont. This is good news for our mainline because we're connected to the best downstream markets that producers want to get to in any price environment.

This profile means pipeline capacity will be tight. No surprise there. We think about 700,000 barrels of new capacity is going to be needed to accommodate heavy growth by 2020.

There are two ways we're attacking this shortfall for our customers. The first is by optimizing existing capacity, and Guy and his team have done a good job over the last few years of doing that. We're working on a new opportunity actually that could add 60,000 to 80,000 barrels per day of heavy capacity by further optimizing our crude slates. And we're hoping to see the facilities be available for that around the September time frame.
The other way we’re attacking the shortfall is through our incremental capacity expansion program, and that will be on slide 13. The map illustrates again why our systems reach and capability provides the go-to solution for our customers. The US Gulf Coast access is central to that story.

The reality is today, the Gulf generates the best netback and optionality for growing volumes. Our systems provide direct access to global market pricing and tidewater for export through our pipelines to the Gulf. The Western Canadian expansion projects provide incremental capacity at very low cost, and we’re actively working on all of these options.

So we do see a lot of opportunity in front of us, particularly in an environment where assets in the ground represent exceptional value and flexibility. Turning to slide 14, we’re also working hard on other sources of growth going forward.

Now at Enbridge Day, we highlighted our strategy to diversify and extend our growth. Since then, we’ve made good progress in capturing some CAD7 billion in gas and power development opportunities. As you can see from the map, we’re building a Canadian midstream growth platform in the most attractive areas. And by the way, the Alliance Pipeline is an integral part of bridging rich gas and NGL takeaway needs as the resource in Western Canada is developed further.

Our tougher acquisition is a good asset on its own, but it also comes with about CAD1 billion of development opportunities with Murphy. On power, we’re very excited about the organic opportunities in offshore wind. With our EMF investment, we now have opportunities to invest about CAD4.5 billion in low-risk infrastructure that will contribute to ACFFO beyond 2019. And in both cases here, these new projects have very attractive commercial structures and a risk/reward profile.

Just one final point on how we look at acquisitions in this environment, since our name seems to have been bandied about lately. I’m not going to get into commenting on specific names except to say that, in the cases that have been out there, it was certainly news to us that we were interested in them.

Moving to slide 15, the slide summarizes our acquisition criteria. We’ve covered these in the past, so I’m going to make some broader comments. First, as you saw, we have a very strong base plan that’s organically-driven, so the bar is set high for new investments, as it always is.

So we don’t feel compelled to rush or stretch to make acquisitions unless they meet this criteria. However, when they do, we won’t hesitate to go after them. We are closely monitoring the opportunities out there, but at this point, we don’t see anything compelling enough right now, anyway.

Before I turn it over to John, slide 16 captures why we offer an attractive investment opportunity, particularly in this environment. As evidenced by the first-half, our low-risk business model delivers stable and predictable cash flows. Our CAD26 billion secured program drives up strong and highly transparent ACFFO growth. Execution on the remaining CAD16 billion is going well.

Since Enbridge day, we have added CAD7 billion of new gas and power opportunities. So, with a current yield of 4% and expected dividend growth of 10% to 12% per year, we offer a compelling total return proposition.

So now I’ll turn it over to John for the financial review.

John Whelen - Enbridge Inc. - EVP and CFO

Well, thanks, Al, and good morning, everyone. I’m picking up on slide 17 with results for the quarter. We have prepared a supplemental package for the second-quarter 2016 results, similar to what you saw last quarter, which will be posted to our website shortly after the call.

Consolidated EBIT came in at just under CAD1.1 billion, up about CAD40 million over the second quarter of last year. As Al noted, our results were strong this quarter, and would’ve been even stronger if not for the impact of the wildfires, which we estimate had about a CAD74 million impact on adjusted EBIT.
As you’ll see in our disclosure, we did not normalize the revenue impact of the fires. So, as Al pointed out, all other things equal, both adjusted EBIT and ACFFO would have been CAD74 million higher had the wildfires not occurred.

Within liquids pipeline, EBIT was up by CAD113 million, in spite of the wildfires. The biggest contributor growth was higher throughput on the Canadian mainline and Lakehead Systems. Despite the impact of the fires, throughput, ex-Gretna, was 2.2 million barrels per day for the quarter, an increase of almost 200,000 barrels per day over last year. And deliveries on the Lakehead System saw a similar increase.

This significant increase in throughput was enabled primarily by the expansions of the mainline both north and south of the border in the second-half of 2015, and enhanced by the completion of the Line 9 reversal and Southern Access Expansion projects, both of which have served to draw additional volumes through the mainline, as we anticipated they would. The contribution from Seaway and Flanagan’s South pipelines was also up sharply quarter-over-quarter, as these pipelines benefited from higher volumes, lower upstream apportionment as a result of the mainline expansions I just mentioned and from higher tolls.

Also having a positive impact on the Liquids Pipelines segment EBIT was the impact of a weaker Canadian dollar. Earnings on the US assets within the segment were translated at an average rate of CAD1.29 per US dollar in the second quarter of 2016 versus CAD1.23 in the second quarter of 2015.

This FX uplift was offset to a significant degree by realized losses on the settlement of FX hedges that we used to manage exposure on our earnings generated from our US investments. These losses are captured in the Eliminations and Other Line, which I’ll get to in a moment.

