THOMSON REUTERS

EDITED TRANSCRIPT

Enbridge Inc Investor Conference

EVENT DATE/TIME: DECEMBER 10, 2019 / 1:00PM GMT

CORPORATE PARTICIPANTS

Al Monaco *Enbridge Inc. - President, CEO & Director*
Colin Kenneth Gruending *Enbridge Inc. - Executive VP & CFO*
Cynthia Lynn Hansen *Enbridge Inc. - Executive VP and President of Gas Distribution & Storage*
D. Guy Jarvis *Enbridge Inc. - Executive VP & President of Liquids Pipelines*
Dai-Chung Yu *Enbridge Inc. - President & COO of Liquids Pipelines*
Jonathan Morgan *Enbridge Inc. - VP of IR*
Nafeesa Kassam *Enbridge Inc. - Director of IR*
William Turner Yardley *Enbridge Inc. - Executive VP and President of Gas Transmission & Midstream*

CONFERENCE CALL PARTICIPANTS

Andrew M. Kuske *Crédit Suisse AG, Research Division - MD, Head of Canadian Equity Research, and Global Co-ordinator for Infrastructure Research*
Benjamin Pham *BMO Capital Markets Equity Research - Analyst*
Dean Highmoor *Mackenzie Investments Corporation - Director of Investment Research*
Jeremy Bryan Tonet *JP Morgan Chase & Co, Research Division - Senior Analyst*
Jeremy Rosenfield *Industrial Alliance Securities Inc., Research Division - Equity Research Analyst*
Linda Ezergailis *TD Securities Equity Research - Research Analyst*
Matthew Taylor *Tudor, Pickering, Holt & Co., LLC - Director of Midstream Research*
Michael Jay Lapides *Goldman Sachs Group Inc., Research Division - VP*
Patrick Kenny *National Bank Financial, Inc., Research Division - MD*
Praneeth Satish *Wells Fargo Securities, LLC, Research Division - Senior Equity Analyst*
Rebecca Gill Followill *U.S. Capital Advisors LLC, Research Division - Senior MD & Head of Research*
Robert Catellier *CIBC Capital Markets, Research Division - Executive Director of Institutional Equity Research*
Robert Hope *Scotiabank Global Banking and Markets, Research Division - Analyst*
Shneur Z. Gershuni *UBS Investment Bank, Research Division - Executive Director in the Energy Group and Analyst*
Sunil K. Sibal *Seaport Global Securities LLC, Research Division - MD*
Robert Kwan *RBC Dominion Securities - Research Analyst*

PRESENTATION

Jonathan Morgan ***Enbridge Inc. - VP of IR***

Okay. I think we'll get started. So good morning, and welcome to Enbridge's 2019 Investor Conference. My name is Jonathan Morgan. I'm Vice President, Investor Relations. It's my pleasure to kick our day off today here in New York, and thanks to you that have joined us here today in person as well as those of you that are listening online. This is an important day for us, and we look forward to it each year as we update our strategic plan and priorities for managing and growing the business. But before we get to that, a few housekeeping items to take care of first.

It's our practice at Enbridge to begin each meeting with a safety moment, and I'll use the opportunity here today to cover off our evacuation procedures for the building in the event that we need to use them. In the event there is a fire, you'll hear an alarm, and if necessary, this will be followed by an announcement to evacuate the building. There are 2 stairwells in the building. There's one behind me, stairwell A. And there's another out the door behind you, stairwell B. So I'll ask the front half of the room to follow me through stairwell A and back half of the room will go to stairwell B. In terms of muster point, I think it probably makes sense for us just to meet at 55th and 5th and we can wait there for further instruction from the building personnel.

In terms of agenda, we're going to follow the same format that we followed in past years. We'll have presentation followed by Q&A for each section. And you're going to hear from many members of our executive team here today. For Q&A, we'll have a microphone circulating, and we ask that you wait for the microphone before asking your question and introduce yourself when doing so. We're going to try and stick to schedule today, so we ask that you ask 1 question plus a follow-up. And we have a break planned for 10:15, and would look to wrap up this session by 12:30 today. Once we're done, lunch is available, and we ask that you stick around and engage with our executive team who are all here today.

Finally, the legal team would like me to remind you that our comments today may refer to forward-looking statements or non-GAAP measures. And so with that, I'll pass it over to Al Monaco, President and CEO, to kick things off with his strategic overview.

Al Monaco ***Enbridge Inc. - President, CEO & Director***

Thanks, Jon. Good morning, everybody. I'm going to start off by apologizing for my underwater voice, but nevertheless, we are excited to be here today to talk about the story. We have refinements to our plan every year, but the 2020 plan is really based on the same founded elements of our long-standing value proposition.

The plan essentially is characterized by the 3 things that you see on this slide: Resilience, discipline and growth. And it's those 3 themes that we hope you take away from today. The management team is confident that those principles will deliver good value for shareholders in any business and capital markets environment. So I'm going to set the context today by speaking to our resilience and the energy fundamentals that drive our strategies.

While the fundamentals are positive, and I've already chatted with a couple of you this morning, we know that the energy space is very challenging. So I'll talk about how we've adopted our approach ahead of the curve. Talk about how we allocate capital in our medium- and long-term outlook. Then, our business leaders will review how they'll build their franchises. So Bill Yardley will talk Gas Transmission, Cynthia Hansen will talk about Gas Distribution and Storage and then Guy Jarvis and Vern Yu will tag team on Liquids Pipelines, Colin Gruending will bring this together at the end with his financial review.

Before we get to that, this slide summarizes this morning's release. We expect to exceed the midpoint of our 2019 guidance range of $4.30 to $4.60 DCF per share, which affirms what we said on the Q3 call. Debt to EBITDA should come in at the lower end of our range at 4.6x. 2020 guidance is $4.50 to $4.80 a share, which reflects stronger business performance and assumes no contribution from Line 3 of the U.S. portion. That's a very good outcome as stronger performance from the businesses partially offsets the delay in Line 3 cash flows.

We increased the dividend, as you saw, by 9.8%, in line with last year plan -- 2017-2019 plan period. As you know, our dividend is based on our predictable DCF per share profile, our multiyear outlook, and for 2020, improved business performance that I mentioned. After 2020, we estimate we can grow DCF per share at 5% to 7% on average, and that's consistent with what we said last year. In the near term, and I'll call that through 2022, this outlook is driven by the embedded growth and secured capital projects we have underway, including the U.S. portion of Line 3. Once Line 3 does come into service, debt to EBITDA should actually be below the 4.5x, the bottom end of that 4.5x to 5x range.

Longer term, we see DCF per share of 5% to 7% growth coming from the carryforward of embedded opportunities within the business plus newly secured opportunities. As for funding, growth will be financed from cash from available investments and 100% self-funded within that debt to EBITDA range. So in terms of a business update today, as you saw, we're advancing our Gulf Coast strategy centered around Seaway and new export infrastructure.

On Line 3, we put the Canadian segment into service last week, so great outcome for our customers and ourselves. And 2 items actually yesterday on Line 3 U.S., late breaking news, the Department of Commerce submitted their amended final environmental impact statement with the spill modeling, recall that the court ordered and there was no issues coming out from that modeling.

After that, the PUC initiated a public comment process for 3 things: The adequacy of the FEIS, the certificate of need and the routing permits. There'll be a 1-day session, oral session, on December 19, where people can provide their views and the public comment period closes on Jan 16. So we think it's a good outcome that the PUC is going to have a comment period related to all 3 of those items. It doesn't change our approach in that. We're not providing any specific guidance on an in-service date, that's obviously a good positive outcome here, I think. We've sent a letter en route to the Canadian energy regulator, indicating that we'll be filing our mainline contracting application before the end of the year.

So today, we're going to be talking about our future, but I'll spend a minute on how we position Enbridge for that future. So if you look at the slide here, from 2010 to 2016, we built up the Liquids business, which made up about 3/4 of the EBITDA at that point and growing from there. These were highly accretive projects that led to this, which solidified the position that we have and extended the reach all the way into the Gulf Coast. That's actually turned out a lot better than we even imagined at the time given where oil exports are headed, and today, Liquids is generating record results.

While that was happening, we saw the future of natural gas is overwhelmingly positive. Buying Spectra at a reasonable price diversified our opportunity set and our geography. Today, in our view, it's even clearer that accelerating that gas strategy and expanding the U.S. footprint was clearly the right thing to do. It also gave us, and sometimes you forget about this, a big gas distribution utility, another one in Ontario, and a critical long-haul gas business in BC, both are growing nicely. So in a nutshell then, what the slide says is that we captured the Liquids opportunities that were there in front of us, and there are more of those to come, by the way, and repositioned the business in line of our view of the fundamentals.

So today, we're well diversified with reach and scale and the optionality to grow in a lot of areas. We move roughly 1/4 of all the crude oil and 20% of the natural gas in North America, and we have the largest natural gas utility. We've established as well, let's call it, an emerging renewables business that fits our model. So bottom line, if you look at the map, we have unparalleled infrastructure franchises that are absolutely essential to driving the North American economy.

Now we all know that the way society is looking at conventional energy is changing. So let me illustrate the resilience of these assets. The lifeblood of the 3 franchises you see here is one thing, end-use customer demand and last mile connectivity. Liquids serves, if you add up the circles there, 12 million barrels per day of refining capacity. And that's comprised of globally competitive refiners, and we have the lowest cost to the best market. So it's a great combination for our Liquids business. What it means is that the system is going to be continuing to be heavily utilized for a very long time, especially now since it's connected to export markets.

Gas transmission pipes feeds markets totaling 170 million people and key industrial, commercial and power gen load. And our gas utility serves the fifth largest population center. And as Cynthia will tell you, gas cost advantage of 60% versus other fuels.

So 3 things that really speak to the resiliency here: These customers and markets aren't going anywhere, so our pipes are going to be around for a very long time; our cash flow outlook is not dependent on specific supply and drilling profiles; and a bigger gas business diversifies our overall risk.

The other part of resiliency is our low-risk model. Now I'm sure lots of people stand in front of you and say they have the lowest risk profile in the business. So here's why we say it. Our assets generate low volatility, long life cash flows, and that shows up in the tightness of our guidance ranges. With the sale of the G&P business, virtually all of our EBITDA comes from low-risk commercial structures. Our customers are the strongest in the industry, whether they're energy companies or utility companies, so the likes of Imperial, Exxon, BP, Suncor, Chevron, Con Ed, National Grid, Florida Power & Light. There's a bunch of others. And they're not going anywhere either.

The balance sheet is strong, and especially when you consider the utility-light asset base that we have. So again, we don't believe there's a lower risk profile out there, and we plan to keep it that way.

Now it's not going to be front of mind for you every day as it is for us, but certainly, the #1 priority for us is safety and reliability. And everybody at Enbridge, so whether it's management team or people out in the field, believe that this is the #1 thing they're responsible for. Our business relies on the public's trust in what we're doing, and so the goal is to protect them, our people, and make sure that we're delivering reliably for customers.

So it starts with what we call lifecycle integrity management and maintenance plans for each asset. So this is not just a year-by-year exercise where we're trying to estimate how much it's going to cost to maintain the system. It's a long-lived approach where we dedicate enough resources to make sure we plan for the capital to be there.

Now people think that energy is not a technology business, but they couldn't be more wrong. We're using the most advanced tools. We invest in research, and we use it to identify and manage risk. Technology also helps manage massive amounts of data that come from the tool runs and applying algorithms to better and more quickly interpret data that's coming at us. And most importantly, we use technology to optimize the system, whether that's power utilization, maintenance planning or managing the flow within our large terminals, and even making small changes to those 3 areas can have big bottom line impacts.

This chart here is for the Liquids group. And as you can see, we run the most in-line inspection tools in the industry. And that correlates pretty well, as you can see, with the releases in the Liquids system that are in a very, very good end of this chart on the left. But obviously, we are not perfect. We had a serious incident in Kentucky this year and 1 in BC last year. But we are doing what we need to, to make sure that doesn't happen again. So safety and reliability, in our view, is a differentiator in this business. And another one, though, is ESG.

Now ESG is gaining a lot of prominence, and I'm sure it's top of mind for you. But frankly, this is not a new concept for us at all. We were focused on ESG well before this acronym was coined.

On the E, even though we're not a large emitter, we set targets and we met them, lowering direct emissions by 21% since 1990. Our conservation programs reduced emissions equivalent to taking 9 million cars off the road, and we're investing in renewable natural gas, Cynthia would explain that. And we're at the forefront of disclosure and testing our resilience to climate change.

On the S, we certainly learned a lot about indigenous engagement and developed a critical skill set here. It really comes down to 1 simple thing on this front; understanding indigenous connection to water and land and ensuring our people represent our values in the field. We had a huge success, which you probably didn't hear much about, resulting in partnerships on Line 3, Canada, yielding $450 million of indigenous economic opportunities. And we set diversity and inclusion targets across Enbridge, something we've been working pretty hard on. And that part extends actually to the G where we have an excellent Board diversity and tenure. And our current programs are aligned with shareholders, and they include safety and environmental performance. And as part of that as well, management, as you know, is heavily invested in this company.

The next slide shows briefly why we have a good story on ESG. I'm not going to go through all of this, obviously, but you can tell at a glance that it's clear that we match up very well against our peers.

The next slide recaps the progress we've had on our priorities since last Enbridge Day. First and foremost, operating and financial performance has been strong. The Spectra assets have now been fully integrated, and we captured the targeted synergies and a little bit more.

Project execution has been good, which delivered increased cash flow, but obviously, we were disappointed by the Line 3 delay in Minnesota. Ultimately, as we've said to you before, this segment needs to be replaced, and we have great support in the community and travel nations along the route, and this has been the most comprehensive regulatory and permitting review ever.

Asset sales accelerated deleveraging from the large CapEx program over the last few years, and we rolled up 4 sponsored vehicles which simplified the structure, the credit profile and improved our overall pay outlook. And of course, we're self-funded including getting rid of our DRIP. So all-in, we've grown DCF per share while delevering, selling noncore assets, bringing in the SVs and continuing to invest in the business.

Now I want to switch gears to the fundamentals. And we usually cover this at Enbridge Day and the business leaders will do that as well, but it couldn't be more important than it is today because we'd all agree that, as I said earlier, the business is changing. And we'd all agree as well that we need to reduce energy intensity globally.

I'm going to use the most recent IEA-based case that came out a couple of weeks ago here to talk about this because I think it's conservative on demand, and it includes the GHG policy -- policies that are in place today and the ones that are targeted. So first, there is not much doubt, and you can see this on the bars on the left. That global energy demand is going to increase somewhere in the order of 25% by 2040. And that's because 3 things are sure to happen. You're going to have population growth of about 2 billion people; there's going to be greater urbanization up to 64%; and improved living standards, which will bump the middle class by about 2 billion people. All of that means more energy.

Now what's noteworthy about that bar on the left hand side is that consumption would actually be 12% higher if not for the progress on efficiency, conservation, building codes, fuel standards and so on. And we know that the rate of energy growth is now about half of GDP growth. So a few takeaways on the left here. To meet energy demand, it's very clear we're going to need all sources of supply. Renewables grow at the fastest rate because it started from a small base, but natural gas will play the biggest role, up 36%, but also in terms of reducing emissions. In fact, to make a major impact, if that's what we really want to do, we need more natural gas globally. In fact, the U.S. is the poster child for this. GHGs came down to below 1990 while the economy grew by 80% in the U.S. There's no reason why we can't see that same outcome globally. So that's the big picture. It's very positive.

Now what about North America? So a different story here, but still strong for another reason. I think we'd all agree that North American demand for crude is going to be flattish. But on gas, it will be increasing because of power gen load, and Bill will be speaking to that. Liquids and gas production grow nicely, driven by low-cost supply to serve export markets. The U.S. and Canada have a great opportunity here to gain market share. And that's why a strategic push for us is export infrastructure.

Now before I get to the priorities that we have in the 2020 plan, let me speak to how we look at this broader midstream space and the challenges we have and how we've adapted our approach.

So starting from the 12 o'clock position, this set of circles basically tries to outline what the issues at play are in this changing landscape. Energy fundamentals are positive. That's great. You saw that. Growing global demand and low-cost North American supply, that means we can provide more for exports. And all of that bodes well for what we have in the ground today and our export opportunities. But again, the midstream landscape is way more challenging today than just 5 or 10 years ago. And this company lives this literally every day. Climate change, regulatory and permitting delays and in many cases, we are, as midstreamers, the point of attack. We've seen these issues, you all have as well, on Line 3 and Line 5 that has created significant headlines. So yes, it's tougher to get things done, which is why we have to develop and have developed a unique execution capability and skill set that is built for this environment.

While we also think carefully about capital allocation and ensuring a return on and -- of capital on existing and new investments. So the challenge that we set for the team is how do we capitalize on these great fundamentals in front of us while managing the broader risks?

So in terms of how we grow the business, the approach is that we're going to focus on projects that optimize and expand the existing footprint, diversifying our opportunity set, again, especially on exports. On capital allocation, we'll prioritize enhancing returns, highly executable projects and minimizing at-risk development capital, all within a self-funding model.

So with that context, here's the snapshot of our priorities. In the medium term, again, let's call that through 2022, we'll concentrate on optimizing the great base we have, executing our secured projects that we have going on right now and building out the organic hopper to secure long-term growth, that's the third box on the right.

So the base growth is driven by 2 things: Embedded revenue and contracted volume escalators and continuing cost and process efficiencies that we've begun several years ago and are paying a lot of dividends. And secondly, executing on a secured capital program, and that's the $11 billion in projects you see here. It includes Line 3 U.S., Bill's gas transmission projects, utility expansions and power.

In the longer term, we plan to grow organically with the same types of enhancements and expansions of the franchises. Liquids and LNG exports and offshore wind opportunities that we've secured, but not yet FID'd. As you can see here, these investments are right down the middle of our fairway. So here's how that translates numerically. Again, 1% to 2% from optimizing the base is what we see in terms of post-2020 growth; 4% to 5% from organic growth, both secured and new opportunities. So in the near term, call that to '22, the growth rate is driven by what we have in secured execution today, and then beyond that, it will be new opportunities.

As I alluded to earlier, once Line 3 comes in, we should be below the lower end of that debt to EBITDA range. So we'll have more financial flexibility to extend growth well into the future.

Before I get to post-2020 opportunities, I'll talk about the capital allocation lens that we use when we're thinking about putting capital to work. So the first part of the lens is on establishing the broad constraints. So what's the self-funding capacity? What's the leverage, returns and dividend payout?

After we complete the secured capital program, we expect to have investment capacity annually of about $5 billion to $6 billion. That's comprised of annual free cash flow after deducting maintenance capital and dividends, plus any financing capacity from EBITDA that we're generating by then, and Colin will take you through that in more detail.

We're comfortable with the debt to EBITDA range of 4.5x to 5x. The long-term dividend payout is approximately 65% of distributable cash flow. Then with our available reinvestment envelope, we look at the various options that you see in the circles here. We're going to be disciplined about how we allocate capital in this environment and triangulate these options to maximize long-term value.

So the factors we'd look at in that decision making are going to be how capital moves our strategies and sustains our growth, creating additional financial flexibility and return of capital. So that's the broad framework we use. Now let me show you how that translates into priorities in the next little while. So you're probably surmised by now that the first priority is to preserve financial strength while we grow. That means being within the target debt to EBITDA range and maintaining BBB high credit ratings. The balance sheet, as we said, is in good shape. But we'll always look to create additional financial flexibility where it makes sense. So for example, if there's an opportunity to monetize an asset and a great valuation, then we will create some dry powder.

Second part of the value proposition is returning capital. And for us, right now, that's growing the dividend. We always look at share buybacks as an option compared to organic growth, creating some additional financial flexibility or other options. We're going to more actively consider buybacks once we execute our capital program and the biggest part of that is the remainder of Line 3, so not too far away.

Third in the batting order and tied to sustaining dividend growth is to grow the base business organically. And again, optimize, extend and expand the existing businesses. Size-wise, we'll be looking at singles and doubles in this category, which carry less relative permitting risk and deliver enhanced returns.