Turning now to gas distribution, second-quarter EBIT was down CAD23 million when compared to the second quarter of 2015. This is a bit of an anomaly that results from the timing of the recognition of regulatory decisions. Last year, we received and recorded the impact of the OEB’s 2015 final rate decision in the second quarter of last year.

This year, the impact of the final 2016 rate decision was recorded in the first quarter. EBIT for the six months is up about CAD19 million, and we do expect full-year EBIT to show solid growth over 2015, driven by rate base growth embedded in EGD’s comprehensive rate-making mechanism.

EBIT generated by gas pipelines and processing was up about CAD16 million in Q2 versus the same period last year. Alliance continues to perform very well under its new service model and [toll] structure. EBIT was up as a result of strong demand for seasonal firm service and the impact of efficiency initiatives’ sustainable reductions in O&A costs.

EBIT from the Canadian midstream was also up nicely, thanks to the contribution of the Tupper plants that we acquired from Murphy at the beginning of the quarter. However, these positive impacts were offset to a degree by weaker performance of Aux Sable, which continues to be challenged by weak fractionation margins and by a lower contribution from EEP’s US midstream business. EBIT generated by the US midstream assets improved over the first quarter of this year, but is still down year-over-year as a result of low natural gas and NGL prices, which have curtailed drilling in a number of regions served by that business.

Moving on to green power and transmission, results were slightly weaker compared to Q2 2015, primarily due to a weaker wind resource. Energy services was also down about CAD31 million quarter-over-quarter. You might recall that in the first half of last year, our energy service business benefited from very strong location differentials and opportunities to generate attractive margins through tank management and refinery supply optimization. Differentials have narrowed with lower crude prices, and we simply didn’t see the same opportunities to generate margin in Q2 of this year.

Finishing off the EBIT look, Elimination & Others, or E&O, reflects a net unfavorable variance of CAD32 million quarter-over-quarter. Recall that under our new reporting format, the E&O line picks up the elimination of inter-segment transactions. It also picks up investments held at the corporate level and corporate costs not charged out to the business segments.

The bulk of the negative variance is attributed to the impact of our enterprise hedging report program that I referred to earlier. E&O is also the spot where we now capture the impact of the net settlement of derivatives that we use to hedge the earnings and cash flow generated by our US
businesses. And with the weakening of the Canadian dollar, we paid out more on settlements under these contracts than we did in the second quarter of last year.

However, realized losses on FX derivatives were more than offset by the favorable impact of translating the EBIT from our US businesses at the weaker Canadian/stronger US exchange rate. Net-net, we benefited modestly from the weaker Canadian dollar, as a small portion of our US dollar earnings and cash flow in 2016 remains unhedged. So when you put it all together, a very solid result from our business, particularly considering the impact of the fires.

Now moving on to slide 18, this schedule summarizes how the EBIT generated by our business during the quarter translated to bottom line ACFFO. Depreciation and amortization was CAD70 million higher than Q2 of last year, driven by the CAD8 billion worth of capital projects we placed into service over the course of last year.

Maintenance capital was slightly lower, as the timing of maintenance spend on some of our liquids pipelines has been shifted until later in the year. However, I would note that we do expect maintenance capital to ramp up in the second half of the year, and to be in line with our original guidance for 2016.

Interest expense was up CAD72 million quarter-over-quarter, reflecting incremental debt incurred to fund the projects that came into service last year, and lower levels of capitalized interest. We saw a favorable variance of CAD16 million on current income tax, which is driven by lower taxable income, largely owing to the higher interest expense that I just mentioned.

Distributions to noncontrolling interests were up from the second quarter of last year, due to higher per-unit distribution rates at both EiP and the Fund Group, as well as a reduction of Enbridge’s interest in the Fund as a result of E&S common share offering in April.

Moving down a couple of lines, cash distributions from equity investments were flat year-over-year. However, you see a negative variance of CAD37 million here, because the equity income from these investments was actually up substantially. So we saw a smaller positive adjustment to cash flow in the second quarter of this year, than for comparable periods in 2015.

Finally, in other non-cash adjustments, you see a positive variance of CAD62 million. The positive adjustment in Q2 2016 is related to amounts collected in cash, but not recorded in EBIT. So, taken all together, second-quarter consolidated ACFFO came in just under CAD900 million, up CAD60 million over Q2 of last year and largely tracking even.

Turning now to slide 19 in our outlook for the full year. At this stage, our guidance range remains unchanged from what we provided at the outset of the year. We continue to project consolidated EBIT in the range of CAD4.4 billion to CAD4.8 billion, which is expected in turn to drive out ACFFO between CAD3.80 and CAD4.50 per share.

As we mentioned last quarter, the CAD2.3 billion common equity issuance was a little larger and a little earlier in the year than we would have assumed late last year, so there will be a drag on projected EPS and ACFFO per share as a result of the higher average share count. On the other hand, our Liquids Pipelines business has been performing quite well -- really a bit better than we expected, even with the lost revenue that resulted from the wildfires.

And our other lines of business are also generally performing in line with expectations. So halfway through the year, we remain comfortable with our original guidance range.

Turning to slide 20 and shifting perspectives for a minute to the results of Enbridge Income Fund and Enbridge Income Fund Holdings Inc., or EIF. As we would -- as would be expected, the second-quarter results are up substantially over the same period last year, following the transformational drop-down of assets to the Fund Group in September 2015. But the legacy assets also generally performed really quite well.
ACFFO generated by the Fund Group was up CAD301 million quarter-over-quarter, driven primarily by the cash generated from the significantly larger asset base and a strong contribution from Alliance Pipeline. The uplift would have been even higher (about CAD36 million higher), but for the impact of the wildfires on the Canadian mainline and Regional Oil Sands Systems, which are both held within the Fund.

Distributions paid from the Fund Group to our publicly sponsored vehicle, ENF, more than doubled to CAD66 million, up CAD34 million when compared to the second quarter of 2015. The higher distributions received by ENF in turn supported the 10% dividend increase, which came into effect in January 2016. Dividends per share were up 21% quarter-over-quarter.

Moving now to slide 21. The most recent 10% increase in ENF dividend results in an annualized dividend of CAD1.87 per share, generating an attractive current yield of just under 6%. While the wildfires will have an impact, we still expect Fund Group ACFFO to land between CAD1.75 billion and CAD2.05 billion in 2016. And our longer-term projections still continues to support additional annual ENF dividend per share increases of approximately 10% through 2019. So a pretty attractive total return at today’s prices.

So turning now to slide 22. We have made some very good progress on the financing front thus far in 2016. In February, we raised a little over CAD2.3 billion of common equity at Enbridge Inc. We followed that up in April with an offering by Enbridge Income Fund Holdings Inc., which was very well-received and brought in close to CAD600 million.

We've also been active on the debt side, where we secured CAD1 billion in term loans from a syndicate of Asian banks at a very attractive rate. All in all, if you add it all up, we've raised over CAD4 billion of new long-term capital since the beginning of the year, which has bolstered our balance sheet, and further strengthens our liquidity position as we continue to build out our secured capital program.

We have demonstrated our ability to raise sizable amounts of capital when required, and the appetite for both debt and equity remains strong. We've recently successfully extended a large subcomponent of our committed credit facilities that came up for renewal in July.

Just bear with me one moment, please. Sorry for the interruption for a moment there. I'm going to turn on now to slide 23. We are very well-positioned, relative to the long-term funding plan we introduced last year. The equity fund we have raised thus far in 2016 is expected to be more than sufficient to support our secured capital growth program through the end of 2017. And our baseline indicates that we'll need about CAD800 million or so to support the balance of the program, which is pretty manageable.

You will recall that ENF’s original funding plan called for equity of CAD600 million to CAD800 million each through the end of 2019. To the extent we continue to raise this capital at the ENF level, that will serve to further bolster our balance sheet at Enbridge Inc. and create some additional flexibility to respond to new investment opportunities as they arise.

If we find attractive investment opportunities, we have a variety of ways we can bring in new capital to the Enbridge Group if needed, including further offerings of ENF to fund a larger share of the Fund’s core growth program, asset level funding, or hybrid equity at the parent. We have had a fair amount of debt to raise over the last couple of years, and it’s encouraging to see that our credit spreads are coming in after a period of turbulence in the capital markets.

Given the recent shift in outlook by Moody’s, I think it’s important to reiterate our strong commitments to maintaining investment-grade credit ratings. Our business risk continues to be rated very low by all of the agencies, and is supported by the strength of our business model; minimal exposure to commodity price risk; very strong counterparties; and a conservative payout policy.

Our very large greenfield development program has resulted in a temporary dip in our financial metrics, as debt has been incurred to fund projects and construction. But our key financial metrics are in line with forecasts and are projected to improve significantly, as we complete the buildout of the greenfield program, and cash flow ramps up as these projects come into service.

And there are a number of levers that we could consider incorporating into our funding plans to accelerate this improvement of our metrics to the extent agencies have concerns. We will build these into our funding and investment plans that we share with the agencies as part of our annual review cycle with them, being sure, as always, to keep them abreast of any new developments along the way.
Maintaining ready access to debt capital on reasonable terms throughout a full business and financial market cycle is central to our value proposition. Preservation of strong investment credit ratings will continue to be a key strategic priority.

And with that, operator, would you please open up the lines for Q&A?

**QUESTIONS AND ANSWERS**

**Operator**

(Operator Instructions) Rob Hope, Scotiabank.

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**Rob Hope - Scotiabank - Analyst**

Thank you for taking my questions. Just in terms of the mainline project, the expansion projects that you mentioned -- good to see you getting another 60,000 to 70,000 barrels a day there. But that being said, how much can you further expand the mainline prior to Line 51 being twinned? And then I guess as evolved, when would you look to go out and secure commitments for that project?

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

This is Guy Jarvis. I think we're continuing to evaluate just how much volume we can manage to increase through the optimization that Al referenced. I think we're pretty comfortable with the 60,000 to 80,000 barrel a day range. As we go forward, our ability to continue to manage those crude slates will be a function of how the light and heavy volumes are continuing to manifest.

So at this point in time, we're not really forecasting a lot of upside left beyond that capability. I think in terms of our ability to add more capacity to the mainline prior to Line 3 being replaced -- which I think was your question -- we couldn't hear quite well -- we're evaluating all options.

I think most of the options that we've got do require investment or permitting of some degree, so I don't think we exactly have a new expansion plan, so to speak, that could be implemented prior to Line 3 coming in, but we're continuing to evaluate how the system operates to make sure that we're driving out every last barrel we can in that period.

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**Rob Hope - Scotiabank - Analyst**

Well, thank you for that. And maybe just one other question -- I just saw that you provided a CAD750 million credit facility to EIPA last night. If EIPA is unable to fund its growth moving forward, would you look to expand the strategic view there to do something larger?