So let's take a quick high-level look at the organic opportunities, and we're going to start with natural gas, that's in blue here. Texas Eastern is really well positioned to feed growing industrial and power gen load in the U.S. Northeast. No secret at all that this part of the U.S. requires more pipe. There are challenges there, which Bill is going to solve. The U.S. Southeast looks very good for gas-fired power generation. TETCO also feeds the U.S. Gulf Coast petchems, and we're nicely positioned along the coast to capitalize on LNG exports and, of course, Mexican exports.

The West Coast system is best situated to meet growing local demand, but there's a bigger prize here and opportunity on both that system and for new pipes on LNG. So all-in, let's call it potential opportunities in Bill's area on gas transmission of about $2 billion per year.

On gas distribution, we see significant customer adds, expanding new communities and the Dawn to Parkway Corridor. That totals up about $1 billion a year. There's more optimization to be had on Liquids and Mainline contracting will position us well for the future. Now with Gray Oak, our Mid-Con pipes Seaway and our Gulf Coast strategy, really now, I think, is taking shape as you saw.

We found a very capital-efficient way to develop the entire light and heavy value chain, and Guy is going to go through that in more detail. So let's call this another $2 billion or so per year in opportunities from Liquids.

On offshore wind, we have 1 project in construction in Europe and 3 that are developed that could come into play after 2020. Call that about $1 billion per year. So that gives you a quick feel of the organic opportunities that we're working on. So here's now how that translates again to summarize our growth. So again, 1% to 2%, that's embedded in the base, which carries through from the medium term to the longer term. In terms of organic growth end, we've got the capacity to put $5 billion to $6 billion to work, which could generate 4% to 5% DCF per share growth. So those 2 sources come to the 5% to 7% we're talking about.

Now before I conclude here on this, and we get to questions, there are a few issues that we considered actually in developing this plan and that you may have raised in your own minds already. So we've kind of outlined a few key questions here, and we can go through more after, obviously.

So as to whether we change the risk profile to achieve accelerated growth? Now the answer to that is no. We've had many opportunities to do that in the past several years and even more recently, and we passed on them. The reality is that utility, investments and pipeline utility category generally offer very good commercial underpinning for us, and it's what we do best. So other capital allocation options would be available to us rather than stretching the risk profile. A related question to that is whether we'd stretch the balance sheet to hit the growth targets. That's actually a shorter answer. It's no. We've worked very hard to get it to where we want it, and we're happy with it where it is.

On the -- I guess, I should move forward here. On the asset mix, we're happy with the current split between liquids and gas with an emerging presence in renewables. The fact is that we're so well diversified on both liquids and gas, we're positioned to grow in a number of areas. So we're very happy with the current split that we have today.

Another thought is around M&A. You can imagine, we monitor every possibility out there very closely. But to be clear, we have no plans in this area. That's because we've already repositioned the business with the Spectra acquisition. We've got plenty of organic opportunities in front of us, as you saw.

Further clarity on buybacks. So we returned currently about $6 billion through the dividend, and it will be higher next year, and we still have some capital projects to execute. So it's certainly something we'll look at, but less likely until we get through our capital program. We, obviously, revisit this all the time, though, depending on what the share price is and our relative valuation.

As to whether we would invest more internationally, I think other than the select European offshore wind projects that fit that mold really well, it's not something that we're immediately planning to do. So I'm glad to expand on any of this or we'll get into more questions later on.

So just to wrap up here, this value proposition triangle has been here for a long time. It hasn't changed. It basically combines high-quality assets, a low-risk business model and organic-driven growth to ensure we provide a very strong return of capital. That's essentially the value-creating formula we use, and that's what we want to stick to. We like it because it's resilient to whatever the capital markets or the business environment throws at us, and I think that's been borne out over the last couple of years. So you might call us boring, but the low-risk business model generates stable and predictable cash flows that allows us to plan and deliver predictable results.

So if you look at this story from 50,000 feet, despite the Line 3 delay, deleveraging and sponsored vehicle take-ins, we put up solid results in '19 and growing from here. And that's essentially what we mean by resilient.

Now it's what the management team is going to be constantly focused on is delivering those results. And on that note, we spend a lot of time on succession and planning development. This happens continuously and at all levels of the company. And for senior management and particularly myself, the goal is pretty simple. We want to have at least 1 ready now person to take over every senior position. You saw that happen with our organizational changes this year.

Now at that time, we also took an opportunity to expand the leadership team, and we brought in some external talent as well on many fronts. So this is a team and they're all here today for David Bryson, and that's actually an interesting story. He moved from the cold climate of Calgary to Houston to work with Bill and his business. We actually had Allen Capps go the other way, which is more unusual. Where is Allen? Allen's here. So he went from Houston to Calgary, he likes the cold.

So please take an opportunity to meet these people today and join them at the break or over lunch. So to wrap up my comments before Q&A, the midstream space has been challenging, obviously, in the last few years, but the resilience that we have and how we've evolved our approach and adapted to what the environment is, is going to allow us to withstand these challenges. We've delivered very strong dividend growth, as you can see. We're proud of this history and solid TSR for shareholders over a very long period of time. And believe me, we understand the importance of continuing to earn the trust of our shareholders and confidence by extending this track record.

So that is the overview today. I think at this point, we're going to open it up for questions.

Yes. All right. The mics will be coming around. There's a question there.

QUESTIONS AND ANSWERS

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

Rob Catellier from CIBC. You talked a bit about capital allocation in your presentation. I'm curious to -- about 2 aspects there. First is, how are you building in ESG considerations into your capital allocation? And on a similar vein, how is the implementation of Bill C-69 impacted capital allocation decisions in Canada?

Al Monaco ***Enbridge Inc. - President, CEO & Director***

Okay. Well, on the first part of it, on ESG, and how we build that into capital allocation. Colin is going to go through a fairly detailed review later of the screening process that we use in our investment review model, and a big part of that is ESG. I think the biggest chunk of it is likely going to be, Rob, in terms of how we evaluate permitting and regulatory risk. And so we'll take a lot of time to do that before we actually proceed with the project. A lot of that is getting out to the community ahead of time, seeing what their views are on energy infrastructure. And that relates to the fact that most of the issues that we face are solved at the local and community level. There's lots of noise broadly about energy and opposition and climate change and so forth, but we have found that the solutions really are at the local level and addressing those concerns. So we'll look at that in our investment review process. We're building extra time for that because that's certainly going to be an outcome. And it's going to cost more to build projects, including the time it takes, longer time, more AFUDC in that process. Where there is a direct carbon price in the region that we're working, we'll build that into the economics as well.

So we've covered that gambit fully within our investment review process. So when we screen, we're making sure we're taking that to account. And we may determine that based on ESG concerns or factors that we can't proceed with the project.

On Bill C-69, that's a good question, I'd have to say that generally speaking, the day-to-day work should continue unchanged in terms of how we interact with the regulator. Where C-69 comes in, has probably more to do with very large projects. And so our view is, at the moment in Canada, there's likely to be very few that fit into that big category and -- going forward. So it's probably not as big a factor, at least in our view, unless there's a major project. And the key on C-69, in my view, is that we need transparency to ensure that if we get regulatory approval, that we actually have the license to build the project. And I think the concern with C-69 is that there's some uncertainty around whether or not you're actually going to be able to build even though you have a regulatory approval, and you actually saw that in Northern Gateway. So we'll be very conscious of that under C-69.

Oh, I think -- can we just go there first and then we'll come back to Linda.

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

Andrew Kuske, Crédit Suisse.

Al Monaco ***Enbridge Inc. - President, CEO & Director***

Andrew.

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

On the slide where you had key questions that you posed to the audience, you noted it was large-scale M&A. So maybe if you could just talk a little bit about the build versus buy options in the market, in particular, where you don't have asset exposure and you lack the physical footprint, is the build option really appropriate there or is it really a buy situation?

Al Monaco ***Enbridge Inc. - President, CEO & Director***

A good example of this is probably the U.S. Gulf Coast strategy, which you saw us talk to yesterday in the news release. There's probably lots of opportunities to buy assets and larger scale M&A that probably would give us instantaneous position. We chose instead to be, as I referred to earlier, more capital efficient. So where we can use an existing asset to extend our reach and build organically, I think that's still our preference. You can't always do that. And if it's a smaller scale idea that helps extend, expand, then we consider that. But there's so many things, as you know, that have to line up with M&A. Is it going to be accretive to near-term cash flow? Is it going to have the risk reward model that you have in your existing business? Is it going to be growth accretive? So generally speaking, the probability of all that coming together versus your ability to build organically or extend an existing asset is less likely. So that's how we land.

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

Maybe the obvious follow-up is, what's the definition of large scale versus smaller scale?

Al Monaco ***Enbridge Inc. - President, CEO & Director***

Well, probably up to $5 billion, I would call small, medium scale.

Yes. (inaudible) over here to Linda.

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

Just to expand on that. I'm wondering how JVs might also help you kind of be somewhat capital-efficient if you don't bring something yourself to the table at competency, an asset that a partner might have? And then, I guess, part B to the question is, where else might a JV make sense? For example, if a financial partner like a pension fund or private equity might have cost of capital advantages or other attributes that they bring to the table, can you comment on how JVs can be used to forward your strategy and maximize shareholder value?

Al Monaco ***Enbridge Inc. - President, CEO & Director***

Okay. Great question. I'm glad you brought that up. On JVing, again, I have to go to the example of our partnership with Enterprise. We've got a great partner who has last mile connectivity. We essentially levered that relationship. We brought heavy barrels to the U.S. Gulf Coast on Flanagan. They brought this last mile connectivity. We've now put it together where as a JV, we can be stronger together rather than working independently. So absolutely right, JVs are part of the strategy. The issue in some cases is that you don't have full control when sometimes you'd like to. But on the other hand, where you can be more capital efficient, we think it makes a lot of sense. Where we can use it in terms of capital efficiency more broadly is on the West Coast of Canada, and there's good opportunities there for big LNG pipes still on the come. And it's possible there. You bring somebody in with a lower cost of capital, that's always the most likely type of scenario. You bring down your capital investment and you focus really on the return on that investment as opposed to just the ultimate size of it. So I think we'd use it in that situation.

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

And just as a follow-up, to maximize shareholder value, if you're seeing a systemic disconnect between the public and the private capital markets, have you put thought to how you might close that out sooner rather than later?

Al Monaco ***Enbridge Inc. - President, CEO & Director***

Yes. Well, I mean, I think a good example of that was last year when we sold our assets. I mean that was a little bit of a different situation because we wanted to clean up the G&P business. It just so happened that we were able to get great valuations for those. We do think about that a lot, and we continually look at all of our assets. We don't have a lot in the noncore category. But if there was something that we could do around the edges, we'd certainly have to entertain that. So we're always looking to see whether there's compelling value and whether we can optimize the overall picture by selling an asset at a -- as a super good valuation and redeploying that capital into those options that we showed.

Yes.

Shneur Z. Gershuni ***UBS Investment Bank, Research Division - Executive Director in the Energy Group and Analyst***

Shneur Gershuni with UBS. In your prepared remarks and in some of your responses, you have talked about capital efficiency, capital-light type of strategy. Outside of the existing products, like Line 3, Line 5, the VLCC terminal yesterday, as we think about new projects being added, should we be thinking that there are going to be more shorter time cycles, less permitting issues, lower multiple, higher return projects? What are the marching orders to the team right now in terms of how you think about CapEx for the next 2 years?

Al Monaco ***Enbridge Inc. - President, CEO & Director***

I sure hope they're shorter. It's easy to say, well, "Guys, just go away and focus on the short-term stuff." The reality is most things take a long time. I think where we can shorten a cycle is clearly where we have an expansion and extension of our existing assets where we're working within our franchise.

And for example, the Liquids business has done a lot of work on DRA, which improves volumes at very minimal capital investment and really doesn't require a lot in terms of permitting in regulatory issues. So those are the kinds of things that we'll be focused on. So improve returns, focus on the franchise that you have where you can minimize time lines. But -- I mean there are always going to be some issues in terms of delays and so forth.

I'm not sure if that's...

Shneur Z. Gershuni ***UBS Investment Bank, Research Division - Executive Director in the Energy Group and Analyst***

No, helpful. And just as a quick follow-up. You had mentioned in one of your comments earlier that once Line 3 is in service, you would expect your leverage to actually below your targeted 4x to -- 4.5x to 5x range, would you use buybacks then to tackle back into the range? Is that the way we should be thinking about it?

Al Monaco ***Enbridge Inc. - President, CEO & Director***

It could be. I think that once Line 3 comes in, as we said, we'll be below, that gives us some pretty good flexibility. So we'd have to decide at the time whether or not using some of that extra dry powder. It would depend on whether we had another organic opportunity that we could use that we saw would be great value for us in terms of extending the business, extending the growth rate, advancing the strategy versus a buyback program. And so that's not out of the realm. And I think it will depend on what we see at the time. But we wouldn't hesitate to do a buyback program if we don't see opportunities. One provision, we need to be able to sustain a buyback program as well. And rather than have just sporadic buybacks. So that's another factor we'd look at.

Becca?

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

Next Becca Followill, U.S. Capital Advisors. In line with the buybacks, can you quantify the magnitude of what you could see in a buyback and how you would look at the trade-off between growing the dividends to get the 10% you're growing this year versus buybacks?

Al Monaco ***Enbridge Inc. - President, CEO & Director***

Yes. Well, as I said earlier, I think the mantra of the company has always been to deliver sustainable growing dividends. So that's sort of our preference. In terms of the buyback magnitude, the way I think about it is, each 0.1 of a turn on debt-to-EBITDA is sort of in that range of $1 billion, $1.3 billion in terms of cash available to buy back shares if that's the way you want to look at it. So it's probably in that range for each 0.1 of turn, that's available. But as I said, it would depend at that time whether or not we saw an opportunity to do an organic investment, which, frankly, would take a little bit more time to generate the EBITDA from but it's the play between investing in your shares, which could be a good opportunity at time versus an organic project that may come with more growth with it going forward.

Please. Sorry, I was looking over here. Robert, go ahead.

Robert Kwan ***RBC Dominion Securities - Research Analyst***

Okay. There's a pretty big focus here on trying to find shorter time line, easy to build stuff, can you just talk about how do you address then when you look at some of the larger projects that may be more difficult? What types of hurdle rate premiums are you looking at? Or is it really just a time value calculation within the IRR and the NPV?

Al Monaco ***Enbridge Inc. - President, CEO & Director***

Yes. Well, I mean, for sure, it's CapEx risk in terms of not just time lines, but one thing we found, for example, on Line 3, there's a lot more engagement with communities, whether it's indigenous or other types of communities. There's a lot more engagement with the public, generally, a lot more engagement with regulators, that all cost more money. So if there is an element of CapEx risk related to those items, we can quantify that. And so if you think about your financial model and how you'd work that through on your equity IRR, you can pretty well easily figure out how much of a difference that's going to make. And so we tend to build those kinds of premiums into the hurdle rate. So you've got to start with a hurdle rate that has a, let's call it, a base return or riskless return, add to it the premium that you need to generate good value for the shareholder, but then we'll do these add-ons. And so that's how we usually handle it in the hurdle rate. So we try and identify and quantify the risk financially and then build that into the hurdle rate.

Robert Kwan ***RBC Dominion Securities - Research Analyst***

So as an example, for something like Line 3, how much of a premium would have been built in versus something that was quick and easy to build?

Al Monaco ***Enbridge Inc. - President, CEO & Director***

Well, given that's -- well, maybe the way to answer that, Robert, is when we run the -- let me back up, first, on Line 3, a good chunk of the capital has already been spent. $5 billion in Canada. There's another 3 years or so to go on the U.S. portion, one of which has already been spent. So you're dealing with $2 billion in yet to spend and so the variability around that, even if you have -- well, we will have an increase on that part. We've run the economics on this a lot, and it really doesn't change the fact that Line 3 is still a very strong returning project. So it's not going to make a difference to the economics on Line 3. I'd have to go back and see what we actually built in for the hurdle rate at that point, but...

Robert Kwan ***RBC Dominion Securities - Research Analyst***

If I can just finish with a question on M&A, when you're looking at small to medium-sized M&A, is your real kind of eye on accelerating the growth about that 5% to 7% range as we go forward? Or is it more about the ability to extend, give you that visibility on that growth? And then as it comes to financing, is that something, again, under that $5 billion number, something you look to be able to have that balance sheet capacity or would you be looking to add equity?

Al Monaco ***Enbridge Inc. - President, CEO & Director***

Yes, it's the latter rather than accelerating the growth rate, it would be something that we could always look at to extend and -- but it would have to be within the self-funding envelope. We're not excited about using our equity for something like that. The big picture here is that it's just not a big priority, unless we see something that really makes a lot of sense to expand, extend the core business and help its growth rate if we can fit it within the financial policies that we've set.

Okay. I think we're going to [Eves.]

Unidentified Participant

Yes. Just to think in the spirit of returns, how do you think about the risk on the offshore wind. And if you look forward 5, 10 years, how big a slice of the pie do you think renewables can be?

Al Monaco ***Enbridge Inc. - President, CEO & Director***

Well, the biggest issues on offshore wind -- well, let's start with the fact that we're not going to be a merchant generator on offshore wind. It's going to have to have a long-term PPA with it. So you've got volume protection and you've got price protection. Volume, except for, obviously, wind variations. The biggest issues that come into play there are CapEx risk. And generally, what we find is we can pretty much lock down the capital cost beforehand on our offshore wind projects that's because the industry has developed the supply chain now. And it's still difficult to build but not rocket science per se. So I think there's a lot of experience around the supply chain now for delivering projects within good capital. So if we can lock down 75% to 80% of the capital before we make an FID then we're very happy with that. So the residual CapEx risk is not going to be substantial.

On the second part of your question with respect to how big could the slice be? I think the way we're looking at offshore wind is, we'll march along here, with the 3, 4 projects we've got in development. And I said, it's probably $1 billion a year. Remember, those are project finance as well, so the equity is lower. But it's hard to see how at that pace, at least in the near term, we're going to change the pies that you saw earlier in a material way.

So I'm not going to put a percentage on it as to what we wanted to be as far as the rest of the pies, but I think if we can march along in a conservative way here and build good projects with good cash flow predictability. That's the main goal.

And then we'll go here. Yes. Michael.

Michael Jay Lapides ***Goldman Sachs Group Inc., Research Division - VP***

Michael Lapides from Goldman. Just when you're giving the targets and talking about net debt-to-EBITDA going below 4.5x and talking about potential returns on capitable -- capital via buybacks after Line 3 comes online, what's kind of in the assumption for what happens with the Canadian Mainline toll in all of that? How are you thinking through how much the change in that toll whenever it goes into effect mid '21 or later, how are you thinking about how much the change in that toll could impact either capital returns or impact net debt-to-EBITDA in your longer term?

Al Monaco ***Enbridge Inc. - President, CEO & Director***

Yes. I think, Mike, it's a good question. The reality is I don't think it's going to really change the outcome. You know that the mainline toll assumption that we've used, which was the outcome of a big negotiation over the last 18 months with our shippers is pretty much the exit toll that we're using in 2021 from the previous commercial structure. So really, it's not going to make a significant enough change to really impact what you said about debt-to-EBITDA and your availability of cash at the time. Even if the toll is different, it just wouldn't be material to the bigger Enbridge cash flow projection.

Yes.

Nafeesa Kassam ***Enbridge Inc. - Director of IR***

I think this will be the last question.

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

Praneeth Satish, Wells Fargo. I'm just curious about your views on the NGL market, specifically in Western Canada and whether there's any opportunities for you to gain market share there or maybe participate in the exports that are taking place there?

Al Monaco ***Enbridge Inc. - President, CEO & Director***

Yes. Well, we're not going to be a big NGL player. Obviously, we have Alliance, which is a heavy liquids-rich line. We benefited from that for many years. There's some expansion possibility there. We're going to have to do something on the West Coast Mainline system, Bill is going to talk about this. Our Frontier project in terms of removing liquids content from that stream that could bring into play the need to move that volume to markets either east or west. So that's a possibility. But I would say we're not focused on NGL per se in terms of gathering and processing, for example. So it's probably more constrained to what we have and what we need to do on the West Coast system.

Is there any -- could we work in one more, if there is? Yes.

Benjamin Pham ***BMO Capital Markets Equity Research - Analyst***

It's Ben Pham, BMO Capital Markets. Just following on the last questions, LNG exports, U.S. Gulf Coast, any interest there? I know you're, I think, expanding the Liquids value chain opportunity, what about LNG export?

Al Monaco ***Enbridge Inc. - President, CEO & Director***

Are you -- just to clarify your question, Ben, are you referring to LNG pipes or LNG facilities?

Benjamin Pham ***BMO Capital Markets Equity Research - Analyst***

The facilities.

Al Monaco ***Enbridge Inc. - President, CEO & Director***

Okay. Generally not. I mean if there is an opportunity to make a small investment that would help us win a pipeline project. And if the LNG facility had a commercial model that fits with our own business model, i.e., long-term contracts with specified tariffs in it, then I suppose that's a possibility, but there's probably not that many of those opportunities that are going to come forward, given the commercial models that we see for LNG on the Gulf right now. So low probability, I would say, possible if -- under the right conditions.

Any last question, last question. Joe? Yes. Right here.

Can we make it?

Nafeesa Kassam ***Enbridge Inc. - Director of IR***

We can make it.

Al Monaco ***Enbridge Inc. - President, CEO & Director***

All right.

Patrick Kenny ***National Bank Financial, Inc., Research Division - MD***

Pat Kenny, National Bank. You mentioned you won't be increasing risk profile to chase growth, but have you adjusted your return expectations down for the lower risk projects? And maybe you can also comment on potentially reintroducing some corporate complexity to achieve growth?

Al Monaco ***Enbridge Inc. - President, CEO & Director***

Okay. Well, the last one is easier. The answer is no. We don't want corporate complexity. It's one of those things where, for many years, it probably made sense to have sponsored vehicles because they could attract capital at lower rates. Obviously, that's not the case. We like the simplicity. I got to tell you, it's -- we've got enough things on the horizon to manage without adding sort of corporate complexity with -- and all the things that go with that, so the answer is no to that.

On the first part of your question, which was returns?

Patrick Kenny ***National Bank Financial, Inc., Research Division - MD***

Yes. Just adjusting the return expectations down...

Al Monaco ***Enbridge Inc. - President, CEO & Director***

Yes. I would say on that, I mean, in theory, you're going to move your hurdle rates up or down depending on the risk that you see out there. I think it also has to do with your competitive position. And so we'll be prudent about that. And if we need to adjust to reflect a different competitive landscape than we might. But generally speaking, I think the returns have stayed pretty much the same because we generally have very good competitive position. So we look at that as well in terms of what will be acceptable for a project hurdle rate.

Patrick Kenny ***National Bank Financial, Inc., Research Division - MD***

Would the access to the debt markets influence the return expectations, whether it'd be -- being able to finance the Liquids pipeline projects with longer term debt versus, say, some of the more renewable or gas-oriented projects?

Al Monaco ***Enbridge Inc. - President, CEO & Director***

Well, we tend to look at financing for the company overall. I mean we'll create project hurdle rates and look at debt cost for each project. But I wouldn't say we're going to get into streaming directly funding for particular projects. Now offshore wind is probably an exception because we tend to project finance those. And so yes, the lower interest rates are certainly helping on that front and the availability of capital.

Okay. So now I'm going to turn it over to Bill Yardley on Gas Transmission. Bill?

PRESENTATION

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

Thanks, Al. Hello, everyone. Thanks for joining us today. I'm always happy to be back in New York City. I love everything about it, except the sports teams.

I'm really pleased to be able to discuss with all of you the very solid footing that our Gas Transmission enjoys as well as the methodical growth that we do see in our business unit. Our pipeline assets are foundational to providing the energy that North America needs, and we continue to prove out the resiliency of our business throughout any economic conditions. As consistent, as you've known, our business to be, 2019 has really been a transformational year, with the settlement filing on the Texas Eastern rate case, we began a period of what's likely to be several years of proceedings to true-up the cost of doing business on our pipelines as we continue to make modernizing investments to set each asset up for the longer term.

And this model combined with the increasing demand for natural gas in North America makes us a sustainable portion of the Enbridge portfolio really for decades to come. It's about 1/3 of the earnings of the corporation. We're representative of the resilience, the discipline and the growth of the overall enterprise. And while we did encounter challenges this year with our incident in Kentucky we're resolved to make our system the safest in the industry. Additive to the resilient base business, we've got a portfolio of already secured projects that we'll be constructing over the next few years. In addition to that ramp up of system-wide modernization efforts.

Now this is a fundamental change in our path forward, yet it's in lockstep with our regulatory approach and our commitment to customer service, and I'm referring to the capability to earn on and recover expenses related to system improvements that will serve to make our pipelines and related facilities going strong for decades into the future without losing our competitive position. And this sets us up really well to meet increasing demand for natural gas over the long term.

Over the course of this past year, I think we've demonstrated our ability to execute growth projects and really seize opportunities as we've placed a lot of key market access projects into service and the acquisition of the Generation Pipeline in Ohio. So I think you'd agree that it's difficult to find a more stable foundation of low volatility EBITDA in our space.

So there's lots of ways you can tell the strength of the base business of a set of pipeline assets. And one of them is geography. It's not just a bunch of lines on the map, it's where those lines are. Now they go into where gas is demanded, where homes and businesses literally can't survive without them. These are going to where critical electric generation is. And on top of that, the Alliance M&A from reliable and prolific supply. We've got all of that. We've got that last mile demand in the Northeast, the Southeast, the Gulf Coast, Pacific Northwest and British Columbia with the affinity that we go to where the lights are or simply just eyeball, the major cities, towns and industrial centers that we deliver to on this map. I think you'll see the power of where we go geographically.

So just like Cynthia's Distribution assets on Ontario and the connectivity of Guy's industry-leading Liquids lines, the business that we run in Gas Transmission is a critical, must run, stable business.

In the Northeast, U.S., moratoriums on new gas service to homes and businesses dot the landscape, and that's a clear need, a cry for new pipeline infrastructure into that region, good opportunity for us to reinforce what we already have there, which is an industry-leading position.

In the Southeast, a conscious choice for gas -- of gas for power generation has been made and the pipelines serve in that region are full and fully contracted, another great opportunity for us. Our BC pipeline is full into Vancouver and into the Pacific Northwest and has had consistent expansion projects to these demand centers.

The Enbridge Gas Transmission assets continue to remain well positioned, not just as one of the largest gas transmission footprints in North America, but as the best. And the markets that we connect to need us to expand to meet their future demands. So we're playing our part in the fundamental shift in natural gas markets on this continent as well as globally.

And 2019 has seen an increase in the permitting and the sanctioning of LNG export projects, and we're leveraging our coastal position in North America to secure expansion opportunities, to feed -- to supply feed gas to several of these facilities, and we've executed on multiple opportunities, as you've seen already this year. We really like where we are. And we're proud of our accomplishments in 2019, a strong contract renewal rate of over 99%, with customers on our major pipelines, substantial settlement with the FERC and our customers, the rate case on Texas Eastern, the first in 28 years, seeing a significant enhancement to EBITDA and setting us up well for investments in the modernization of the Texas Eastern system.

And then third, an advancement of our LNG supply strategy, both through exit -- the execution of already secured projects and the development of new ones.

So let's take a minute to look at the fundamentals of natural gas. So just a few slides on general confidence in our future. The success that we've enjoyed and the opportunities that lie ahead of us are really brought about by the intersection of our footprint and the fundamentals of natural gas. First, on the left, I'll spend all of 10 seconds, confirming for you that supply is there. Producers have successfully turned the production of natural gas into a manufacturing process. And this overwhelming evidence that we're a wash and supply from Texas to Louisiana, to British Columbia and Appalachia.

So in this environment, it really all comes down to demand. Are we going to see continued growth in the consumption of natural gas, both for domestic use and for export? Yes. In fact, in the next 20 years, demand for natural gas is expected to grow by more than 20 Bcf a day in domestic markets alone, with half of that for power generation needs.

There's so much talk about the growth and domestic renewables for power generation. The gas is often ignored. But projected growth in gas demand is unanimous among the leading prognosticators. And honestly, we are seeing it day in and day out, most notably on the peak day and especially on that peak hour.

If you add to this, the demand for the exports, another probably over 15 Bcf a day by 2040, that's a big number, and our assets are strategically placed to take advantage of the great opportunities presented by this growing demand throughout North America.

So fortunately for us, the largest demand increases are exactly where we sit geographically. The biggest increases over the next 20 years are in the Gulf Coast and in British Columbia, for industrial use and, of course, for LNG export. And selected areas of the Northeast, the Southeast and the Midwest, much of which will be driven by power generation is an opportunity for us as well, right along the footprint. We're the #1 or #2 supplier in most of these areas. And so I've got a couple of comments on specific areas that are representative of this gas demand.

Let's look at U.S. Northeast power generation, one of my favorite subjects. So gas is currently the chosen fuel for replacement and for incremental generation needs, which are on track to grow by about that 10 Bcf a day over the next 2 10 -- or I'm sorry, 2 decades. So yes, we hear a lot about wind and solar generation, and we're an active participant globally in the renewable space. But we've seen coal, oil and even a number of nuclear-generating assets retired. And as that happened, natural gas has been the main fuel to fill that void. There's an overwhelming economic reliability and geographical footprint advantage that gas fire power generation enjoys. Now here in the U.S. Northeast, natural gas is consistently the marginal fuel after the baseload nuclear generation and a small percentage of hydro and wind that's already in place.

And over the past decade in New England, virtually, all coal-fired generation has been shuttered. And within the past 5 years, about 1,300 megawatts of nuclear has been retired. So throughout all this, although renewables are a consistent part of the energy discussion, and it really should be, especially in this region, we would be blind not to notice the statistics and the dominance that natural gas continues to build in the power gen market in the Northeast.

So this -- just on the right here, this is from the ISO New England's website, feel free to pop it open as I'm talking, it's probably a lot more interesting than listening to me. But iso-ne.com, and it's under real-time maps and chart. So these are just the real-time numbers I was using when I put it together, it's actually a little warmer day today, so these numbers might be a bit different. But you can see that on a typical day, gas is generating roughly half of the electricity. Nuclear gets base loaded at around 30%. And I do -- I pop this open a lot. A good amount of hydro, usually 10%, give or take. And then renewables. So though, if you look at the breakout, typically, more than half of the renewables number is wood and refuse. So there's a little bit of a wind there now, about 1/3 of that 9%. So generally, when I pop it open wind is generating anywhere from 1% or 2% to 7% or 8%.

So if New England states are going to reach their stated goals, there are going to have to be -- there's going to have to be a massive ramp up in wind resources. And the increased use of renewable electric power generation, particularly wind requires backup power to firm the generation from these intermittent sources of electricity because you can't count on the 7% or 8%, you can only count on the 1% or 2%.

Natural gas-fired generation is the logical low-cost choice for providing this backup affirming capability. We've got a long way to go, decades before we displace any material fraction of the gas-fired generation in this area. And that's before we even get to the projected growth with the move towards electrification, which is coming in that region.

15 years ago, this wasn't a problem, right? Gas fire power generation was 10%, 15% of the overall mix and not anymore. Now it's well over 50%. So fortunately, we are a pipeline company that's had a great deal of success in expanding our system in this region. We touched the majority of the generators that are currently operating. And this is true elsewhere as well.

If you look -- if you look in the Southeast market as the major recipient of gas on the sold out Gulf stream pipeline, NextEra, Florida Power & Light signed up for 20-plus year contracts and help build the Sabal Trail pipeline. They are a partner, of course, in Sabal Trail as well. And I just don't think one of the leaders in renewable power would have done that if they thought that gas was going away anytime soon.

LNG, so our North American gas supply, quite robust with low production costs and the relative ease of getting it to coastal markets is dramatically changing the global energy landscape, too.

Natural gas for export is growing across the board, but nowhere more than in North America, with an expected 15 Bcf a day or more increase over the current levels over the next 20 years.

Marcellus and Utica production has been the main stay. But more recently, as we all know, associated gas from the Permian, the resurgence in the Haynesville, they've all enhanced North America's competitiveness from a supply standpoint.

Similarly, in Western Canada, the Montney and the Duvernay are doing the same thing. These are long-life basins, plenty of runway ahead of them. So checkmarks across the board for North America's LNG export competitiveness.

So you'll see this slide a few more times in the other business units, and it's consistent with the approach of the corporation in Guy's, in Cynthia's businesses. We seek to optimize our base, execute on those project promises that we've already made and seek new growth that's really complementary to our existing footprint.

We're really pleased where Gas Transmission sits as we conclude a transformational 2019. We knew we needed to begin rate proceedings again after a multi-decade hiatus, refreshing rates to reflect the current rate base and the operating costs and it sets us up really well as we're going to be back in the regulatory arena with some frequency as we look to modernize many of our pipeline systems and as we invest in the integrity of the system for the long term.

We've got stable of midsized, executable projects that are in some phase of execution, and as for future growth, we knew would be completing -- or we'll be competing intensely for new pipeline projects to serve the anticipated LNG market. We've worked tirelessly on all 3 of these fronts, and we're seeing good success in each one. So the following slides take a quick look at each one of these.

So first, the base. As I mentioned, not all pipeline asset mixes are created equal. And in this environment, I think it's really important for you to know what our base consists of. We're not big gatherers or processors, we don't like any substantive volume or commodity exposure. We like term, we like reservation-based revenues, we like good credit, demand pool utilities and long-term producer arrangements. So please study this chart with me for a second. There's a lot going on here, but I'll just guide you to a couple of things. One is the blue bars. That's the percentage of revenue on a given asset that we get on that pipeline whether or not our customers flow any gas at all. So 95%, 98%, 98%, 97%, et cetera. That's all firm revenue coming in -- those are -- that's representative of the maximum rate that we can possibly charge for 100% of the volume, 95% of that being reservation based on the Texas Eastern System.

The term numbers. Long terms with -- again, with utilities and select producers, 8 years, 23 years, 11 years, et cetera. The peak days reached. And I'd point this out because we just keep hitting new highs year after year, which is demonstrating the need for these assets as well as our ability to find pocket capacity here and there to serve unique loads. So even though we get paid either way, it's really kind of nice to know. These contracts are being heavily utilized. Our customers like what we sell to them. As I mentioned, out of about $0.5 billion of contracts that could have been noticed this past October 31, at 99.5% of it was renewed or resold at that maximum rate.

We enjoyed a really good mix of cost of service and long-term negotiated rate agreements. So protecting and optimizing this base is in many ways our blocking and tackling, right? I mean customer service and reliability, leading to contract renewals, cost control and efficiency and the regulatory manage that I'm talking about around rate proceedings.

And as we've added incremental infrastructure to the portfolio, whether it's through modernization, pipeline integrity improvements or incremental projects to reach new demand, we do so with that same solid financial footing that the base enjoys.

Modernization. So I used the word transformational to describe that shift towards engaging in more rate proceedings and here is why. So an important component to our base business is the coming modernization of many of our pipelines. We've had a great track record of providing reliable service to shippers across Texas Eastern and our other systems for the last several decades.

And one thing arising over the last few years is that we know we got to keep getting better along this front. Many of these investments are simply to ensure compliance with regulatory requirements, like the compressor station replacements that we're doing for air emissions limitations. But we've got to do more, like ensuring reliability by modernizing meter stations, ensuring pipeline integrity by running more sophisticated tools, gathering more data, reducing the carbon footprint of our assets by limiting any methane emissions at our stations and limiting blowdowns.

These are what actually wins the day, not just for us as Enbridge, but also for our industry. And the better we do it, the more it sets us apart from our competitors. It's a lot of effort, and it's going to take a lot of investment. So recovering these costs were feasible through the general system rates is core to our regulatory strategy, and that started last year. So we're not going to shy away from these investments. At the end of the day, all of us that speak today, along with all of our fellow Enbridge employees have one critical role to play, safely and reliably deliver energy to our customers. We're focused on that every minute of every day, and these investments in modernization help us achieve that. And we need to make sure that we earn on the capital and recover the operating costs that are associated with doing this.

When we began preparations for the Texas Eastern rate case settlement or the rate settlement last year, we could foresee these modernization costs coming. So with our flagship pipeline, after 28 years without a rate case, we're on our way to what should be the first of many settlements on this and our other cost of service pipelines across our U.S. systems. And it's, in some ways, modeled after our successful track record in British Columbia with the BC Pipeline. We've had 20 years or more of annual settlements on that system.

So we believe that the process we just went through on Texas Eastern sets us up well for working with FERC and working with the customers. So that's a few slides on the base, consistent, stable and investment worthy.

Okay. We've made good progress here. So we'll see some modest growth in the base just by executing on these prudent investments in modernization and system integrity. But the second way we're building on this base in the short to medium term is by completing the current inventory of $4 billion worth of projects that we have already in execution. We're making really good progress on these, building on a very successful track record.

Last year, we completed Valley Crossing and NEXUS. Valley Crossing, fully sold out to the Mexican utility, CFE. Volumes have been steadily ramping up as the downstream capacity into Mexico has come on. And within months of bringing NEXUS into service, we acquired the Generation Pipeline, further boosting the last-mile connectivity. Generation is a 20-plus mile natural gas pipeline serving the power generation needs and the industrial loads in that Toledo area.

So it will provide really good last-mile opportunities for NEXUS and provide gas directly to the Toledo corridor. The asset already enjoys, by the way, long-term reservation-based contracts, which are obviously in line with our business model. Great bolt-on opportunity for NEXUS.

And this year, the build-out continues. So in the Northeast, we completed the latest phase of the Atlantic Bridge project this year. So that was sort of the pipeline, lift and relay components through New York and Connecticut. And after recently receiving our FERC notice to proceed for the Weymouth Compressor Station, we were under construction, and we expect to have the final phase of this project complete and in service by the middle of next year.

We also approved -- received approval from the Canadian Energy Regulatory, CER, to move forward with our $1 billion T-South reliability and expansion project. We got that approval about a month ago. This is a great investment on T-South to serve both growing demand of domestic needs in Vancouver in the Pacific Northwest but also an LNG export market, and it's all under a cost of service framework.

So the ability to advance both of these projects, despite opposition, which we're all well aware of, and the high regulatory hurdles, it really underscores what I was referring to, both the market need and our permitting capability. We expect the T-South project to come online late in 2021, by the way, about the same time as we get our $0.5 billion Spruce Ridge project going. It's an expansion in T-North, which provides a lot of needed access for the Montney Basin producers trying to reach export markets.

In the Gulf Coast, build-out to LNG export terminals continues. Our Stratton Ridge project is ready for service, and it will be ready to supply Freeport's Train 3 when it comes on in 2020. Up the coast, we're also advancing 750,000 Mcf a day, $150 million Cameron extension project, which is going to serve Venture Global's Calcasieu Pass LNG facility. These are both really strong projects and obviously, leverage our incumbent position and geography.

So it's enough on what we got on the go currently, but what's next? We continue to focus on these 4 regions. You've all seen this map before. Each supported by the strong fundamentals that I opened with. And the asset base is clearly well positioned in all 4 of these areas, and we'll continue to leverage the footprint for buildable, capital-efficient, higher-return extensions and expansion of the system.

So when we point to our geographic footprint as an asset in these regions, nowhere is the power of that connectivity and the existing asset base more apparent than in the Northeast U.S., the West Coast of Canada and the U.S. Gulf Coast. And it allows us to offer real competitive rates and better assurance of completion, which is critical these days. So I'll focus on 2 where we have the most going on, the Gulf Coast and Canada.