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

Robert, it's John. I think that's something that we are continually looking at. And we said that on prior calls and communications, that we'll investigate the strength of our sponsored vehicles over time. They need to work efficiently and well for us. So fair to say that we want them to be, if you like, win-win propositions for both investors at the vehicle level and investors at Enbridge Inc.

So I think as we work through that, we said we'd want to look at -- we do want to look at EIP overall. We're focused right now, as I think we've talked about, on the GMP business. But the health of our sponsored vehicles is a key priority for us.
Rob Hope - Scotiabank - Analyst

Thank you.

Operator

Linda Ezergailis, TD Securities.

Linda Ezergailis - TD Securities - Analyst

Just further to some of your incremental mainline expansions. Can you walk us through what some of the key sticking points might be in terms of commercializing this? Do your customers need to see commodity prices recover? Are shippers maybe not aligned amongst themselves in terms of their varying interest? Or is there -- or is it just fine-tuning some of the commercial details and attributes to meet their needs? Or is there something else going on?

Guy Jarvis - Enbridge Inc. - President of Liquids Pipelines

Linda, it's Guy. For the most part, one of the things that's very attractive about the options that we're looking at right now is their low cost. I think -- I can't say that 100% of them fall into this category, but a large number of them fall into the category where we believe that we could make the investment, achieve an acceptable return, based on the current CTS tolling arrangement, and not require future surcharges related to that investment.

So, really what I'm saying is to the extent that we want to move forward with them and we're not requiring a surcharge of our customers, we can do that.

Linda Ezergailis - TD Securities - Analyst

And when would you be able to make a decision on that, do you think?

Guy Jarvis - Enbridge Inc. - President of Liquids Pipelines

Well, we can make a decision on them any time. We're currently evaluating all of them against the way the light and heavy balance is emerging. We were heading down one path, but with the weakening of the lights, it's causing us to reevaluate a couple of different ones. So it's a bit of an ongoing process.

Linda Ezergailis - TD Securities - Analyst

I can appreciate there's some dynamics there that are changing month-to-month. And just as a follow-up, looking at some of the regulatory processes in the USA, specifically in Minnesota, when might you be confident in a cost update? Are you waiting for more progress on the regulatory front? We've seen most recently some slippage in scoping there. So how do you see the risk of further slippage of timing and how you might see things firming up over the next year?

John Whelen - Enbridge Inc. - EVP and CFO

I'll make the first comment then let Guy add to it. First of all, just generally, I think you’re probably talking about Line 3 in Sandpiper. I think Line 3 in Canada is in pretty good shape. We're expecting a final decision there in the fall. Obviously, this is pretty critical infrastructure for a number of reasons.
In Minnesota, the process now I think is pretty clearly defined, so we’re well on our way there. Department of Commerce commenced their EIS work through this last couple of months. And so by the end of the summer, the scope of that EIS should be finalized. And then you are into a defined period of -- defined by statute of how long that’s going to take.

So, I think, if anything, we’re gaining a lot of confidence about the timing of both of those projects and the early 2019 in-service date.

With respect to the cost estimate, Guy?

Guy Jarvis - Enbridge Inc. - President of Liquids Pipelines

Yes, I think, Linda, you’ve got it right. While we are confident that the regulatory process is shaping up here hopefully by the end of summer to give us higher confidence or a better degree of clarity on getting towards those early 2019 in-service dates, once we have that clarity from the regulatory process, it will allow us to kind of take our costing a little bit further and bring that to a conclusion as well.

Linda Ezergailis - TD Securities - Analyst

So we might see something on the Q3 call then?

Guy Jarvis - Enbridge Inc. - President of Liquids Pipelines

Possibly, yes.

Linda Ezergailis - TD Securities - Analyst

Possibly, yes.

Operator

Paul Lechem, CIBC.

Paul Lechem - CIBC World Markets - Analyst

A question on the French offshore wind investments. I was just wondering what work needs to be done for you to reach positive FID on these projects? And also, can you just talk about any lessons learned on the Rampion offshore wind farm that you’ve been working on? Thanks.

Al Monaco - Enbridge Inc. - President and CEO

Okay. Paul, it’s Al. First of all, on Rampion, everything is going to plan. Based on what we see, we’re on cost estimate and on schedule. So I think that’s working out well to this point. We’re obviously monitoring that very closely.

With respect to EMF, the first sanctioning decision will occur in 2017, and I guess the only issue there that remains -- and this is not untypical -- is the cost estimate. And we’ll be doing, obviously, a fairly in-depth review of that.

The commercial structure is obviously pinned down, because we’ve got the PPA already in place, so it’s really a matter of finalizing the cost estimate, making sure that we’re good on the supply chain. Most of the stuff that we need to do has been contracted vis-a-vis supply chain. So I think we’re in relatively good shape there for a sanctioning decision in 2017.
That's on the first project. And then there will be successive sanctioning decisions about every year and a half after the first one.

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

Thanks. And just wondering what your view is for further investment in offshore winds? Especially -- and return structure on -- actually on the EMF one, especially in light of recent projects which have been bid out in the Netherlands? Can you just talk about your expectations and what the competitive environment looks like?

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

Yes, well, it is getting more competitive, for sure. You've got -- I guess the good news maybe is that there aren't that many players in the category that can sort of undertake these large projects, which is really what's out there today. And there's quite a number of bidding rounds and so forth that are happening now and into the next three or four years.