Okay. So our pipeline serving the Gulf Coast are already large-scale players in the burgeoning LNG export market. We provide substantial service to Cheniere's Sabine Pass as well as the Sempra Cameron facility. And of course, we'll serve Freeport's Train 3. So we're currently moving well over 1 Bcf a day for export with more coming soon when Freeport's Train 3 is online. In addition to the Cameron expansion project, which I mentioned for Venture Global, we're also providing 1.5 Bcf of feed gas to -- or have contracted to do this when their Plaquemines LNG facility comes on through the reversal of our existing Venice Lateral and other facilities on Texas

Eastern.

So these 2 Venture Global projects, Plaquemines and Calcasieu, represents over $0.5 billion of investment for us right along our line and another 2 Bcf a day to be provided for LNG export. These are great examples of the power of that footprint as both these laterals are being reversed.

And we're making really good progress on pipeline projects to serve Brownsville. So NextDecade for their proposed Rio Grande terminal in the Brownsville area, we're really proud to be working with the NextDecade team and look forward to leveraging our pretty vast experience and recent experience in South Texas to help them succeed, again, taking advantage of what our existing footprint is and the knowledge that we bring from permitting in South Texas to pursue a couple of billion dollars in opportunities to feed the growing export market in Brownsville. So NextDecade. We're working with Annova and Texas LNG. So we'll be very well prepared for the Brownsville export market to mature and all the while, once again, ensuring that all these terms that we're negotiating fit with our utility-like commercial model.

So on to Western Canada. Again, world-class supply, proximity to Asia really makes Western Canada ideal for LNG export projects. Our T-North and T-South pipelines are playing a really significant role already by providing upstream transportation for LNG Canada and for wood fiber Squamish, their project down south. We've more than doubled our investment over the last several years in T-North and T-South, and we see expansions of both these pipes continuing for years to come.

A key area of focus as well is the continued development of the Westcoast Connector Gas Transmission pipeline. So Westcoast Connector has been on the books for a while. But it's got a nicely developed route to Prince Rupert. And it's scalable. It's cost-effective. And really any of the next phase LNG export projects that are -- that have print throughput on their sites are talking to us with regard to the Westcoast Connector. So that's been good.

We're also exploring, as the question was asked earlier, the development of natural gas liquids infrastructure in Western Canada. Again, this is not G&P. But it's really so that our customers can fully monetize the liquids that are currently entrained in the gas stream and don't have an outlet. So again, it will be contracted for in a manner that's consistent with the rest of our business. You may have seen that we filed a project description with the BC Environmental Assessment Office for a project called project Frontier. That would be basically involve building an NGL extraction plant, a pipeline then and a bunch of associated facilities in Northeast British Columbia. So pretty early stages for that project but worth mentioning since it was out there and in service could be as early as 2024.

As I highlighted earlier, we see gas as having a really long runway in North America as North America phases out coal-fired generators and advances renewable projects. As the nation's, both nations, fuel mix gets cleaner, the attributes of gas-fired generation will fill the void left by coal. And it really ensures the resiliency of the grid as intermittent sources are added. And so much is already attached to our system and awaiting firm capacity.

We talked at length about the Northeast, so I won't go back there again. I'll just mention that PJM projects an increase of 16 gigawatts of gas-fired generation over the next few years, again, resulting from coal retirements. And at the end of the day, whether it's New York, whether it's New England, PJM or MISO, natural gas is going to be a core component of the fuel mix.

Okay. Favorite slide. So no investor presentation is complete without the picture of a butterfly. I really just wanted to give you a couple of examples and build on some things that Al said about how ESG is really woven into what we do and how we do it. And one example is the butterfly. It was done during the execution of Valley Crossing. The pollinator pathway. It was designing our right of way for Valley Crossing to help in the proliferation of the monarch butterfly in South Texas. And it's a joint effort between, I see a lot of smiles, between Enbridge, the King Ranch, and a lot of other stakeholders to really lead the educational and the outreach activities and support local research.

It's -- this initiative is really important because it allows us to advance the knowledge of pipeline right-of-way restoration, which is -- it's misunderstood. And it enables successful restoration of future pipeline rights-of-way proposed or similar ecosystems not just in Texas but across our footprint where we will be building. It also shows we can work together, researchers, the pipeline industry, private landowners, towards natural resources conservation solutions and in tandem with energy development. Also related to Valley Crossing, we're building a reef for red snapper and game fish in the Gulf of Mexico.

With respect to NEXUS, the FERC staff recently commented that the way our NEXUS team organized and executed the environmental compliance program is how FERC envisions an environmental compliance program is supposed to work and wishes all projects could be executed as well as NEXUS.

Very good, the competition is great, but the industry as a whole needs to up its game. And we aren't just supplementing renewable power's intermittency with gas for power generation. We're actually building renewable power ourselves to power our own facilities. Our solar self-project will generate electricity for a portion of our Texas Eastern compressor station load in Pennsylvania and New Jersey, and that could be the beginning of quite a bit more to come.

And finally, we're part of an industry commitment to reduce methane emissions at our operating facilities, which syncs up nicely with our modernization program.

Okay. Last slide. We really do enjoy a fantastic, solid base business. It's going to grow at about 1% a year through modernization and integrity work alone. And then we've got $4 billion of secured constructible projects that will be bringing us good growth in the short term, another 3% or 4% per year. And we're furthering our growth strategies, especially leveraging off the coastal footprint to win LNG export pipeline deals among other opportunities.

So that's it. Thanks very much for listening today, and I'll be happy to take your questions if there are any.

QUESTIONS AND ANSWERS

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

Rob Hope, Scotia Bank. Just a question on the modernization. So it's $800 million in 2020. But I wanted to get a sense of what the runway is there. Is this a multiyear program that we could see?

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

Yes. Yes. I think this is -- modernization is -- as I mentioned, it has very specific programs in some cases, and it's a bit ambiguous in others, right? So there's kind of 2 components to it. Modernization, we've got a $1 billion program first year, which is embedded in that $800 million that you mentioned for 2020, and it's probably over the course of 3 years. So that makes up a big chunk of that. I would say the ongoing modernization plus some of our integrity work probably is $0.5 billion a year or more.

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

All right. And then just switching gears, just regarding the recontracting on the gas lines. How are you looking at some of the pains producers are feeling in terms of counterparty risk there?

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

Yes. So it's a great question. And it took me back about a decade, where we looked at all the same factors. And interestingly, we -- when I mentioned that we've sort of come through with a solid base under any economic conditions. That's kind of what I was thinking. It was back in 2009, 2010, similar.

First thing you look at is, okay, where are these, where do these producers have contracts. And that's probably the most critical thing you look at. And basically, in -- on every pipeline, save one, we would say that there is no threat even if one of these -- even if one of these producers want to turn back their capacity or had to turn back their capacity and we couldn't remarket it at that rate.

If you think about it, Rob, it's -- so a lot of what we have in producer contracts emanate from Appalachia. And that's -- gas goes 3 ways, right? It goes south. Those contracts are -- they are very cheap relative to other contracts. So not a whole lot of worry there for a couple of Bcf a day. It goes east. Eastern capacity is severely constrained. If they drop that, somebody else would certainly pick it up for that rate.

And then it goes west and north, up through NEXUS. That's probably the one because it's a new pipeline that if we had 1 or 2 producers there, that would be the only one we'd probably be concerned about. So that's the first thing you look at, is where are you, where is your geography.

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

Rob Catellier, CIBC. Just a capital allocation question in the gas business. So outside of your in-franchise opportunities, which of the following 2 would you prefer, a large-scale investment in distribution or LNG pipeline opportunity that might take several years to develop and construct?

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

Cynthia would snag any distribution opportunity away from me immediately. So that really leaves me with one option. So I think that's probably -- that -- the choice between those 2 things would be a better question for Al, but I would say that a large-scale LNG facility, frankly, it's -- there's only likely to be 1 or 2 of those because of the connectivity that we have in the Gulf Coast. I would say that it's unlikely to see something massive.

A lot of the things that I mentioned earlier, there are $100 million, $200 million, maybe up to $500 million efforts today to Brownsville, Greenfield probably, perhaps leveraging what we have today. But that's -- that would start off at $1 billion and to the degree that Brownsville became a larger port, either for NextDecade, which has significant plans, or if 2 or more of those facilities go with Annova and with Texas LNG, probably represents a starting point at $1 billion amount. But I wouldn't characterize it as major greenfield.

Western Canada, potentially. So Westcoast Gas Connector would be something that I would call large scale. We just have to look at it carefully and make sure we were building in all of the vagaries we see in building large-scale infrastructure today.

Michael Jay Lapides ***Goldman Sachs Group Inc., Research Division - VP***

Bill, Michael Lapides of Goldman. You -- one of your first slides talked about Northeast power demand. Just curious, how are you all thinking about all the forecasts for gas demand in this part of the country, especially given the significant wave of offshore wind, pardon the pun there, that seems to be coming 4 to 5 years from now and beyond given all the state mandates and as you hear a lot more focus on energy efficiency, which has made a really big impact on the electric demand side, migrating even more so on the gas demand side over the next 5 or 7 years?

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

Yes, great question. So there's no doubt that -- you can't look at today's landscape and say, okay, well, whatever is retiring, it's going to go gas because we know efficiency has come in. We know that 5 years down the road, you're likely to start seeing some of these offshore projects actually materialize.

I guess what I would point to is that with the retirements that we've seen and with a good portion of that renewable power coming online that will be not just intermittent but -- I know a nameplate capacity says, okay, this should do 40% or 50%, that's on average, right? I mean that's on average powering homes. We don't power our homes on average. So I think that the gas-fired generation, which is really the only source that's going to have the ability to ramp up and ramp down, is going to be the survivor. And we'll be in a very good position for us to have our sort of isolated -- we should call them reinforcement projects of our system rather than anything new greenfield.

We already touch -- we touch about 60% of the generators in New England and a significant portion in New York. So I think it's just firming up that load to make sure they have what they need when renewable power diminishes.

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

Jeremy Tonet, JPMorgan. Maybe building off that last point a bit here. It seems like the need for more natural gas in New England is quite obvious, as you stated here. Yet for peak needs, they continue to prefer Russian LNG over Pennsylvania gas. So just wondering, what's it going to take to change that? Have you seen any signs of progress? Just any thoughts you could share there.

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

I -- so you and I have had this discussion before. This is one that will get my blood pressure going a little bit. I -- first of all, the -- despite Russian LNG, the LNG facilities in that region are extremely important. They are very good customers for us. Once the LNG comes off of the boat and gets into the terminal, gets vaporized. We have contracts with Repsol from Canaport. We've got contracts with Distrigas. We've got contracts from -- with Excelerate. So they make up a fairly significant portion of revenue on the Maritimes and the Algonquin systems.

But the fact is there are vagaries involved with that. So unless the -- they have the same issue that we have as pipelines, which is unless the generating market steps up and signs up for term, then you can't guarantee that the ship is going to show up. You can't guarantee that our pipeline capacity is going to be there. I do think we're starting to see real cracks in the foundation.

So I'm going to -- this isn't a generation example, but Jeremy, I think we're all aware that -- many of us are aware that Newport, Rhode Island had an issue last year. And I got to say, the pipelines in this region, we are jumping through hoops to try to get our local distribution companies and electric generators the gas that they need. Jumping through hoops. And that's not being lost.

And when last year, we actually saw the pressure gets so low at the intersection between our pipeline and the National Grid distribution territory in Southern Rhode Island, it got -- the pressure couldn't take it. It shut down and thousands of customers are without gas, coldest time of the year, obviously, because that's what happens. So that dynamic doesn't have to repeat itself too many times before I think you suddenly do start to feel the political pressure to get something done. I do believe that local distribution companies would be first. They have the ability to sign up for new transportation capacity. We're in discussions with all of the local distribution companies in New York and New England to try to get them expansions to our current system. I do think power generation will be next, but probably later.

Wholesale, large-scale improvements through the state of New York and New Jersey might be a challenge. But we've got to take what we can get. PennEast is a good example of this, too, where we're permitted through Pennsylvania, have a FERC certificate. But we've got some holdups in New Jersey. So how can we get creative to have more reinforcements, perhaps in New Jersey, New York to get that gas to where it needs to go.

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

Yes. My family in Rhode Island didn't appreciate that in the cold of winter, so we hope you have good luck there. But maybe building on that with New Jersey, PennEast, wondering if you could provide a bit more commentary there. It seems like there's some issues. I don't know if you can provide more of an update.

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

Yes. Not much more color. It's basically -- we've got to look ourselves in the eyes of a project team. Remember, PennEast is -- it's not just us. We're 20% of the project from an equity standpoint. And there are 4 other partners, all of which are essentially off-takers and would benefit from this pipeline being built, utilities.

We probably -- without giving away too much, we just have to look at the route that we're taking in the states that we're going through to say where can we build greenfield and where might we need to do some more reinforcing of our existing system to get as much volume to those customers as we possibly can. That's kind of a squishy update, but we're kind of right in the middle of that analysis right now.

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

Great. Just one last one, if I could. With Frontier, just curious how you're walking through that decision process with -- how deep do you want to get into the NGL business there? Does it make sense to in-house or outsource those needs? Any color you can provide there?

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

Yes. We just want to help, right? So we've got a situation that we actually have seen on other parts of our U.S. system as the gas mix has changed over the years, so over the decade. Essentially, all we're trying to do is say, look, we could get to a point where the NGLs that are entrained into the gas stream are having effect on gas quality.

And we saw this play out in other regions, as I mentioned, in the U.S. And what we have to do is say, look, we've got a -- we're going to have to either develop or have a gas quality specification because downstream, that ultimately becomes a problem. Pilot lights start going out if you have your BTU content too high or if there's liquids in the gas and all that. So we're a long way away from that, but we can see it. And infrastructure doesn't pop up overnight. We can't just build it tomorrow.

So we feel as though we are part of the solution here. If we're not part of the solution, somebody ultimately will be, or there's going to have to be some governance on what gas can enter the system. And nobody wants that to happen. So I don't think we're thinking of it like, oh, let's get into NGL infrastructure. I think we're just saying, look, there's a clear need. It's on our system. Ultimately, our customers' problem is our problem. So let's see if we can't solve that. Whether we own 100% of that or partner with folks that are more after that type of infrastructure, that's too early to say.

Shneur Z. Gershuni ***UBS Investment Bank, Research Division - Executive Director in the Energy Group and Analyst***

Shneur Gershuni with UBS. Just one question. In the 16 years that I've been in this job, there's always been a reluctance to file for rate cases between you and your peers, your -- and so forth. You almost seem like you're embracing it right now. I just -- I was wondering if you can sort of talk through that process. Are we that far behind on rate basis and OpEx in terms of being reflected in rates? Is there a change in the culture of the FERC? Should we see a wave of this from your peers as well, too? Just kind of interested in the change.

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

What a fantastic question. So yes, I am excited about it actually. I mean look, yes, they can be contentious, especially if you haven't done one in 28 years. People have to sort of relearn or learn for the first time what's going on. But they're also a really good opportunity to interact with your customers and to make sure that everybody understands what needs to be done. And generally, you've reached that conclusion. What has to happen here? I mean customers don't -- they don't want us -- maybe a few do, most of them want us to succeed, right? They're sitting at the end of our pipeline. So the cost of service average rate payer to us is utility. And they have a very similar dynamic that goes on behind their system.

I would say that one point you brought up that I don't want to lose because I'll forget is, is this going to be more than just Enbridge. And the answer is yes. Now I can't speak for all the other major pipeline companies, but I can say that a lot of what's driving this is that the cost of new equipment, the cost of addressing emissions requirements, putting in new compression is vastly more expensive than it was 5, 10, 15, 28 years ago. So refreshing all of that on a periodic basis, I think, will be required.

You may have seen some of our peers, and frankly, ourselves included, we try to get tracking mechanisms to say, after -- if we've got a $1 billion program, we're going to spend $200 million a year to satisfy emissions requirements, build that in automatically. So we don't have to go through this song and dance on that. It's a lot easier said than done, both the negotiation side of things and the FERC approval of that.

So it would be great to get trackers that help us out. But I think it's going to lead to more pipelines actually having to go do rate cases because I walk in and say, hey, we're going to spend a couple of hundred million dollars on 4 new compressor stations in Pennsylvania, but I'm not going to get recovery on it for 28 years. That's a problem, right? So I think we have to get into this cadence of routine rate cases. And it's -- I guess, the factors are it's going to be, one, across the board; and two, it's just a reflection of higher cost.

The other -- I'm sorry, I'm talking too much in this question. But I think the other thing that led us to Texas Eastern was that we really had to refresh what we had there. And if you remember, between FERC and first treatment of the Tax Cuts and Jobs Act and the influence that, that had on our rates, we started sort of in a hole, having to look at a reduced income tax rate and built up from that and still achieved $50 million to $70 million of incremental EBITDA.

I was rambling. I apologize for that. Linda.

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

Just as a follow-on, I know that you're very competitively positioned. A lot of settlements. So this is not a near-term problem, but the FERC has an NOI on ROE that your peers are quite confident should not be an issue. But 10, 15 years from now, if you set a precedent where there's a surprise ROE that's lower than industry expected and -- is that something that the industry is working on? Or can you comment on your approach to how that might evolve and become a priority?

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

I don't know if -- 10 or 15 years is a long time. So in the near future, I guess, sort of Texas Eastern rate case or rate settlement, it's black box, you really -- it's difficult to distinguish what your ROE is from what you get for an interruptible credit. I mean it's just one big settlement. And the vast majority of rate cases or -- will wind up either in a prepackaged filed settlement or a settlement that we reach with our customers overall during the course of the case.

And I think ROE is a part of that. With Texas Eastern, I think we got, I guess, a 12.75% ROE on future projects. You can guess whether that was embedded in the black box settlement or not. But generally, it's -- generally, it's something different. So I don't look at it like the NOI is going to have a material impact. I think once again, we are likely to be in settlement discussions with the customers and settle on a whole number of things all at once.

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

But it will be a negotiating point for them, like a data point?

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

It will be. It will be. And there are other things that would fall in our favor on negotiations as well.

Nafeesa Kassam ***Enbridge Inc. - Director of IR***

I think this will be the last one.

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

Thank you.

Sunil K. Sibal ***Seaport Global Securities LLC, Research Division - MD***

Sunil Sibal from Seaport Global. My question was related to the Alliance Pipeline. I believe you had been working on a project on that. I just wanted to see if you can update us on that and especially considering 3 years of remaining life on that.

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

Yes. I wish we could. So Alliance is full, and it's in a great position to either take incremental Western Canadian Sedimentary Basin gas or Bakken gas. And it's a unique asset in that it's really a wet line going into Aux Sable and to the Chicago markets. We tried for a long time in -- to compete for Western Canadian supply to come down. We've really been focused much more on the Bakken lately. Haven't gotten anything quite yet germinating, but I think that's probably all I can say on that, is that we keep trying, and we believe that it will be a competitive project soon.

Yes. Yes, you can answer that. Yes, you. Yes.

Al Monaco ***Enbridge Inc. - President, CEO & Director***

I'd like to just come back to one question. Okay. I think it was Rob that -- yes. I think it was Rob that was trying to get us to choose between a gas distribution investment and an LNG pipeline. That is a good question. Obviously, if you go back to what we said in the overview, our investment envelope is substantial enough here in the next little while with $5 billion to $6 billion of available cash to reinvest to do both. But let me put it this way. If we had just the absolute choice, we would be doing gas distribution projects all day long and so -- for a whole bunch of reasons. Now the risk reward there is very strong.

On the other hand, the LNG opportunities that Bill is working on are right down the middle of the fairway as well. So our hope is that we could actually feather in those as well. Remember, there's going to be some probably more permitting issues there, which we can accommodate with the hurdle rate that we set for those particular investments. So the idea is that we should be able to do both. But certainly, the utilities are -- every bit is what we do in the business for sure. But I guess the LNG pipes are not that much further behind.

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

Well, that sets up Cynthia quite well, I think. Yes, over to you.