So the opportunity set is large. I would say the number of competitors that can do these is certainly a small list. But obviously, when you've got this kind of opportunity set, you are going to attract some interest, and you've seen that. But we'll be very careful on that.

We're building up our capability here, as you've seen with our first investment with Rampion. We're going to get a lot more experience in the EMF process, so we'll continue to be disciplined on this; we're not going to chase things. We'll be very careful as usual. But as I said, the opportunity set there looks pretty good right now.

And really, to us, the main driver is what the underlying commercial structure is going to be. We've got a great one, I think, in EMF on all three of those projects. So hopefully, we can replicate some of that with further projects going forward.

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

Thanks, Al.

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

Okay.

**Operator**

Jeremy Tonet, JPMorgan.

**Jeremy Tonet - JPMorgan - Analyst**

I was wondering if you could comment a little bit on the mid-Coast strategic review process to the extent you can say? Just wondering if this could involve asset exchanges between ENB and EEP as part of the solution there?

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

Okay. Well, maybe just a general comment first, Jeremy. As you know, the review process is underway, and our general timing on this is to be concluded somewhere by the end of the year.
And so on your question, yes -- I mean that’s one of the possibilities, but remember there’s a number of others. I mean, as we said, it can involve asset sales, joint ventures, mergers and reorganizations. And I will add, though, that I think the team has done a pretty good job and doing what it can to manage costs of both capital and operating in a very tough environment.

So it could include all of the above, I guess. I think all I can say at this point is that the timing review is on track, and we will carry forward with it. And I think at this point, that’s all we can say.

Jeremy Tonet - JPMorgan - Analyst

That’s helpful. Thank you. And John, I just wanted to turn back to some of your last prepared comments there with regards to conversations with Moody’s. I was just wondering if you could talk a bit more as far as the timeline for resolution of the negative outlook, and maybe a little bit more of how you think about the different levers to work on their targets?

John Whelen - Enbridge Inc. - EVP and CFO

Yes. Sure, Jeremy. The negative outlook for Moody’s, typically the things that last sort of between 12 and 18 months. But it’d be fair to say that we will be presenting them with plans. We do every year as part of an annual cycle. And as we talk to them through this last announcement that we made, we both agreed that we would be updating our plans, taking into account the feedback that we’ve gotten from them in the normal sort of cycle.

So we do have some time clearly to address this in our financing plans as we go forward in thinking through what we might do. I mean, there’s a whole host of things, quite frankly. Moody’s concerned not so much with Enbridge as a credit, but it probably is with the pace of recovery of our metrics over time, given that we have these very large greenfield projects that we’re building out. And that’s what places a drag on our metrics.

So there’s a number of things that we could do at the end of the day that might make sense. I mean we have not precluded any of these, but we will work them into our plans and could be asset sales or partial monetizations of different assets that Enbridge has within the family. It could be hybrid equity, either at the parent level or potentially at the subsidiary levels.

It could potentially be sort of incremental common equity in the plan -- all sort of measures that we could do, together with our sort of investment plan, and how we’re staging those out to accelerate, if you will, the planned improvement in our metrics.

Al Monaco - Enbridge Inc. - President and CEO

I think just to emphasize that one thing that John said, from my perspective, I think one thing that we often struggle with in terms of explaining where the metrics are today versus where we’d like them to be, is -- and it relates to the size of the organic program. And I think, in a lot of ways, it’s natural that you are going to see some time required to get to where we would like to be in our metrics, simply because, unlike many companies, the organic program and the size of it obviously creates a point in time where you are waiting for that cash flow to be generated. So I think that’s an important distinction.

Jeremy Tonet - JPMorgan - Analyst

That makes sense. Thanks for that.

Al Monaco - Enbridge Inc. - President and CEO

Okay, Jeremy.
Given the environment for building pipelines is just getting more and more difficult, how do you think about the prospects for the potential for expanding economic rents that you could charge shippers, just from the difficulty -- the inherent difficulty in building pipelines, the implication would be existing pipelines have to be worth more. And you clearly have efforts to eke out a bit more capacity here and there, but there's clearly a mismatch that's coming.

And then maybe the second part of the question is, clearly the economic rent expansion wasn't really envisioned in the time that you rolled out the whole concept of the tilting return profile. So how did those interplay together when we look out into the future?

Okay. There was a couple of questions in there, so let me give it a try, Andrew. You know, I think you are probably right in theory -- and I referred to this in my remarks about the value of having a lot of assets in the ground, particularly on the mainline system, where we've got a number of lines in the right-of-way. And as Guy and his team have done a very good job over the last few years, you saw capacity increases being eked out, and we've got another one on the plate here, as you saw.

So I think that's true. However, we've got to be careful here in this environment. We have a very difficult price environment for our customers, and we want to make sure that we remain competitive. And we're doing what we can for them to ensure that they're getting to markets on the best possible price basis.

Now I think really where we add the most value for the customers, as opposed to, say, increasing tolls -- which I think is where you are getting at -- where we add the most value for them and us is being able to expand markets to the Gulf Coast, for example, as we have, so we can ensure that they maximize their netbacks.

So I think that's really our primary focus right now. Of course, we do have some existing contractual commitments that preclude us from increasing the rents. So I think -- generally, though, I think you're right. In the longer-term, we feel pretty good about the size of the asset base, the scale of it, the efficiency of it and the optionality to all the markets.