PRESENTATION

Cynthia Lynn Hansen ***Enbridge Inc. - Executive VP and President of Gas Distribution & Storage***

Well, thank you for that setup. That's fantastic. So good morning. I'm very happy to be here, too. And as you've heard, I run our Gas Distribution and Storage team. And so we'll talk about the gas utility a little bit now.

So in Ontario, natural gas has a sustainable economic advantage over other energy sources. We have an exceptional and growing residential and commercial customer base. Our regulatory construct allows us to drive strong returns by releasing synergies and capitalizing on growth in a low-risk environment. That's a unique offering within our pipeline peer group but very much consistent with the overall Enbridge business model and value proposition. So our great people and great assets provide a platform for safe, reliable operations and support continued growth.

So based on our 5-year regulatory deal with the Ontario Energy Board, on January 1, 2019, we amalgamated Enbridge Gas Distribution and Union Gas into Enbridge Gas Inc. So we have the largest and best situated gas utility in Canada supporting Ontario, Québec and the U.S. Northeast markets. We're #1 by gas send-out in North America, and we're the third largest by number of customers. So our extensive -- expansive reach into over 12 million people and businesses through 3.7 million meters ensures that we're well positioned for growth.

Our 280 Bcf of storage assets are tied to large and growing demand centers in Canada and the U.S., and provide a critical link to low-cost natural gas suppliers. We're already delivering significant synergies from the utility amalgamation this year, and we're well positioned to capture more.

The regulatory regime is stable and allows us to earn a premium return over a traditional cost of service allowed ROE construct. The issuance of our 2019 rate decision by the OEB validated our growth capital recovery mechanism and lays the groundwork for attractive growth opportunities.

So as I mentioned earlier, our demand fundamentals remain very solid. We continue to see strong population growth in Ontario, driven by robust immigration. So this drives condo a new neighborhood growth, and with virtually all new homes connecting to natural gas. So on the commercial side, our franchise area generates 40% of Canada's GDP, which provides highly resilient demand for natural gas, including greenhouse and cannabis developments. Our 5-year framework provides that stable distribution rates with access to abundant low-cost gas that delivers the most cost-competitive energy source. So gas is 57% cheaper than electricity and 67% cheaper than heating oil.

So the big news here is that the provincial government policies are providing opportunities to expand natural gas into new communities. So as Bill mentioned, consistent with the other utilities, we've broken our priorities into these 3 buckets: So optimizing the base business, executing our secured projects and growth.

So to optimize our base business, we will continue to drive even more synergies and -- as we grow our business. We have an exemplary record of executing on secured projects. We're on time and on budget, revitalizing our extensive distribution and transmission assets and supporting growth. We have a clear line of sight to that steady annual growth opportunities within our franchise as we add about 50,000 new customers each year.

Other growth will come from the continued need to expand our Dawn storage hub and gas transmission assets, as well as the opportunity to green our gas grid with complementary lower carbon assets. So the key element of optimizing the base business is extracting efficiencies from our operations. Each of our legacy utilities have been able to drive efficiencies through incentive regulation and earn above the allowed rate of return over the past decade, doing this while maintaining our focus on safe and reliable operations.

The amalgamation provides us a new opportunity to capture further efficiencies. And an attractive feature of this new incentive-based regulatory framework is that Enbridge retains 100% of the savings achieved up to the first 150 basis points above the allowed ROE. And then we share 50-50 with our ratepayers on savings beyond that. We developed a very clear execution plan to deliver these synergies and savings.

Our committed and engaged team is focused on eliminating role duplications, aligning our operating practices, moving to single platform, driving synergies and providing that strong, stable financial results. So we're targeting to earn over 100 basis points above the allowed ROE. Each 50 basis points equates to roughly $30 million to $40 million of EBITDA. The 2020 allowed ROE has been set at 8.52% according to the OEB's formula, so that's a bit lower than previous years. But again, our incentive framework provides us the flexibility to earn more.

So in the next couple of slides, I'll just highlight where our growth capital opportunities are. So as outlined on this slide, we're advancing several secured projects through the OEB approval process. So we have the Dawn to Parkway expansion, the Windsor line and Owen Sound reinforcement. These are bread and butter projects that arise through the ongoing system renewals and the throughput growth over time. So we have about $0.4 billion of planned and approved projects coming into service over the next couple of years, and approximately $0.5 billion of annual normal course connections and reinforcements, call that core rate base growth. So about $1 billion in total secured projects that are underway.

Looking forward, our regulated growth opportunities are consistent and transparent. So I mentioned earlier that we add about 50,000 new customers each year, and that's an important way that we continue to optimize our base business and continue to drive growth. We're currently executing 5 community expansion projects and can potentially expand up to 50 new communities within our franchise area over the next coming years. So demand in these communities is really strong. And our recent expansion at Fenelon Falls, our targeted number of customer connections was exceeded by over 200%. So the growth in the franchise area drives the need for investments and system reinforcements to enhance capacity and ensure deliverability and redundancy of the overall network. So this is an interesting contrast to what we are seeing in the U.S. Northeast.

Importantly, all of this capital is effectively recovered under a low-risk cost of service framework that I'll highlight next. So the over $1 billion that we invest annually in capital earns a return under our regulatory framework in 1 of 2 ways: either base capital or incremental growth. The base capital is recovered through the escalating annual toll and this covers renewals, replacements, reinforcements, new connections and expansions. Our 10-year asset management plan provides that overview to the OEB. The threshold for that base capital has been set based on our historical capital spend to safely operate and to grow. Our incremental growth projects are discrete and individually approved by the OEB with a cost of service toll surcharge in the year following completion. All of our ICM filings so far have been accepted by the OEB.

Our storage assets at Dawn and Tecumseh and our transmission assets, including our Dawn to Parkway corridor are critical to support regional gas distribution, and they're always in high demand. Dawn is the second-most liquid hub in North America, and we're a market leader in highly reliable, competitively priced storage and transmission services. Our large storage serves Michigan LDCs as well as power generation markets in Ontario. We're continuing to grow the liquidity at Dawn, providing peak and seasonal services, leveraging that combined amalgamated asset base. A $1.5 billion build-out of the Dawn to Parkway system was completed in 2017, and we're expanding again in 2021. There's also a strategic link to build NEXUS and Vector systems, and ultimately, growth in Marcellus and Utica, which provides us with growth opportunities for storage and transmissions over time.

Lastly, in addition to the great traditional growth opportunities, we're prudently building out our lower carbon infrastructure within our rate base and with cost of service-like models. So greener grid is currently -- is a small component of the business, but it's a very important aspect of our resiliency to the changing business environment that Al has mentioned. A great example of this is the Dufferin RNG project that we're currently constructing with the city of Toronto. So this project captures RNG from the city's Green Bin program, and the gas is injected into our system and that can be used to fuel the waste removal trucks that collect the refuse.

We're currently working with municipalities, commercial operators to expand generation and capture of renewable natural gas associated with landfills, biodigesters and other similar opportunities.

Now CNG is a lower cost and lower carbon alternative for fueling heavy haul transportation. We've installed CNG stations along key highways, and we're working with transport companies for expansion opportunities. Cities like Hamilton also use CNG for bussing. We've also installed the first large-scale hydrogen power-to-gas fuel cell in North America. That's helping to balance the electrical load, and we're looking at hydrogen blending options within our network.

We have other behind-the-meter solutions, including integrating gas and electric infrastructure. So we're not talking about a big investment because we're still at early stages. But most of the work to date has been within our franchise area, but we do see opportunities that exist to expand outside our geographic footprint, and we'll do that once we're confident in the technology and we're comfortable with the various regulatory jurisdictions.

So in summary, we have great distribution and storage assets that are core to Enbridge's low-risk and resilient business. We are a best-in-class utility, and we lead with operating and cost management. Our location in the major growth center in Canada and our low energy cost ensures that we have that steady demand pull. And over the near term, we're going to continue to drive value by optimizing our base business through the amalgamation synergies and streamlining our operations. This should deliver the 1% to 2% annual base growth. In addition, our reliable capital additions at almost $1 billion a year makes a very meaningful contribution to Enbridge's annual growth. So over time, we'll continue to build out the franchise, green the gas grid, maximize synergies, leverage our large size and safely operate while we deliver those strong and stable financial results.

So that was my overview. And I'm very happy to take any questions you have.

QUESTIONS AND ANSWERS

Unidentified Participant

I apologize for this question, but I'm confused. So I'm going to ask the question.

Cynthia Lynn Hansen ***Enbridge Inc. - Executive VP and President of Gas Distribution & Storage***

No problem.

Unidentified Participant

So as it relates to deciding upon investing in Bill's group or your group, Al answered it. But you said that you have an 8.25% allowed ROE, plus you can earn another 100 basis points. So I guess that brings you up to 9.25%. And I thought Bill said that, on his incremental projects, he could earn 12.75%. So did I get that wrong? Or I must be missing something?

Cynthia Lynn Hansen ***Enbridge Inc. - Executive VP and President of Gas Distribution & Storage***

So the numbers are slightly different than what you mentioned. We have an allowed ROE of 8.5% right now. That varies, of course, based on the OEB formula. Our opportunity with our current deal is to earn up to 150 basis points above that, keeping 100% of those synergy capture savings, and then we would share 50-50 over that. So there's no upper end cap on that. It's just, right now, we're targeting with all the activities to earn approximately at least 100 basis points over that allowed amount. Now the other thing that we have in a utility is a very low-risk business model. And I think that's what is so attractive. And with that very transparent and steady growth, if you can replicate that, that fits into the overall Enbridge value proposition. But as Al said, he's very keen to invest in Bill's business as well. So if Bill wanted to add something on his returns, I...

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

Yes. The only thing that I'd add, Steve, is that, that 12.75%, that's what the embedded return would be. What we negotiate if we're doing a negotiated rate agreement might be higher or lower than that. So it's not a guarantee of anything.

Cynthia Lynn Hansen ***Enbridge Inc. - Executive VP and President of Gas Distribution & Storage***

So that helped to clear that?

Unidentified Participant

Yes.

Cynthia Lynn Hansen ***Enbridge Inc. - Executive VP and President of Gas Distribution & Storage***

Great.

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

So over the years, there's been ebbs and flows of, let's call it, speculation around Enbridge and other entity's interest in investing in electric distribution in Ontario. I assume that the silos in your presentation implies there's nothing immediate. That would be my perception as well on other fronts. But can you comment on how that fits into the corporate strategic priorities in terms of beyond just squeezing out operating synergies? And I don't know if this is a broader question for the broader group as well. Electric transmission, how you guys talk and think about if that might make sense someday? I know you have room to invest in that because you've got a lot of opportunities related to your core businesses, but there have been investments made by Enbridge over time.

Cynthia Lynn Hansen ***Enbridge Inc. - Executive VP and President of Gas Distribution & Storage***

Well, I'll talk about Ontario, and then I'll let Al talk about the bigger platform for electricity in North America. So we do continue to monitor what's happening with -- in the various LDCs in Ontario. Obviously, there may continue to be opportunities for us to look at how we could invest. There are also lots of opportunities for us to try and grab incremental synergies. So when we're building our platform, for example, our new interface with our customers, our customer information system, we're building something that would be best-in-class for all utilities. Looking to that future. So we'd be positioned for opportunities as they come along. There's nothing in the works right now, but we'd always be interested in that because there would be, in Ontario, some obvious opportunities for synergy capture like that. Now, Al, maybe you'd want to comment on the electricity platform overall?

Al Monaco ***Enbridge Inc. - President, CEO & Director***

Sure. Well, it's a good question, Linda. I mean if you look at it, electric utility fits the same kind of business model as Cynthia's business. It's low risk. It's infrastructure that's required lots of growth in it. And the fact that you've got an energy transition happening would make you think that, that's a possibility, I think, in the longer term. So I think it fits all of those parameters. I think at this point, we don't have anything on the plans that would push us to acquire an electricity distribution utility, but certainly would fit in the bigger context longer term, I suppose. On the transmission side, probably no to that, just given the inherent challenges, especially if you're trying to build out a transmission business independently of big utilities. So that's how we look at it right now.

Cynthia Lynn Hansen ***Enbridge Inc. - Executive VP and President of Gas Distribution & Storage***

All right. If there's no other questions, I think Jonathan is going to lead us into a break.

Jonathan Morgan ***Enbridge Inc. - VP of IR***

Thank you, Cynthia. So I think we're right on time here. It's 10:15 now. We've got a 15-minute break. So we'll come back at 10:30 and commence with liquids. Our executive team will be mingling, so please introduce yourself and engage. Thank you.

(Break)

PRESENTATION

Dai-Chung Yu ***Enbridge Inc. - President & COO of Liquids Pipelines***

Okay. Hopefully, the mics' are on. Okay. Good morning, everyone. It's great to be back in Liquids Pipelines. I was last at Enbridge Day talking about liquids in 2013. But it might surprise you to hear that I'm as excited today about liquids as I was back then. Our business is in great shape. The fundamentals are really strong. I'm going to spend most of my remarks talking about that. And then, Guy is going to come up and talk about how those fundamentals drive our strategy and growth opportunities over the next several years.

So as you all know, our liquids platform is the largest network of pipelines and terminals in North America. We started in the oil sands, but then we picked up production in the Rockies, the Bakken and we moved this crude to markets in the U.S. Midwest, Eastern Canada, Mid-Continent and ultimately to the Gulf Coast. Our system, as Al mentioned, is really a demand-pull system. We're connected to 3/4 of the refineries in North America, and that's almost 13 million barrels per day of refining capacity. So obviously, liquids is a big part of Enbridge, and we have all the features that Al mentioned. We're resilient, we're disciplined in our approach to spending capital and we have a large amount of embedded growth.

Our system, in a little bit more detail, is directly connected to 2 million barrels of refining capacity in the U.S. Midwest and Eastern Canada, and that's been our historical core market. Over the years, we've extended our system further south, and now we have 1 million barrels per day of directly connected pipeline demand to the U.S. Gulf Coast, to Cushing and the Patoka market. And because of this connectivity and our scale and our low-cost tolls, we're highly confident that our system will be highly utilized for decades to come.

So over this year, I think we've made some great progress in our strategic priorities. We have had record throughput on the system. And with the recent optimizations we put through this month, we now have capacity to move almost 3 million barrels a day across the border. As Al mentioned, Line 3 Canada went into service a few weeks ago, and we're now earning some incremental revenue with the new toll surcharge. This is good for us, it's good for our customers. But most importantly, it improves the safety and reliability of our pipeline network. We're also having a record year on the pipeline safety front, after having a record year last year. So if you think about the fact that we've moved almost over 1 billion barrels of oil this year, we moved 99.9999% of that safely. So that's quite remarkable that we can move that much crude safely and reliably.

So with that context, I'm going to talk a little bit about the fundamentals of our business. We all know that North America will be the primary resource of global crude oil supply growth over the next few decades. Obviously, there's going to be significant opportunities for growth in the U.S. with the shale plays coming from the Permian, the Bakken and the Rockies. But we shouldn't forget that there's significant heavy crude growth coming from Canada as well. There are a series of projects under construction right now. And we have about 200,000 barrels a day of heavy crude being shut-in with the curtailment policy in Alberta. We also expect that if we get incremental pipeline egress, that will stimulate even further growth in Canadian heavy crude supply. So we are actively working on near-term and medium-term capacity optimization to help spur this growth. Guy is going to speak to that a little bit more later today.

So as all this incremental crude is coming to the market, it's really all headed to the U.S. Gulf Coast now, as we've saturated the traditional North American refining markets further north with the North American supply. So that's why we've been so hyperfocused on improving our footprint in the U.S. Gulf Coast. The refineries along the U.S. Gulf Coast have historically been really geared for heavy and medium crudes. And with the crude slates lightening up in North America and with declines in heavy crude that's coming from Latin America, I think this provides us with significant opportunities to provide more infrastructure to deal with those changes in supply. But once we see these refineries on the U.S. Gulf Coast fill up, really the next phase will be exports.

Okay. Let's just spend a few minutes talking about Canada. I think a lot of investors have slipped away from looking at Canada because we've seen a lot of challenges in the upstream sector here over the last few years. But while these challenges have been going on, our customers have been making significant progress in both reducing their cost footprint as well as their environmental footprint. So let's not forget that Canada still represents one of the largest suppliers of potential crude oil supply globally. And it does have, on an aggregate basis, when you look at ESG as a whole, the best track record of all these potential future supply sources.

So let's dive a little bit deeper. It's been a tough market for our customers, but oil sands production has been resilient. We continue to see the industry strive for further improvement, and our customers have improved themselves in meaningful ways. They've strengthened their balance sheets. Many of them have integrated themselves with downstream refining assets. As I just mentioned, they lowered their costs and lowered their emissions. So if we can provide more egress, we think there's going to be some good growth opportunities for our customers.

So let's just spend a few minutes on how the industry has improved. So there's 2 things I'm going to talk about, cost and emissions. We've seen the oil sands producers really take into account innovation and applying -- the application of new technologies and processes to lower both their costs and their emissions. So if you look at the middle chart, you can see that our customers have really lowered their lifting costs. Now for our new brownfield SAGD operation, you only need $50 a barrel WTI to make your appropriate returns. And that takes into account quality differentials and transportation differentials. On an operating cost basis, it's even lower. So it's about $20 a barrel on WTI equivalent basis as well.

So this underpins the sustainability of the production coming out of Western Canada. We saw in 2008 and again in 2014, even when crude oil prices collapsed, we saw that the oil sands were resilient, and the operations didn't skip a beat. So these assets are long-lived with very low decline rates. But perhaps even more important, we're seeing very significant improvements in GHG emissions coming from the oil sands. So on the chart, on the far right, you can see that the emissions coming from the oil sands have gone down very dramatically over the last 5 to 10 years. So where today, on average, oil sands, GHG emissions, when you compare to other heavy crude sources is well below the global media. And then if you look at the nearest production sources, if you look at Aspen or Kearl from Imperial and some of the new Suncor plants, you will see these new facilities will actually be on par on a GHG basis with your average overall crude oil production globally. So I think we should be very proud of the fact that our customers continue to innovate their operations.

So Canadian supply is there and it will grow if we can find the right egress opportunities. The opposite is happening with other heavy crude production globally. You can see that Venezuela and Mexico are obviously in significant declines as there hasn't been enough investment in this production over the last several years. And Canada, over time will become the dominant supply source for the U.S. Gulf Coast. We expect to, by the end of the -- in the next year -- 10 years to provide over 50% of the heavy crude to the U.S. Gulf Coast.

So I'm going to now move a little bit to our egress and netbacks. So obviously, today, we're capacity short out of the basin. That is being met with rail and temporary production curtailments. So we balance the market that way. But that isn't sustainable or economic over the long term. We need to find more pipeline solutions. Line 3, when we put the U.S. portion of that project, will begin to solve that problem. But Guy will importantly discuss that post Line 3, we'll have a number of low cost, minimal permitting mainline system expansion opportunities that can add more egress out of the basin.

So our shippers, obviously, know the value of our system, and that's why they are eager to contract the mainline for years to come. Guy in his remarks will provide more context of the contracting situation. But suffice it to say that our network provides the best access, the best pricing and optionality for both light and heavy crude. So you can see on the chart on the right, if you're a Canadian producer, we get you the best netback, whether you're producing light crude or heavy crude. So for light crude, the best netbacks happen if you're able to access the Eastern Canadian markets, and you can only get there on the Enbridge system. After the Eastern Canada, you want to get to Patoka, and we have multiple ways of getting your light crude to Patoka. So once you fill those 2 markets, ultimately, you want to get to the U.S. Gulf Coast to export your light crude there. So we obviously provide access there through Flanagan South from Seaway.

Moving to the heavy side. The best netback, if you're a heavy Canadian producer is the U.S. Midwest. Those refineries are landlocked, where they don't have a lot of alternatives versus Canadian heavy crude, so those refiners will pay the highest price for that crude. Once that market fills up, then you'll move to the U.S. Gulf Coast. And those refineries, as I just mentioned, have very significant requirements for heavy crude. And once those requirements fill up, which will take quite some time, at some point in the future, we'll also need to have the ability to export heavy crude off the U.S. Gulf Coast.