So in the longer-term, I think you are probably right. But in the near-term here, we're really focused on ensuring their netbacks are maximized. So I think that's -- do you have anything to add on that, Guy?

No, I think that was well-said.

That's very helpful. And then maybe just one follow-up on the answers. When we look at -- we're in 2016 today, and then the CTS, I know it's a 2021 expiry, so it seems like it's a long way away. But it -- obviously, the negotiations will take a while and the environment is changing quite a bit. So how do you think about the talks with the shippers on sort of the new CTS or ITS, whatever we will call the new one?
John Whelen - Enbridge Inc. - EVP and CFO

Yes. Well, I would say that you're right -- it's not a long way away, in that, even though it's 2021, the reality is we'll be looking to discuss the CTS well before that, probably a year or two before, is my guess. And particularly given that there's a few things going on in the environment that might prompt that, I think the major focus right now is to get Line 3 into the ground, and that's going to happen in early 2019, based on our estimate right now.

So I think that once that comes in -- and remember, based on what we showed in the slide there, that really does provide some additional optionality to add incremental capacity beyond that, once Line 3 goes in. So, I think that you are probably looking at a year or two in advance of 2021 to have some serious discussions about that.

Andrew Kuske - Credit Suisse - Analyst

Okay. Very helpful. Thank you.

John Whelen - Enbridge Inc. - EVP and CFO

Okay.

Operator

Ben Pham, BMO.

Ben Pham - BMO Capital Markets - Analyst

I wanted to clarify in your prepared remarks, it seems like you had a bit of a more tempered outlook on potential acquisitions. And correct me if I'm wrong, if I misinterpreted that. And just wondered if you could expand a bit on that, if that's true -- is there more evaluations rising year-to-date? Or more perhaps just a relative comparison between what you see organically versus what you're seeing externally?

John Whelen - Enbridge Inc. - EVP and CFO

Yes. Well, I think that your last point is probably the most important one. We have such a strong organic program that, as transparent growth in terms of cash flow over the next two to three years, obviously the bar is set higher.

Having said that, the job of the management team is to look forward beyond the current planning horizon to ensure that we're best-positioned for the future. So we are cost of be looking at opportunities to extend and diversify the growth, and sometimes that -- or many times that includes potentially looking at larger platforms, and that comes through acquisitions.

So we're certainly on top of all of the opportunities out there. I wouldn't say it's tempered; it just has to meet the certain -- the criteria that we laid out in the slide there. And again, as I said, if we see something that fits that and can extend the growth, and be accretive to our growth going forward, then we will certainly be jumping on it if we see it.

Ben Pham - BMO Capital Markets - Analyst

Okay. And then, secondly, I wanted to follow on some of the questions on the offshore wind platform and your strategy there. And I'm just wondering -- is there a threshold on how big offshore wind could be to you guys in the percentage of [EBIT]? And can you also comment where you guys are on the development team of offshore? Do you need to ramp it up to facilitate the opportunity that you see in offshore?
Okay. First of all, in terms of -- I think your question was how big could it be. in terms of percentage of the total? We're not really in the habit of putting those kinds of targets on them. We think generally it would be nice to double the amount of renewable capacity that we have from about 2,000 megawatts to 4,000 megawatts.

But really that's going to depend on what the opportunities are. So I think we're going to continue to be disciplined. If we see some good ones out there, we'll pursue them.

Remember that, in the offshore side of things, the size of the projects are, just by their nature, large. And they do require a lot of time and work around capital estimation and understanding supply chain and so forth. So I would say the opportunities in the projects are large, but you have to be careful around the commercial structures there, in that we're not in the habit of taking a lot of merchant risks.

So that's primarily what we're concerned about. So a good opportunity set, generally.

In terms of the development team, I think we've got some pretty good experience internally now. Remember we've been at renewable projects for -- oh, let me see -- probably 10 or 12 years in earnest. So I think we've built up some pretty good expertise. I would say on the offshore wind side, we have some learning to do. And frankly, that was one of the big benefits of the EMS investment, in that it allowed us to enter a project where we could bring up our development skills and operating skills.

But even in that scenario, if you think about it, we have a lot of experience working in water, and actually a lot deeper waters than is the case for offshore wind. And we have very good capability in terms of executing projects generally with our Major Projects Group. So I think we're in relatively good shape; probably some work still to do yet on development, but we're getting there.
Al Monaco - Enbridge Inc. - President and CEO

Yes. Okay. Great question. So, on the accretion front, if we only had the measure that needed to be accretive in year-one, which I think is typically what people talk about, you can't really evaluate an acquisition that way. So it will really depend on the opportunity set.

When we say accretion, obviously it's not just financial accretion in year one or two, but accretion to growth. And that's one thing that really we look at very carefully, and that obviously we don't want to dilute the growth profile. And that's more of a longer-term outlook in terms of the number of years.

But I think the accretive to growth concept is very tied to your second point about the overall impact on the valuation. I think there's not much doubt that some acquisitions, if they are accretive to growth, and they are certainly strategic and provide you more optionality to future growth -- say, in our case, beyond 2019 -- I think that could certainly have an impact on valuation.

So that's something that we take into account. My overall point, I guess, Robert, is we can't just look at one thing. And certainly if you are just looking at first year accretion, then you are probably not doing yourself justice when you are evaluating these opportunities.

Robert Kwan - RBC Capital Markets - Analyst

And I guess, Al, just on that kind of impact on the valuation multiple, if there was an asset or a corporation that the market was ascribing a low valuation multiple at the current time, would that cause you some hesitation? Or would you be looking at something where maybe a more -- in your view, a more normalized valuation where maybe you can prove the value to shareholders over time?

Al Monaco - Enbridge Inc. - President and CEO

Well, no. I mean, if it's a low valuation multiple -- this is very hypothetical, so it's tough to answer, but -- in a low valuation scenario, you'd have to ask yourself whether or not that was because the growth outlook for that business that you are thinking about was -- didn't have the growth that we'd like to see in it.

On the other hand, sometimes those opportunities can be picked off simply because maybe we see something that could lead to growth that perhaps others aren't seeing today. So that's a possibility. Again, tough to answer generically, but obviously we will look at all of those opportunities, whether the valuation is at the market or above or below.

Robert Kwan - RBC Capital Markets - Analyst

Thanks. And maybe if I can just finish on the MLP or EIP. And I'm just wondering if you can -- can you comment on some of the news that's been floating around on potential challenges to tax collection and tolls? I guess, first, does this change your thoughts on having an MLP, just that uncertainty that seems to come up periodically?

And the second, just mechanically, if this were to be enacted and put down where pressure on Lakehead tolls, I know you take a family look but just from an Enbridge perspective, is it correct to assume that this would actually be positive up top, given an increase in the residual Canadian local toll?

Al Monaco - Enbridge Inc. - President and CEO

Let me think about the last part for a moment. But getting to the first part here, I think on the tax allowance issue, I think it's important to clarify first that the court case that was brought forward really -- it really didn't mandate any specific action that needed to be taken by FERC. And in fact, what the court did was just direct FERC to address the issue.
And you will recall that the FERC has addressed this in prior incarnations of this issue being brought up. I guess until the FERC provides some clarity on the thing, it’s hard for us to determine what the outcome would be.

In terms of whether it’d be positive or not, I think, Robert, that’s in the realm of speculation right now. Until we get into whether, first of all, there would be change at all, I think we’d probably just kind of wait and see and what happens on that front.

Robert Kwan - RBC Capital Markets - Analyst
Okay. Thank you very much.

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

Operator
(Operator Instructions) [Chris Veraco], Calgary Herald.

Chris Veraco - Calgary Herald - Media
This is a question for Al Monaco. Thanks for taking my call, by the way. I’m just wondering, given the recent spill and response in Saskatchewan involving Husky Energy, and the fact that we’ve seen some other producers’ spills in their gathering systems recently, I’m wondering what your view is on how this is impacting the broader national debate for building pipelines in the country?

Al Monaco - Enbridge Inc. - President and CEO
Okay, Chris. Well, obviously, any incident is going to be of concern not just to the general public but to the entire industry. And I think, in this environment, there’s no doubt that the scrutiny on the industry is very high. But, you know, it should be.

The fact of the matter is that the additional scrutiny and the tension, although perhaps uncomfortable, is leading the entire industry, I think, to get better. If you look at what’s actually changed over the last few years, it’s been quite substantial if you look at just a few things like technology, for example.

The amount of investment that’s going into ability to assess the strength of pipelines and being able to identify anomalies has just been an exponential increase in our ability to do that. The way we design pipelines today very much take into account the desire to mitigate things that could happen out there.

I would also say that the level of cooperation in the industry and desire to learn from every incident has been really ramped up. Everybody is focused on any incident and we are all anxious to learn from those.

Internally, I would say that certainly there’s been a significant move just culturally in how we look at these incidents. Perhaps years ago in our industry, we would’ve said things happen, and of course they do when you run industrial assets. But we’re very focused today on making sure that we’re striving for zero incidents, and making sure that we are doing everything we can to do that.

And that takes an understanding of why incidents occur. So we’re spending a lot more time on what we call the human factors and what people are thinking as they run the business, and making sure that we are learning from those incidents.
Robert Kwan - RBC Capital Markets - Analyst

And just a second question, which is, given the recent federal court ruling and some of the setbacks that has come towards Northern Gateway, what gives you confidence that there's still a path forward here?

Al Monaco - Enbridge Inc. - President and CEO

Okay. Well, I think you are referring to the recent federal court decision. Is that what you're getting at?

Robert Kwan - RBC Capital Markets - Analyst

Yes, that's correct.

Al Monaco - Enbridge Inc. - President and CEO

Well, first of all, let me just say that if you look at that decision -- and maybe this is a sort of a glass half-full approach, but I think if you look at the facts, the decision was quite positive in many ways in that it validated all of the things that we have been doing over a number of years. And there were many aspects -- most aspects of that claim that were decided in our favor.

As far as the project itself, my view on this is, the entire go-forward proposition really depends on the level of First Nation support. And on this project we have now an additional five First Nations that have signed on to own the project. This is quite a change in how this project has evolved.

And the way we look at it is this is a tremendous opportunity to build a nation-building project with, if you can imagine, one-third First Nation's ownership. So, a situation where they have joint ownership, obviously, but environmental stewardship, shared control, and all of the benefits that go with it.

So we are of the view that the project shouldn't be built without significant First Nation's and EMT ownership, and I think it's a tremendous opportunity for economic development with those First Nations. So we still remain hopeful, and we're working hard to make sure that we work with the First Nations to bring the project to fruition.

Robert Kwan - RBC Capital Markets - Analyst

Thank you.

Al Monaco - Enbridge Inc. - President and CEO

Okay.