So these changing supply fundamentals are really going to impact the infrastructure opportunities on the U.S. Gulf Coast. I think one of the things that people don't realize is that each refinery is very specific in its needs for a specific crude slate. Many of these refineries have spent significant dollars on a kit that's designed to process heavy crude or a medium sour crude. And with the change in how the supply dynamics are working in North America, where there's been a lightening of the overall supply mix with increased production coming from the Permian, Bakken and the Rockies and a heavy supply coming from Canada, but there's been this rapid decline in offshore medium-type crudes. So I think it's very important, as we look at the Gulf Coast, that you have to think about how do we stage this crude to get it to the -- the right crude slates to the right refineries. So that's why we think our Jones Creek terminal is going to be a very significant opportunity. It will be a major hub of getting those right crude slates to the right refineries in the U.S. Gulf Coast and then become a central point to stage for exports.

So ultimately, as crude supply increases on the U.S. Gulf Coast, it will become more important to get the most economic solution available to export that crude to the growing demand centers in Asia. So today, Aframax and Suezmax vessels work. But as we see supply continue to grow, we'll need better economies of scale to ensure that producers get the best netbacks for those exports. We think that Houston is the ideal market to stage exports because all the different types of crude come into the Houston market, it's very short distance to deepwater and we'll have our Jones Creek terminal there to provide the tankage to stage these exports.

So on my last slide, I'm going to just change gears a little bit and just talk about stakeholder and indigenous relations. We all know that you need local stakeholder support and indigenous community support to obviously permit and build a new pipeline. Without that support, you're just not going to make it happen. But as Al mentioned, it's not just doing construction where you need the local support. These days, you need that support through the life cycle of a pipeline. So we've continued to evolve our approach on how we deal with people and local communities. We want their commitment and support over the long term, so we've made a bigger emphasis on being on the ground and being a bigger part of that local community. We've introduced practices where we work hand-in-hand with communities to ensure people living there have the skills, the training, the capacity, to work along their right-of-way, to work with us in building a pipeline and then ultimately work with us as we operate that pipeline over its life cycle. And we think by doing this, we strengthened our support in these local communities where they want to work with us on an ongoing basis.

We have a number of examples of this, but maybe I'll start with Line 3 Canada, where we engaged over 100 indigenous groups as we built the pipeline. We worked collaboratively with them on picking the micro route. And we employed 1,100 First Nations people during construction, where we paid $140 million of wages directly to these individuals. While you don't hear much about this in the media, we also have applied that to the U.S. portion of the project, specifically in Minnesota. One of the things that we've done is we've been able to reach an agreement with the Fond du Lac tribe, where we've been able to route the Line 3 replacement through the reservation and extend the easements that we have there for another 20 years. We were able to do this by working with them on the specifics of the route through their reservation by working with them to provide employment opportunities during construction and then during the life of the operations of the pipeline.

So the key takeaway here is, we've obviously been working on stakeholder and indigenous relations for many years, but we continuously want to up our game here. We take this aspect of our business extremely seriously.

So that really wraps up my remarks, and I'll pass it over to Guy to talk about our strategy and our growth potential.

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

Thank you, Vern. Good morning, everybody. It's great to be here, again, to talk a bit about our strategy. Vern has just spent a few minutes talking about how Liquids Pipelines fits within our overall Enbridge, a bit about the fundamentals that drive us and what we've accomplished in 2019.

Clearly, we've had a great run over the last 15 years of pretty sustained growth in Liquids Pipelines, and our goal is to continue to position ourselves to extend that track record going into the future. Our strategic priorities, like the other business units, optimizing our base business, executing our secured projects and continuing to grow the business are unchanged, but we're really pleased with the progress that we've been making in all of these areas in 2019.

Mainline optimization continues to pay dividends, not just for our shippers, but for ourselves as well. And as Vern said, it's a great source of pride in our organization to be moving record volumes on the mainline, while achieving record safety and reliability at the same time.

Placing the new Line 3 Canada into service, very important milestone for us. Project came in slightly below budget, further enhances our ability to optimize mainline throughput, provides the safety and reliability enhancements that were critical to the construction of the project in the first place. And finally, and not the least of important, starts to generate some revenue through the interim surcharge that we negotiated with our shippers.

In Minnesota, Al ran through the process for Line 3, which we're happy to say is back in the hands of the PUC and progressing, and the related Southern access expansion that we've been working on for a while is in really good shape and pretty much ready to go.

Contracting of the mainline has come a long way. You're going to hear some more about that in a minute, but we continue to have strong support for that proposal. We've been advancing our U.S. Gulf Coast strategy. We have a really good line of sight now to what we want to do, and we're starting to execute on that right now based on the announcement we made yesterday and some other things.

So despite a challenging environment, we're really pleased with the momentum that we've got going on all the elements of the strategy. The base business is underpinned by strong volumes, toll certainty, attention to costs and a focus on highly efficient capital projects. While looking forward at the growth picture, our efforts are focused on low capital intensity extensions and expansions of our footprint, with the ultimate goal of extending our integrated value chain all the way through to the Gulf Coast.

Last year, at this time, we highlighted our goal to grow our base business. In 2019, performance has only bolstered our confidence that we can continue to do that. For us, it's pretty simple. The bottom line drivers are volumes, tolls and costs. In addition to our history of low cost mainline throughput optimization, contract step-ups and volume growth opportunities continue to be available across our entire network of assets.

Most of our tolling arrangements across the system, once again, have annual toll escalators. And we're laser focused on our costs and the efficient deployment of our capital dollars. We're leveraging the scale of the Enbridge supply chain, targeting reductions to our power consumption and costs, and revamping our -- pardon me, revamping our maintenance management program to reduce downtime and lower program costs.

Interestingly, for many of our employees, we're targeting new technologies as well. We have an innovation lab within our company, and we're also partnering with third parties to find ways to further optimize our pipelines, to participate in new in-line inspection and research that's targeted at providing better information at lower costs and developing new approaches to optimize our API 651 tank inspection program. Not only are we confident that we can drive continued growth in the financial performance of the business, we know what they're doing so further enhances the competitive position of all of our assets.

Mainline contracting is something we've been talking about for quite a while now. If you think back over our history, in 1995, we transitioned away from cost of service to a series of incentive tolling arrangements, which made sense to our customers for a number of reasons. They allowed us to generate additional customer service offerings, optimize throughput, all while ensuring the toll stability that our customers desired. This approach to incentive tolling evolved over time to meet the changing needs of our shippers. And it's worked well for us as well as we've been able to grow and extend this franchise with a strong commercial underpinning.

Today's plan to contract the mainline continues the evolution of the tolling framework to meet the needs of our customers. We've heard from many of our shippers that they want access to the same features on the mainline that are available to them on competing pipelines; capacity certainty, priority access and toll certainty. We negotiated extensively with our diverse shipper group for over 18 months to land on services, tolls and other terms, including in our current offer. Given the diversity of interest across that customer base and the need to land on a common contracting approach, the offering meets the overall needs of customers, while ensuring that we retain a commercial structure that ensures that we're aligned with their interest. We're confident that it's a good package and the right approach that will be well supported by our customers.

As Al mentioned, an application to the CER is planned to be filed before year-end. That application is going to fully outline the offering and our planned open-season approach provide evidence as to why it is in the public interest and highlight the strong support we have from shippers. Producers, integrated producers and refiners, many of whom have been long-term shippers on the mainline and represent a significant portion of the current throughput, support our offering. They've told us that they support mainline contracting, that they participated in the negotiation of the offering willingly, that they are willing to contract at the tolls that we have negotiated and that they will support our application in the CER process.

In addition to the needs of those customers, we'll have plenty of room for others to participate in what we believe is an excellent offering. And we expect a successful mix of contracts to complement the spot capacity that we're offering at the minimum of 325,000 barrels per day. The obligation will clearly demonstrate that our approach is in the public interest of Canadians. For all producers in the Western Canada Sedimentary Basin, expected long-term refinery demand that will be secured through long-term contracting provides that certainty of demand for Canadian crude that will provide transparency that our producers need to invest with certainty to grow their business.

The continued competitiveness of our tolls ensures that crude oil prices will not be negatively impacted and may, in fact, be supported by our approach. For producer community who elects to contract their mainline capacity, our approach to the open season has ensured a fair process for everyone to participate and have paid particular attention to smaller producers. The extensive market reach of our system at highly competitive tolls drives the best netbacks, as illustrated by Vern's chart. We've listened carefully to the producer concerns about take-or-pay contracts and developed the producer requirements contract as an attractive alternative. So as we've evidenced by our 25-year history of successfully developing commercial frameworks that meet the needs of our customers, we believe meeting those needs, once again, will lead to success for us.

This slide outlines at a high level, the sequence of steps and timing for the CER to review our application. A robust CER review of our application and intervenor perspectives has always been part of the plan. I think you're aware that the approach is not without opposition, but the process at the CER will be to balance the interests of the intervenors and those of the -- that strong level of support that we have for our approach.

So coming back again and talking a bit about optimization of the mainline continues to be a success story. The plans we outlined last year would have provided up to 100,000 barrels a day of additional throughput, and those are all now in place as of December 1. The Line 2 enhancements in Canada are complete, which allows us to fully optimize North Dakota and Alberta barrels at the Cromer point on our mainline; and the new Line 3 in Canada is now in service, which helps us further optimize delivery windows.

With these in place and with some minor capital additions to the system early in the New Year, we expect another 50,000 barrels per day can be achieved on the mainline in 2020. This is great news for our customers. And continuing on that good news for our customers, the Express pipeline is being expanded by 50,000 barrels a day and will again come into service in Q1 of next year. We continue to evaluate opportunities to extend the reach of the Express system further towards Cushing and the Gulf, and ultimately, hope that, that might be an opportunity to link up further with our Seaway system. Combined, by early 2020, we expect throughput from Western Canada to be 200,000 barrels a day, higher than what we were able to do at the start of the fourth quarter of this year. Clearly, these efforts highlight the innovation and focus that results from toll stability that we have under CTS and expect to continue under mainline contracting. Each of these initiatives demonstrates that we can deliver on low-cost, high-impact opportunities to grow the business, and very importantly, provide additional pipeline egress for our diverse customer base.

So Al opened up the day talking a little bit about Line 3, and we're very pleased with the progress that we've seen with yesterday's news. Reminder, Line 3 started and continues to be a critical integrity project that's going to result in a state-of-the-art new pipeline, designed to restore the capacity of the line to 760,000 barrels a day, which is about 370,000 barrels a day higher than today. The Canadian segment went into service on November 17, and the interim surcharge with the shippers commenced on December 1.

Al has provided a good update of the regulatory status at the PUC in Minnesota, so I'm not going to repeat that. But I do want to talk about this permitting work we've got with the agencies going on. So all that work has continued throughout. The cooperation with the agencies has been excellent, in our view. On November 15, we refiled our 401 water quality certification process, our application to the pollution control agency, which allows that process to be ready to align with the PUC's efforts that are picking back up. That new application incorporated amendments that had already been agreed to with the PCA, and we will continue to work with the permitting agencies to make sure that as the PUC provides greater clarity on their time lines that we can get the state permit in line with them.

This is the same time line that you would have seen if you saw the presentation with our third quarter call. To arrive at an authorization to construct, we have 2 concurrent tracks. At the PUC, as Al said, the public comment period is open. At the conclusion of the comment period, we believe the PUC will determine the adequacy of the revised EIS and reinstate the certificate of need and route permit. All environmental permits, including the 401 water quality certification, will only follow final PUC decisions. So that's the sequencing. It's unchanged from what we said in the third quarter call. And until we continue down that path of getting greater clarity from the PUC and the agencies on the process and time line, we're really not in a position to start speculating about in-service dates or when we think we can be under construction.

So let me shift over and talk about our strategy in growing the business. As you can see from the map, we got a great asset position today with North American reach. Our integrated system connects the largest supply basins to the best markets, and these assets simply cannot be replicated. They enjoy strong advantages due to their scale, operating flexibility and market access. So we continue to see further opportunity to expand and extend the system across the network. Our assets in the oil sands and Bakken areas are competitively positioned. Attractive tolls and market optionality are expected to afford additional optimization opportunity on the mainline and downstream pipelines. Our joint venture pipelines, Seaway, Gray Oak and the Bakken pipeline system are moving increasing volumes to the U.S. Gulf Coast with attractive expansion options, and we continue that focus on extending the last-mile access and terminal facilities in the Gulf Coast, which will provide further market access opportunities for our customers. We see a range of opportunity for growth, both from highly efficient low-cost projects and from projects representing larger system expansions. Each of these projects will have to meet the rigorous tests of our capital allocation process.

So moving on and talking a bit about regional pipelines. I want to take you back to what Vern was talking about and our expectation that as oil sands producers continue to improve their environmental footprint and cost structure, additional opportunity will emerge in the oil sands. Our 4 major oil pipelines and the Norlite Diluent pipeline all have upside opportunity for additional throughput. And we are well positioned to capture new investments in any project-specific facilities needed to support expansion of existing operations or the connection of new projects. In the Bakken, we're continuing to see strong production, and we're conducting an open season to secure additional volumes for transport to the U.S. Gulf Coast on the Bakken pipeline system. To mix baseball and boxing analogies, these projects represent singles in terms of the size of the capital investment but are expected to swing well above their weight in terms of financial return.

Our outlook for the potential further optimization of the mainline is pretty much unchanged from last year. The prospects for up to 200,000 barrels a day of additional mainline throughput are being pursued through our DRA program, pump optimization and increased terminal efficiency. The opportunity to reverse Southern Lights and convert it to crude service remains an attractive opportunity versus building new capacity if demand warrants. The timing of any such plan will be driven by our customers, their views on competing pipeline capacity and the needed egress from Western Canada, and we will continue assessing the opportunity with them in 2020. Either outcome remaining in condensate service or reversing into crude service will be a good outcome for us.

So overall, our plan is going to be to execute on any of these low-cost projects when the opportunities arise, while shipper demand will drive the targeted timing of any projects that require more significant capital investment.

So optimizing the mainline doesn't really help our customers if we can't get the barrels to market. As we've said for a number of years now, we're in really good shape with the build-out of our market access pipelines. You might recall that back a number of years ago, we sized our Southern access pipeline as a 42-inch diameter line to ensure that going forward we will be in a position to expand and balance the mainline of Superior. The planned expansion of that line to 1.2 million barrels a day is pretty much complete and ready to go when required. So that's the starting point. There is further expansion opportunity that's available on that line. So to the extent that we have additional volumes on the mainline upstream of Superior, we can move them through Superior on an expanded Southern access. Downstream of that, again, we're into the Flanagan South and Seaway path and the Southern access extension that both provide attractive expansion opportunities.

Recently, we've begun engaging on some emerging customer interest in the development of a merchant terminal at Flanagan, which would allow for barrels to be staged from the mainline back into downstream pipelines. So the ability to potentially move additional heavy barrels on Flanagan South and the Seaway system is a key link into our U.S. Gulf Coast strategy.

So let me move on and talk about that for a minute. The focus of this Gulf Coast strategy is on securing the last mile connectivity to refiners, storage terminals and export opportunities while fully developing our heavy and light crude value chains. We've been active for many years now building out our heavy crude value chain from the oil sands through our mainline, Flanagan South and the Seaway system to create a path that's unparalleled in the industry. The next step for us is developing a strategically located terminal position on the Gulf and participating in the development of offshore VLCC loading facilities to capitalize on the fundamentals that Vern discussed.

In addition to serving growing export markets, this terminal, along with upstream expansions will facilitate greater market access to Canadian heavy barrels by U.S. Gulf Coast refiners. For light crude, Seaway and Gray Oak provide opportunity to leverage new business between the Permian and Cushing to the Gulf. The Seaway system, its pipelines, refinery delivery capability and existing export capability represents a strong foundation from which to leverage continued competitive offerings through capital-efficient investments. It's important both for a heavy and light strategy.

So what have we been up to? We've looked at a lot of stuff. Al referenced it a bit in his messaging. There are a lot of assets out there. Our team has been very active evaluating a range of opportunities and how they may or may not drive our strategy in the direction that we want to take it. And the conclusion that we've landed on right now is that Seaway is the asset that provides us with the best anchor position and the most connected and capital-efficient approach to competitively extending our value chain.

So with that in mind, we have 3 things underway. First, Seaway has recently announced an open season for additional light crude service, focused initially on 200,000 barrel a day expansion. But if there's more demand, we'll consider additional capacity. Part of our Seaway planning is to also always work closely with our partner on the potential to move incremental heavy barrels on our mainline into the Gulf. Second, a key feature of our plan is to move ahead, developing our own terminal at Jones Creek. We have land that can support up to 15 million barrels of storage and the exciting part of that is that we connect to the Seaway refining delivering refinery delivery and distribution network, existing export docks and future facilities. We anticipate the first stage of this terminal may be in service by 2022.

Finally, yesterday, we announced a plan with Enterprise that will see us jointly develop our deepwater VLCC loading projects in a staged manner. The plan provides us with the option to purchase an ownership interest in Enterprise's SPOT project. We will jointly market the full utilization of Enterprise's SPOT project first and Texas COLT will be repositioned to proceed as the export market grows. This joint venture approach makes a lot of sense for us and our partner. It's capital efficient, allows us to stage investments and can leverage our combined assets upstream. In combination, these initiatives advance our strategy to enhance and extend our value chain right from Western Canadian to the Gulf. And similar to Bill's story, you can see the emphasis that we're putting on export infrastructure across Enbridge in both crude oil and natural gas.

So to sum things up, our footprint continues to represent an unparalleled competitive and flexible set of assets that cannot be replicated. Resilient demand pull markets representing some of the world's most complex and competitive refineries, support the base business and underpin our growth outlook. We're well positioned to extend the value chain into the U.S. Gulf Coast to take advantage of growing export demand. And overall, our strategic priorities remain intact. We have demonstrated progress against them in 2019. The base business is performing very well, and we are confident that we can grow, both by improving the base business and through new capital-efficient investment.

So that brings a conclusion to my remarks. I think we're going to have Vern come up and join me for the Q&A.

QUESTIONS AND ANSWERS

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

Rob Catellier, CIBC. With the yesterday's business development announcement, it looks like there's a pretty good line of sight to have the tools in place to offer a full path toll, all the way from the WCSB all the way to the Gulf Coast and on to export markets. So how do you think that will influence the mainline recontracting application? Will there be any service offerings or any triggers in there to contemplate that? And the second part of the question is, how significant do you think this is in terms of garnering support for the application?

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

I'll answer the last question first. I think the support for the application that we have today and that we expect, you'll see through the process is unrelated to the announcements from yesterday. Clearly, being able to offer that full value path to shippers is a great opportunity. We already with our existing arrangements that provide service to the Gulf have established joint tariffs and joint tolls that allow people to have toll certainty from Hardisty all the way to the Gulf. We expect we'll continue to look to market and offer those types of services. The question around further linking that then into the export terminal is still an open one. I think we still believe there's lots of the Canadian heavy to be consumed on the Gulf. Whether people want to export it or not is really going to probably be targeted at ensuring that they don't create some congestion and price weakness due to the congestion of heavy barrels. So we don't see it necessarily being a 365-day option for heavy producers to be exporting, but more likely that they'll participate in providing partial loads to people who might be loading a bunch of light crude.

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

Andrew Kuske, Crédit Suisse. Guy, when you start to think about the market overall, and obviously, there's a DRU that's going ahead and another DRU that might go ahead, how do you think of the interplay of DRUs in the market? Just the optionality you have on the mainline and then what you do with Southern Lights on a longer-term basis?

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

Yes. So I think starting with the DRU, we've been engaged with some -- in some conversations with some of our own customers about the potential to construct the DRU unit. Clearly, in the scenario that we're in right now, where rail is playing a prominent role in balancing the market, the DRUs make a lot of sense. And as we think don't know all the particulars, but I think when people look at taking term multiyear rail contracts that the province is now trying to shed, it further supports the fact of a DRU investment with some multiyear economics. Having said all of that, we still don't believe that it's a threat to pipeline utilization. One customer, in particular that I know we've had discussions with around the DRU units said, look, this is for this period when we need to use rail. If we can make it work in that period, we're going to do it. But our long-term plan is always to fill every barrel on the mainline first.