Operator

Kelly Cryderman - The Globe and Mail - Media

I have a question on Northern Gateway as well. I'm wondering if there's an updated budget figure for the project, including your cost while you're waiting? And whether there's an updated timeline?

Al Monaco - Enbridge Inc. - President and CEO

You know, maybe I'll hit the second part of your question first, Kelly. There isn't an updated timeline because I think -- I guess it was a couple of years ago now -- we took the position that we weren't going to be focused as much on timeline as we are on engaging the First Nations and making sure that we have support on that front, and we have good cooperation, and they become part of the project -- which goes back to my earlier comments around the First Nations being owners -- and Mayte, by the way.

So I think that that's been our priority over the last couple of years. And I think if you just look at the facts, I think we've done a decent job in bringing that around.

The other part of it was the cost estimates. So we haven't revised that estimate at this point, but certainly we will be getting back to that if the project gets some additional support and moves forward to the next phase. So I think that's probably an item we'll be looking at later on down the road.

Kelly Cryderman - The Globe and Mail - Media

And the June court decision that you discussed earlier, it talked about how the federal government had failed in its duty to consult First Nations. Do you hold the federal government responsible for the delays on this project? And is there any way of recouping the costs of that delay?

Al Monaco - Enbridge Inc. - President and CEO

Well, that's not our priority right now. I think if you look at the decision -- well, let me back up. First of all, by design, we weren't involved in the federal consultation in this. As far as our part in consultation, the court case was actually very clear and complementary of what we had done.

They noted things like our level of engagement on the project being very high with First Nations. We funded -- provided capacity payments and other opportunities. So if you look at the decision, it basically said that what we had done essentially had addressed the detrimental effects, if there were any, with First Nations around how we designed it, a number of undertakings that we did voluntarily.

So I guess maybe to get to the bottom line of the question, we don't hold the federal government responsible, but we do believe that the federal government now does have an obligation to complete the consultation. But that will be up to the federal government.

Operator

[Dan Berkus], The Canadian Press.

Dan Berkus - The Canadian Press - Media

Just sticking on Gateway just a bit more, can you just outline the steps you take going forward to possibly getting the permits back? And just kind of what steps need to be done to get the project back on track?
Sure. Well, at this point, it’s fairly clear. The next step would be for the federal government to determine whether they are going to proceed to complete the consultation, and -- or if not. And so really that’s the next milestone that we see. And then after that, we can sort of go from there.

And I believe now that that timeline was 90 days from the court decision -- I could be mistaken on that, but I think it’s 90 days. So we’re into those days already. So that really will be the next step in the process.

And then -- yes, just how much of it is it costing you to keep the process alive and going at this point?

Well, I think at this point, obviously, through the years that we’ve been at this, we’ve spent with our partners, the upstream producers, a substantial amount to get it to this point. At this stage, given where the court decision came out, obviously we’re managing our costs down considerably here as we wait for that process to unfold.

And then just wondering -- have you heard anything from the government, any indication as to what their plans are? Or have they been in contact with you at all?

No, we obviously are in contact with all federal agencies from time to time, but there’s no specific advice that we have at this point.

And then just wondering -- have you heard anything from the government, any indication as to what their plans are? Or have they been in contact with you at all?

Okay.

I just wanted to check a few nuts and bolts about the new capacity that you are looking at from the mainline. Is there a timeline for that, please? The 60,000 to 80,000?
Guy Jarvis - Enbridge Inc. - President of Liquids Pipelines
Yes. Our target is to be in a position by the end of September to offer up this additional capacity.

Ashok Duda - Plass - Media
Okay. So I presume negotiations are underway. How is that coming along, Guy?

Guy Jarvis - Enbridge Inc. - President of Liquids Pipelines
Again, the nature of our mainline being a common carrier system, people will be able to determine if they want to nominate volumes in that capacity on a month-to-month basis. So there’s really no negotiation that’s involved. That’s really our going through the steps we need to go through to be able to move the crude, and then for the producers and refiners on both ends of the pipe to conclude the commercial arrangements that make the volumes flow. So there’s no specific commercial negotiation that Enbridge needs to have with our customers for it to happen.

John Whelen - Enbridge Inc. - EVP and CFO
Maybe I’ll just add on to that. If there ever was a case where additional capacity was needed, it’s certainly today on the heavy side. And I think as I said earlier, Guy and his team has done a good job to identify this one. This should be relatively straightforward in terms of facilities.

We really don’t need any commercial negotiation. And the point is everybody is motivated here to add some more capacity. Producers want it and we want to provide it.

Ashok Duda - Plass - Media
Okay. Great. And in terms of August volumes and the nominations, there was a reference of certain percentage of heavy apportionment. Can you walk me through that, please?

Al Monaco - Enbridge Inc. - President and CEO
Yes. So the apportionment on our heavy system that we announced for the month of August was 15%. So in our minds, it’s in excess of 200,000 barrels per day of heavy volume that wanted to move on our system that we were unable to accommodate.

Ashok Duda - Plass - Media
Okay. Great. Thank you very much.

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

Operator
(Operator Instructions) Thank you. As there are no further questions, I will now turn the call back over to Adam McKnight for closing remarks.
Adam McKnight - Enbridge Inc. - Director of IR

Thank you. We have nothing further to add at this time, but I'd like to remind you that the Investor Relations team will be available after the call for any follow-up questions that you might have. Thank you for joining us today and have a good day.

Operator

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