In terms of Southern Lights I think my own take on it right now is that the producing community views that Line 3, TMX and Keystone XL are continuing to move ahead, that I think they will probably be quite happy to continue Southern Lights and condensate service. But if there are some weakness that emerges in the prospect or the time line for that competing new pipeline capacity, then they're going to have to view their economic balance of are we better off importing the condensate in another fashion to access that crude export.

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

And maybe just a follow-up. Does the DRU give you further optionality to optimize the system, if some volumes go that way? Or is it really just their incremental volumes in the market to help balance the market?

Dai-Chung Yu ***Enbridge Inc. - President & COO of Liquids Pipelines***

I think it's the latter.

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

Yes. Yes.

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

Just on Line 3, I know you can't pinpoint an in-service date at this point but based on the regulatory time line that you outlined, would you say there's still a chance for a late 2020 in-service date? Or are we talking mid-2021 and onward at this point?

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

Yes. Well, so you can certainly create planning scenarios that will deliver you a range of outcomes that you're talking about. The way we're executing the balance of the project, being prepared for construction, updating capital cost all of that certainly is targeted and planned at being able to be in service as soon as possible. But I think for planning purposes, it's hard for us to say with any conviction that we can be there by the end of the year unless things go absolutely right. So we are planning for Line 3 sometime in 2021. That's, again, not a specific date and Colin can speak more to this when he comes up in his section, but we're encouraged that the PUC is moving these 3 things in parallel. But until they outline the next -- the next few steps will be really important in determining how fast it will be until we can get under construction.

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

And then maybe just on DAPL. Maybe you can just touch on how you and your partners are managing the local opposition and challenges there just to ensure that, that expansion comes in service in a timely fashion?

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

Yes, I think the best way I would respond to that is to point you to the pace at which these next developments are going. And I think what the pace tells you is that our partner spending a lot more time on the stakeholder side, on the regulatory side, much like Al said, was a necessary part of our business now from an ESG perspective because the sense we have is the demand is very strong out there. So in some ways, you could be saying, why is it taking so long? Well, the pace that they're going out, I think, is appropriate for the ESG things that they have to deal with.

Robert Kwan ***RBC Dominion Securities - Research Analyst***

Just on the contracting side of things, you previously mentioned that there is no intention for a parallel process to negotiate with Representative Shipper Group on some sort of CTS like extension. Has that changed in terms of your thinking? And on that other front, if you end up with something that's not contracting is risk mitigation and trying to make sure that you get a much higher volume lock in, is that a high priority?

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

Yes, so to go to the first part of your question first, we're not pursuing anything in parallel to our mainline contracting plan. The largest reason being is that it's in direct response to what the bulk of our largest historical shippers and many new interested shippers want us to do. So we're not embarking on a parallel process. Should we come out of the other end of it with either a denial or some conditions from the CER around our proposal that don't fit that balanced equation that we struck of service and tolls and risk? We're going to have to renegotiate something else. Clearly, the volume protection would be a part of that equation. And it would be not unlike what we've done over the last 25 years, okay, what are the key issues that the customers want, how can we address them, and how can we give ourselves the financial underpinnings that we need.

Robert Kwan ***RBC Dominion Securities - Research Analyst***

And then just in terms of some of the projects, you've outlined a number of them that are contingent on Line 3 moving forward. Are there other projects or optimizations that would be contingent on you getting the contracting strategy or some other framework, again, a renegotiation of CTS?

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

Yes. So just want to clarify one thing when you use the word contingent. So the real value behind Line 3 in terms of what we might be able to do in the future is the flexibility it provides us to optimize our crude slates. So it's not like Line 3 itself can suddenly become much greater than the 760 we're talking about, but it gives us a lot more flexibility across the balance of the system. So I wanted to make that point.

Your second question, when I talked about our growth, I mentioned that the low capital stuff once it's available, it makes sense under existing toll, and we'll probably just go for that. But when you get out to thinking about some of these ones that will be longer duration will require Southern Lights expansion as an example or Southern Lights reversal. It will require regulatory work. It will require capital. We wouldn't want to have a foundation of contractual underpinning on the mainline before we started embarking on making that kind of investment to add capacity to it.

Jeremy Rosenfield ***Industrial Alliance Securities Inc., Research Division - Equity Research Analyst***

Jeremy Rosenfield of Industry Alliance. Just a couple of questions on SPOT. First, you may have touched on it earlier or Al may have touched on it in the beginning. Just in terms of the risk reward profile of that investment and the desire to sort of contract as much as possible of the volumes that would be going out for export. And then just as a follow-on on SPOT also, does it -- your involvement with EPD and that project specifically preclude you from potentially sort of securing additional business with other export terminals? Is there any type of exclusivity or noncompete type of stuff?

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

Right. So I think going to the first part of your question. Obviously, our partner and ourselves, we're interested in securing as many long-term contracts as we can in support of continued development of the project. From our perspective right now, there's a baseload of interest in that project that would allow it to proceed and continue to be developed and would provide returns kind of in the lower end of our expected range that we would then firm up as additional volumes were brought to bear.

In terms of the second part of your question, I think the focus, if you think about the way we laid this out, our focus is on Seaway, the terminal and the offshore. And so there are so many positive interconnections in that relationship that we have with Enterprise. Our focus in terms of those offshore VLCCs is going to be centered with Enterprise on SPOT first and then repositioning Texas Colt.

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

Jeremy Tonet, JP Morgan. Just want to follow-up on the Gulf Coast there. It seems like you got a really strong platform developing here. And wondering if you could touch on the interest, I guess maybe to source barrels from the Permian, any interest in developing the platform in that direction, be it on your own or a joint venture or undivided joint interest in other pipes? Or any thoughts you could share there?

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

Yes. So I think we do have interest in the Permian. We do have interest in it from a value chain perspective. I mentioned we've looked at a lot of stuff. I'm sure by now, if you really want it, we could have an interest in something at Corpus Christi. I'm sure who want it by now, we could have an interest in pipeline ARB, potentially in Permian terminal BRC. But without the connections and the value chain to leverage off of, it's just hard to look at them individually and say, how do you make this more than what you've just bought. So we do have interest, but it will really be driven by a view as can we -- is there enough of the value chain that we can get the last piece or is this a value chain opportunity and then we can grow the whole thing. So that work continues.

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

Great. And also just want to touch base on Line 5. If there was any updates you could provide there as far as how that's developing?

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

Well, Vern just had the good fortune since he came back into Liquids Pipelines in June of -- been responsible for operations that included Line 5. So I'm going to allow him to give the run down.

Dai-Chung Yu ***Enbridge Inc. - President & COO of Liquids Pipelines***

Okay. Thanks, Guy. So on the straits, obviously, we believe the pipeline, number one, is extremely safe. Number two, Michigan needs the crude oil that Line 5 delivers to provide the refined product for the people of the state. So the state of Michigan uses 14 million barrels a day of refined product. Line 5 provides 40% of the feedstock for that refined product. If that line went out of service, you'd be short 4 million barrels a day of refined product in the states. So obviously, we think it's best interest of the state to keep that going.

So with the recent court decision, we -- the court is a firm that are -- we do have an agreement with the state to build the tunnel or for addressing that right now, we plan to file permits with the state agencies very soon in the new year. Our hope is that we can have the tunnel in service for 2024. So we're going to make a safe pipeline even safer. And I think we're well on that path. In the meantime, we've added incremental safety during -- for operations on the strait, in the strait side, where we put in 24/7 monitoring of vessels where we have infrared capability to make sure that every anchor is up as they pass through the straits. We have 2-way communication going now with the vessels as they go through. And when it's possible, we'll have patrol boats on the straits to help ensure that if there is an incident that we can quickly respond to these vessels.

Michael Jay Lapides ***Goldman Sachs Group Inc., Research Division - VP***

Michael Lapides of Goldman. On some of the growth projects kind of under point 2 and point 3, I just want to make sure I understand some of the detail behind them. The further mainline enhancement, is that just -- a large chunk of that is just adding DRA to Line 3, once it gets in service, kind of upsizing it like the law allows you to do? And then when we're looking at point 3, can you talk about which of those projects depend on Line 3 happening versus could happen independently whether Line 3 moves forward or not?

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

Yes. So I think to go to your first question, we're really looking at 3 things in terms of the further optimization of the mainline. One is the continued use of our DRA program, Line 3. The new Line 3 will be part of that puzzle as we sort our way through that. Then we'll get into with the new Line 3 and the configuration of this new mainline network following Line 3, is there a better way to optimize the pump capability that we have to eke out some additional throughput. And then the final thing that's very interesting. It comes back. I mentioned the technology side of things, where through our technology -- innovation and technology lab at Enbridge, our team is working with a team of IT specialists in there in terms of mapping and following and optimizing exactly how barrels move in and out of our terminals. We believe the way we're moving barrels in and out of our terminals is actually impacting our throughput to a negative -- to some negative degree, and we're trying to solve that through an IT solution that would help optimize that. So those are the 3 areas of it.

When it comes to these market access expansions, I think, if you assume for a moment that the mainline contracting proceeds, you're going to have a range of shippers on our system. We expect there's going to be some new shippers, producers who might take capacity. So while you might not be expanding the mainline any further. They may have a desire to access some of these markets downstream of our traditional corridor. So in that scenario, you could see maybe not the full-scale expansions of some of these things that you would see, but you would certainly see some of the increments. So I don't think -- well, there's no doubt there's a significant connection. I wouldn't say that the opportunities for the market access do not exist beyond that, optimizing above Line 3.

Nafeesa Kassam ***Enbridge Inc. - Director of IR***

One last question.

Matthew Taylor ***Tudor, Pickering, Holt & Co., LLC - Director of Midstream Research***

Matt Taylor here from TPH. You mentioned that the total escalators form a good chunk of the 2% cash flow growth in the segment. We're still about a year or so out from thinking about the 5-year FERC oil pipe index level that resets in 2021. But I'm just curious if you start to think about how that may incorporate the lower U.S. income tax rates and if you're accounting for that in your long-term growth projections?

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

Yes. So I think in terms of our thinking about our own projections just to deal with that off -- first off. The Lakehead toll itself when we have so much of our volume flowing on the International Joint Toll from Canada is really not having a material effect on the financial outcome of our business. We have barrels coming into the mainline right now onto the Lakehead System at Clearbrook. It's plus or minus 100,000 barrels a day that attracts that local toll. So on a system where we're moving 2.8 million, 2.9 million barrels a day, only 100 of it will be exposed to that. Now having said that, we manage a lot of those tolling-type things with FERC through our participation with the Association of Oil Pipelines. And that group collectively has a much greater exposure to some of the issues that you're raising, and we'll be very active with them at the FERC in terms of trying to influence the FERC to make the right decision that reflects the realities of our businesses today in terms of higher costs, mostly.

All right. I think we're going to now turn it over to Colin.

PRESENTATION

Colin Kenneth Gruending ***Enbridge Inc. - Executive VP & CFO***

Great. Well, good morning, everyone. I'm excited to be here. I see a lot of familiar faces in the crowd from years gone by. Those who I haven't met, I look forward to meeting you. We've got a hardworking Investor Relations team, and together with them, I hope to get you everything you need to understand our story. So the team has already covered a lot. The fundamentals, business strategies and our opportunity set. I'll try to bring it all together from a financial perspective. For structural thinkers, I'll break my presentation to 2 parts. The first part will be how we approach financing the business and allocating capital. So I'll repeat what Al said, but hopefully, some of the concepts will go a little deeper and reinforce the key points. And then secondly, I'll get into our 2020 guidance package, part of which was captured in our news release.

But before I do get into where we're at, it's instructive to consider again where we've been. And we've taken a number of significant actions in the last 2.5 years since the Spectra merger closed in February 2017. We've strengthened them, high graded the portfolio and move toward a pipeline utility business model. We've sold $8 billion of noncore assets. We've simplified our structure, easier said than done. We've performed well operationally and financially, including realizing all of the synergies we announced on the Spectra transaction. And as a result, we're now in a strong financial position, an equity self-funded position, and we turned the DRIP off last year, as you'll recall. So we were -- in short, we were focused. We accomplished a lot in a short period of time. So where are we going.

We have very clear financial priorities that support the plan and should generate sustainable shareholder returns. Balance sheet strength, low commercial risk and capital discipline, these are all hallmarks of Enbridge, as you know. Together, they support our unique investor proposition, and we don't intend to change course. On a personal note, these priorities are all dear to me. I've been a part of forming these financial policies and executing against them for the last 2 decades.

I'll now walk through each of these principles in a little more detail. Maintaining financial strength and flexibility is the first principle. I think you've heard that today already. In short, following a period of supernormal industry growth. We accelerated our deleveraging. We're always going to delever, but we accelerated it. How? By selling noncore assets at very good values. And secondly, by extracting more EBITDA out of the base business. The balance sheet is now in great shape, better than ever, actually. As shown here, we're well within our target range of 4.5 to 5x debt to EBITDA. We will look to exit 2019 in the 4.6x area. And this range is very fitting for Enbridge, given our pipeline utility business model, which I think is a differentiator for many our peers. Keep in mind, we have an actual utility in the portfolio. And most of our pipeline assets carry utility-like commercial models, which support this capital structure. Furthermore, the range is well within the credit rating agency's BBB+ target financial parameters. So we've chosen the range to fit all of those, I think sensible parameters.

In the middle, we also prudently manage our liquidity. We maintain approximately $20 billion of committed standby facilities from over 50 global banks, providing enough room even after draws to cover 1 full year of forward capital market activity. So this is our plan B, so to speak.

I'd like to reinforce at this point that we value all of our capital providers and have had good access to different capital markets over time. For example, over the last 4 months, Max and team have raised approximately CAD 5 billion of term debt in various markets and from various issuers in our family at industry-low credit spreads, which we're grateful for. And I think reflects the conservative risk profile that we carry. A couple of points of color on that CAD 5 billion. The average tenure was about 13 years, including a significant portion of 10- and 30-year maturities. The average weighted coupon was 3.1%. That's a pretax cost of debt, which is attractive. Thanks to many of you in the room for supporting that. This also complements our very short-term and low-cost debt commercial paper, for example, at 2%. So the point I'm making here is the cost of debt is important to us, and we believe a long-term differentiator in our pursuit of industry-low cost of capital.

In regard to the second financial priority, there are 4 key aspects here supporting our low risk or resilient business model. I'm not going to repeat these. I'm proud of all of them. I think all I would say is that we lead the industry on a number of these measures. And when taken together, I think they're uniquely compelling. Further to this point, this slide outlines our financial policies aimed at managing risks and aligning with BBB+ credit profile metrics. Our target ranges are on the right. They are unchanged from prior years, and we're comfortably in range on all the measures at present. Our credit profile, debt-to-EBITDA and FFO to debt remains strong, and we maintain ample liquidity.

Our 2019 dividend payout is at 65% at present. This will increase to the upper end next year with this morning's dividend announcement. But then we'll revert back comfortably towards 65% through our plan period. The last metric on the slide there is what we call our cash flow at risk metric, pardon me, it's like a VaR metric. It reduces our volatility and currently sits at a very low level. A few comments on this. Given our recent asset sales, we have almost no direct commodity risk in the portfolio. We've hedged approximately 2/3 of our 2020 U.S. dollar foreign exchange exposure. And of course, 90-plus percent of our debt is at fixed rate and much of our forward 2020 planned issuance is also hedged. So this is the metric that captures the projected volatility over the next 12 months, and we're well protected.

Again, all these measures taken together provide us strong guardrails to sustain sustainable strength. So the last 2 slides, I think leading to this slide, our commercial approach and financial approach, create a very predictable and reliable results. On the left, you'll see, historically that during the worst commodity price downturns, our EBITDA was rock-solid and actually consistently grew. In fact, our financial performance is not very commodity sensitive or oil beta sensitive. Rather, this is a picture, I think of the resiliency we've been discussing today. And I think that's point out on the right as well. You can see in 2 dimensions, the narrowness of our guidance range. And then secondly, the consistent performance against those ranges. We're not perfect every quarter, but we've hit all 12 of the last year's guidance ranges as shown.

Third, let me go into capital allocation in a bit more detail. There are a lot of choices out there, and a number of opinions out there. And here's how we think about it and moreover, use it day to day. In the near term, priority one, as mentioned, will be to ensure we maintain the financial strength and flexibility, we've worked so hard to achieve over the last couple of years. To this end, as noted here, we'll also continue to opportunistically sell smaller noncore assets. Historically, I think Enbridge has been an asset gatherer. And increasingly, we're looking at managing the portfolio, selling opportunistically when compelling values arise and recycling the capital. Priority two, we'll return capital to shareholders through the dividend, as mentioned, that is our preferred means to do so. And priority three, will focus on executing, as mentioned, our secured program and improved results with embedded growth drivers that come from low capital intensity. We look to grow the business through singles and doubles, where capital is efficiently deployed and where we have line of sight to permitting and execution capabilities. I'd like to emphasize on my last point.

In our longer-term mindset, post Line 3, we'll have greater flexibility, and we'll continue to use this playbook that you see here, but we'll also consider other capital allocation choices. So the first question you may have is how much growth capability or capacity do you have annually while staying in your equity self-funded model? So the answer to this question is similar to last year. Over the long term, we expect to have $5 billion to $6 billion of capital investment room per year. Once Line 3 comes online, cash flow from operations will step up nicely. And after dividend and maintenance capital, we'll be generating free cash flow in the area of $3 billion to $4 billion per year.

While the EBITDA generated by investing this free cash flow creates additional companion capacity, if you like, of $2 billion per year. So taken together, this adds up to $5 billion to $6 billion per year available for deployment. So the next question is, where are you going to deploy it? I think this slide helps demonstrate our preferences in the near term. Our focus is going to be on the left-hand side of this slide. And in fact, it will be one notch to the left of the slide, where we have EBITDA growth with 0x capital intensity.

Moving on to the slide, we're going to focus on capital efficient expansions, rate base growth and organic extensions and potentially, as mentioned, smaller asset purchases. And I would consider these to be smaller than, I think, the $3 billion or $5 billion we talked about earlier. So $500 million, $1 billion asset purchases that enhance our value chain, as mentioned, or enhance our demand pool resiliency.

To be clear, we have no plans for corporate M&A at this time. And we've talked a bunch about share buybacks already. And they would also come into the radar when we have more flexibility, but it would, of course, be judged against the capital opportunities at the time, including a variety of factors, including our financial flexibility and the valuation of the Enbridge shares. So the last question then is, how do you evaluate and prioritize specific opportunities? There were some questions earlier to this end. I'll give you a short answer and a long answer. In short, we have a very rigorous process. I'm going to spend a couple of minutes walking through this slide to give you the longer answer, so bear with me.

From a financial perspective, which many of us, I think, come from in this room, this process focuses on all the things you would think are intuitive and disciplined, but we also overlay it with a strong dose of the long-term fundamentals, which I think you've heard a lot of today, how it will or won't advance our strategy and whether a particular investment will or won't have follow-on optional growth opportunities. These are all factors we consider. So starting on the left, our business commercial leaders cultivate and identify discrete investment opportunities, as you'd imagine. And we encourage them, of course, to fill up the hopper with lots of opportunities because in our experience, it takes a lot of opportunities to find the gems. So as the industry leader, you can expect, we get a phone call or see most opportunities to this end. We have well-developed investment screens to filter opportunities. We mentioned some here already, but there are some questions earlier around permitting and executability, ESG dimensions, we look at various parts of that and price it into our hurdle rate.

To get to the next stage, as I'm going through the whole slide, all of these criteria need to be met, all. The next stage after this involves a detailed assessment where we identify and price each of these risk premium. It's iterative with considerable internal devil's advocacy, as you would expect. And I think, as mentioned, but I'll say it again, each project has its own specific hurdle rate that's built up from a base return with specific risk premium on top of it. In other words, we're not using a generic Enbridge observed or Enbridge generic return. It's risk tailored. So for example, if a project has higher risk, like Capex, for example, we'll add a risk premium for that. If it's got a jurisdiction that we're mindful of could be challenging, we'll add a risk premium for that, schedule, et cetera, et cetera. And if you end up with too many risk premium, you kind of step back from it and go, I don't think this makes sense, right? It should have very few risk premium, that's the utility pipeline model we're after. On top of that, on top of the red line here, we also target typically an additional premium to reflect the fact we want to beat the hurdle rate and add economic value, not just meet it.

The next stage, even if a project is determined to be acceptable, we aren't done yet. We then compare it to alternative uses for that capital. Systematically, our templated outputs internally require this evaluation. It allows us to be disciplined about how and when we're investing scarce capital. All told, we've used this process over many years. I think John's had a piece in cultivating this. Vern, Al, others. I think we're all pretty proud of its maturity and track record. We've looked at hundreds of projects, and we discard more than we approve, obviously. Can be frustrating, but that's the nature of the beast. It's tried and true for us, and we don't intend to change course here as we target the lowest risk business in the sector.

So that's a little deeper dive on capital allocation and investment review. I'm now going to move to the second half of my presentation, which will be on the financial outlook and 2020 guidance. High level, before I do, there are a few base assumptions that underlie the 2020 look. First, we assume optimization initiatives that you've heard all about today. So those are embedded in the plan. Second, from a capital standpoint, we're only including secured projects. So we've excluded projects yet to be sanctioned. We may have financial capacity for more in this regard, which I'll demonstrate shortly. And for 2020, there are some questions on this earlier. For 2020, we're assuming full Line 3 U.S. spend in calendar 2020 and without any EBITDA from it. So we've got all the capital, substantially all the capital in 2020, but no EBITDA coming from it. Although we hope to have it in service as soon as possible. And from a funding perspective, all of that capital will be funded from cash from operations and new term debt issuances, respecting our credit metrics. So in other words, there's no common equity requirement.

We'll begin with the commercially secured growth inventory, which are at, of course, various stages of execution. There's lots been said about the midstream space, having trouble getting projects built. I think we are getting projects done reasonably. In 2019, for example, we brought on 7 major projects for a total of $9 billion. And our 3-year tally now is $20 billion, 25 major projects. So we are getting them done. All of these projects on this page and the ones I've just mentioned that are being completed, all fit the utility pipeline model. They have strong commercial constructs, strong counterparties. There were questions on that earlier and should contribute to EBITDA and cash flow for decades.

We now have $11 billion remaining of secured projects shown here. Some key observations would include the diversity across liquids, gas, utility and power. The most important project is Line 3 U.S. We've also included that the prompt years worth of utility customer growth capital and Gas Transmission modernization capital that Bill spoke of here. Of the $11 billion, we've spent $3 billion already, leaving $8 billion to go. And when they come into service, these projects should add considerable EBITDA, shown on the right-hand side of at least CAD 2 billion per year. And that's going to have the financial flexibility we've been talking about. So what does this mean for 2020 CapEx and funding discretely?

Our 2020 CapEx outlook shown here in blue is very manageable. I should clarify, again, this is secured and maintenance capital only. There are no unsanctioned projects here. The $5.5 billion actually comes in lower than the last number of years and substantially lower than some of our big CapEx years that were -- I remember them being as has high as $12 billion as shown there. Again, all -- substantially all of the remaining Line 3 U.S. spend is provided for in this value. So basically, CAD 2 billion on the CAD 5.5 billion is Line 3 U.S. The rest of the Enterprise spend relates to previously announced secured growth projects, as shown on the prior slide.

We've got arrow declining here, illustrating that '21 and '22 secured CapEx should be lower. But, of course, could be increased with further project securements potentially, including yesterday's announcements. Although I think some of that will take time to get into service. Our funding plan for 2020 on the right is straightforward within our self-equity funded model where we'll fund this CapEx program from operating cash flows and new term debt as mentioned.

For the debt capital market crowd, we intend to issue debt from various issuers in the family. That's now a streamlined family with basically 6 active debt issuers remaining, including our regulated subs. We'll issue in various jurisdictions throughout the calendar year and tenors diversifying our access and optimizing our cost of debt.

Back to the balance sheet. You had a preview of this earlier, but let's zoom in quickly. Firstly, I think we've talked about this. We see 2020 levels roughly in line with 2019, up only 0.1x to 4.7, again, still with our target range and mostly as a result of the Line 3 U.S. spend.

As secured project cash flows come online in the next couple of years, you can see in green, the headroom that will be created. And again, this will provide us flexibility to either add new growth projects or compare that to other capital allocation options. Either has the potential to boost the 5.7 in the near term or extend that 5.7 beyond.

Okay. On to more specific guidance, we'll run through EBITDA and DCF. In our news release, this captures the EBITDA guidance for the year, which is growing 5% over 2019 to $13.7 billion in 2020. This is driven in part by the annualization of contributions from assets coming into service in 2019 and some again in '20. But I think this is an important point. It's also driven by the strength in our base business in almost all of our segments. The strength comes from higher tolls, higher volumes and cost containment, basically optimizations in a nutshell. Specifically, I'll walk through each of these. Liquids Pipelines. We see an uptick over 2019, of approximately $200 million from EBITDA from the Line 3 Canada surcharge in effect, last week. We see volume growth from creative system optimizations of the 100,000 barrels per day secured in 2019. The additional 50,000 barrels per day Guy mentioned today, the express capacity and Gray Oak, which is all now in service. So a number of positives in Liquids Pipelines. Again, no contribution from Line 3 U.S. in 2020.

In Gas Transmission, we should see uplift from our annualization of 2019 project ISDs like Stratton Ridge and Atlantic Bridge, favorable impacts from the Texas Eastern rate case, as Bill noted. And this is offset partially by the impact of asset sales, which we carried through 2019. Gas Distribution benefits from a number of small pluses, price inflators in Cynthia's business, new customers, cost synergies and rate base growth through the ICM mechanism. That is being offset by a projection of normal weather, which we typically budget for.

Finally, power should benefit from the German wind farm placed into service this month, and to a lesser extent, better availability in our North American wind farms.

Bridging to distributable cash flow, the first item, $600 million. This is cash distributions in excess of earnings -- in excess of our -- basically, our equity pickups, which are, of course, burdened by book depreciation. So I think this number has been strong and growing. Some of the bigger joint venture investments we have in the portfolio which we did. This would include Gray Oak, (inaudible), Dakota Access, DCP, Alliance, NEXUS, Sabal Trail and Gulfstream, so a number of investments contributing to this strength.

Maintenance capital is looking to be flat to slightly down from 2019 at about $1 billion that's rounded, reflecting primarily the avoidance of maintenance capital on our K and G&P assets to be sold late in 2019. Current taxes are up slightly from 2019 on improved business performance, basically, the higher EBITDA that you saw earlier.

Financing costs are looking to be $200 million higher than 2019 from a combination of 2 things: one, the debt-funded CapEx growth we've talked about. And secondly, we're now recording full interest expense on Line 3 Canada. Remember, that's a $5 billion project. And last year, we capitalized the interest in 2019, we'll be expensing it.

At the bottom, the midpoint of our guidance range is $4.65 per share. We've got a relatively narrow and symmetric 3% guidance range around it, reflecting, I think, the confidence in the business and the predictability of the business model shown. So lots of line-by-line numbers there, don't want to get lost in them but to step back from them. I think the strength in the base business is the main point I'd like to draw out from this. It should show through again in 2020.

Beyond 2020, we see our longer-term growth rate in the 5% to 7% area, as mentioned. 1% to 2% of this growth comes from the optimizations and embedded growth within our core businesses. We also believe we have excellent line of sight to 4% to 5% growth from organic projects, including a ratable rate-base growth, as mentioned, I think, both in Bill's section and Cynthia's.

Longer term, we see these same individual contributors, contributing to an aggregate outcome in about the same quantums, but we're working on project securements today to fill that up.

Lastly, we will increase our annualized dividend by 9.8% effective with our March 1, 2020 payment. This marks our 25th consecutive annual increase. We're proud of the ability to do this and it's consistent with our investor proposition, which is to continually increase income for our shareholders. The 2020 increase reflects a number of things. Most importantly, our multiyear outlook for the business and our confidence in Line 3 and as well the base business strength, which I just emphasized.

Importantly, we also view the performance is highly sustainable and the low-risk business also gives us confidence in making this dividend increase. We are mindful that in our industry, a significant portion of long-term shareholder return comes in the form of the dividend. We've done our own back engineering on our TSR and 2/3 of our total shareholder returns come from our dividends over the last quarter century. So we're mindful of that.

We believe a long-term payout level of cash flow in the area of 65% is appropriate, again, given our low-risk business and also the balance that affords between returning capital to shareholders and reinvesting it. Going forward, we expect dividend growth to roughly follow in pace with DCF per share growth of the 5% to 7%, roughly, while also keeping an eye on our 65% long-term payout target.

So in conclusion, I think the 2 main messages, if you step back from all of this are -- is that we're in a great financial position today and that we've got a self-funded plan to responsibly support the 5% to 7% going forward.

So happy take any residual questions you may have, recognizing lunch is coming.

Linda?

QUESTIONS AND ANSWERS

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

I hate to be standing in front lunch, but to put cleanup questions, it's very helpful update. I'm wondering if you could help us understand the long-term kind of run rate for maintenance activities, some inflationary pressures, your business is growing. There's probably some efficiencies and scale economies that we can think of. So if you can help us first with that long-term assumption. And then secondly, cash taxes. I know it's hard for you guys to predict, it's even harder for us. So can you talk about how that might be trending beyond 2020?

Colin Kenneth Gruending ***Enbridge Inc. - Executive VP & CFO***

Sure. So for maintenance capital, I think all things equal, our maintenance capital budget has been growing every year. It's -- on the surface, it looks flat. We've been selling assets that carry actually quite high maintenance capital. So that's what's keeping it roughly flat in that $1 billion area, but it is otherwise kind of naturally creeping up. I think the teams talked about technology and other efficiencies to keep that kind of unit of work costs down when doing work, and we've done a lot of work on our systems over the years, front-ending a lot of that work, especially in the Liquids system. So I think over the next few years, I'd expect something similar, maybe slowly creeping up on maintenance capital. By the way, I would venture half or slightly more than half of our maintenance capital is recoverable through various rate mechanisms, something to keep in mind.

On cash taxes, our cash taxes are actually relatively resilient and have been. I think we've had some benefits from the SV buy-ins, which has helped keep that relatively low. And you should probably think about the $450 million per year in cash taxes as roughly sustaining through our 3-year plan period. This is how we -- how far we measure it out. Is that helpful? Andrew?

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

Andrew Kuske, Crédit Suisse. I'm calling. Just run with the assumption that you get the Mainline contracted. So does that allow you to take on more leverage in the future? Or on that specific asset base or just issue debt at tighter spreads?

Colin Kenneth Gruending ***Enbridge Inc. - Executive VP & CFO***

I hope we can issue debt even better than we can. So I think it's more -- it creates a bunch of flexibility in the total, which I'm excited about. I think our credit spreads are at industry lows. I think we'd like to be the best credit in the space. And I think we're well on our way.

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

And then one follow-up question. With the flexibility that you've got in the balance sheet, do you foresee the possibility of getting back to earnings guidance in the future as we are -- way back, there was earnings guidance and dividend guidance in the past, now it's all DCF guidance over the last few years?

Colin Kenneth Gruending ***Enbridge Inc. - Executive VP & CFO***

Well, in terms of like which metrics we guide to? Yes, that's a good question. We used to have earnings per share, I think, reflecting probably more of the midstream trend. Over the last 4 or 5 years, we've moved to DCF. We've kept adjusted EBITDA. It's a bit tricky to keep 3 or 4 metrics public. So we'll have to choose the most relevant ones. I think right now -- and we keep an eye on earnings per share. We certainly reported earnings per share. I think from a forward-planning perspective and certainly a dividend paying capacity perspective, we view a cash flow metric is probably the most relevant, but we'll keep an eye on EPS as well.

Benjamin Pham ***BMO Capital Markets Equity Research - Analyst***

It's Ben Pham, BMO Capital Markets. A couple of questions on opportunistic monetizations. Could you remind us noncore, what's in that bucket right now? And then the second question, would you have to contemplate any asset sales and maybe core assets where you just see this massive arbitrage where maybe you sell some minority interest, charge with management fee and surface some value that way?

Colin Kenneth Gruending ***Enbridge Inc. - Executive VP & CFO***

Thanks, Ben. On the first question, opportunistic, smaller noncore asset sales. I think, the first point is most of the portfolio is core at this point. I think the only asset that's not core is probably DCP. We've talked a lot about that, but we're comfortable with its improving fee-for-service model. We do have around the edges though, I would say, a few assets that are $100 million of EV, $300 million, $400 million that will -- are attractive to many. We have -- we probably have been balanced on every asset, to be honest. But -- so we'll -- some of those smaller ones that are around the edges, we'll certainly consider looking at those. In aggregate, they may total $1 billion. So we'll look to recycle capital there where it makes sense.

On the second question around arbitraging the public/private arb. Question was asked in a similar -- maybe slightly different way earlier. I shared with you that there is some opportunity there, but there's a number of factors to consider around complexity, structural subordination, ongoing governance of the asset. But we have looked at those historically, and we continue to do so periodically. I think the key there would be how attractive the arbitrage could be. How attractive could the valuation be.

Robert Kwan ***RBC Dominion Securities - Research Analyst***

Just to follow on kind of that topic, you did mention, historically, the company has been a little bit more of an asset gatherer and that you're increasingly looking at optimizing capital. But given the recent actions were distinctly tied to funding and reducing leverage, is this really as we go forward, just cleaning up the portfolio, those kind of small things up to $1 billion? Or would you be looking at something much more meaningful given the opportunities absolutely seem to be there to monetize at much higher values than where you're trading?

Colin Kenneth Gruending ***Enbridge Inc. - Executive VP & CFO***

You didn't like the answer I gave to Ben's question. Well, I think it can be attractive. It can be attractive. And certainly, our assets could fetch excellent value. It's -- again, it's all those factors together, and the view needs to be worth the climb. I think it's the bottom line. So the valuation needs to be compelling. We are open-minded to it. I think it's fair to say we're not scared of complexity, but we're not going to go looking for it, if you know what I mean.

Robert Kwan ***RBC Dominion Securities - Research Analyst***

But would you undertake a significant monetization in the absence of a need for that capital?

Colin Kenneth Gruending ***Enbridge Inc. - Executive VP & CFO***

The use of proceeds is important, I think. But if the price was ridiculous, I think that would be very tempting.

Robert Kwan ***RBC Dominion Securities - Research Analyst***

Do you want to say what ridiculous might mean to you?

Colin Kenneth Gruending ***Enbridge Inc. - Executive VP & CFO***

You can use your own imagination. I think you've seen a lot of comps out there. Dean?

Dean Highmoor ***Mackenzie Investments Corporation - Director of Investment Research***

It's Dean Highmoor from Mackenzie. I just have a question on your payout ratio. You said that cash flow is a more relevant metric for you than earnings. So how did you come to the 65% level on payout? And why is it not 55% or 75%?

Colin Kenneth Gruending ***Enbridge Inc. - Executive VP & CFO***

Yes. Good question, Dean. So we've -- I think we've carried a relatively healthy payout ratio for some time. I think we've had 65% for a number of years here. There's a variety of factors. We look at -- we'll start with kind of what everybody else is doing, midstream peers, even utility peers. If you look at utilities, I think, on a cash flow basis, they're probably in the 60% to 70% range as well. We think we're utility like. Certainly, the predictability of our cash flow gives us a lot of confidence in sustaining the dividend. Could it be higher? I don't know. We still have lots of reinvestment opportunities to put it into. From your question, I'm not sure which direction you're leaning to. But I think it strikes the right balance for us.

Dean Highmoor ***Mackenzie Investments Corporation - Director of Investment Research***

Okay. So we wouldn't see any movement of that payout target one way or the other then, based on that comment?

Colin Kenneth Gruending ***Enbridge Inc. - Executive VP & CFO***

Agree. Yes, we think 65% is about right. When Line 3 comes in, I think that will allow us some cash flow payout headroom to potentially inch it back to 65% or towards 65%. But I don't see a step change either direction in the near term.

Nafeesa Kassam ***Enbridge Inc. - Director of IR***

We've time for one last question.

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

Rob Hope, Scotiabank. Assuming Line 3 entered service and you dip below that 4.5x debt to EBITDA, how do you weigh remaining below 4.5x debt to EBITDA versus keeping your powder dry versus buying back shares at where your valuation is?

Colin Kenneth Gruending ***Enbridge Inc. - Executive VP & CFO***

Yes, that's a -- it's going to be -- it depends is the answer, right, on all the factors, right? What opportunities we have in front of us, where the share price is at, what other strategic ambitions we have. Certainly, we want to maintain some financial flexibility always. That's just a tenant of our mindset. So I'm hesitant to say, if we've a little bit of financial capacity, we're going to go and do a $1 billion buyback just to make it perfect from an equity shareholder perspective. It's going to be sustainable. So I'd always like to keep some buffer on the balance sheet. Now below 4.5x, that all kinds of options at that point, right?

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

And then, I guess, as a follow-up. When you're looking at that 4.5x to 5x range, it would seem that the target's more towards that 4.5x.

Colin Kenneth Gruending ***Enbridge Inc. - Executive VP & CFO***

Not to raise for a reason. I mean, it will ebb and flow within it. Hopefully, you're picking up a vibe of conservatism generally, but will there be opportunities to secure that will take us towards the top? I would say -- I used to say comfortably below 5, probably too many words. But I would say, for practical planning purposes in our own minds, like 4.8 is probably the warning track personally.

All right. I think that's off to Al.

Al Monaco ***Enbridge Inc. - President, CEO & Director***

Thanks, Colin. Well, if you're ever wondering if we had a gatekeeper in the company around the investment review process, I think you just heard from him. And since Bill and Guy and Matthew on the power side will certainly vouch for that, there's a process. And as you can see, it's fairly lengthy and disciplined.

I'll just say a few things before we wrap up here. Hopefully, as I said at the very beginning, you come away with these 3 messages: resilience, discipline and growth. And we could see it at the corporate level, and I could talk about it, but I think that you got that feeling with all of the 3 big core businesses. One theme, I hope, you took away as well was we've adapted to this environment. On the growth side, it's not just about growth. We're focused on expansion, extension and optimizing of the existing base. That will be very capital efficient. On capital allocation: number one, preserve financial flexibility. I think you got that message, again, from the CFO, return capital in a ratable way, in a sustainable way, and then organic growth, to extend that growth rate well into the future. We had a lot of discussion today and glad we got a number of questions on ESG. We do really feel this is a differentiator in our businesses.

Now, we've had a lot of challenges and a lot of headlines in the industry and ourselves as well, but we are getting things done. And it's because of one reason. We need the skill set that really is able to manage in this kind of environment that we're in. Yes, there's been some headlines this year and last year that indigenous successes have been prominent too which you don't hear as much about you heard around Line 3, around that opportunity that was a fantastic outcome. Emissions reductions and setting targets, which we're doing. You heard Bill's comment that the FERC made about construction on NEXUS. These people don't give away those comments gratuitously. And then he added, of course, as butterflies, which I thought was the highlight of his presentation.

And of course, renewable natural gas and renewables generally. We, we think, are at the forefront on ESG. On the U.S. Gulf Coast strategy, I think, this really exemplified a lot of what we said today about capital efficiency, provides a growth opportunity, but it's doing so in a very capital-efficient way. It's using a great partner with us, where we both bring something to the table, and it's really establishing the value chain. If you look at that Liquids map and what it was 5, 6, 7 years ago, there was nothing on the Gulf Coast. And now I think we've got a very credible strategy to really capitalize on exports. And exports was the theme and not just on the Liquids side, but Bill talked about it a lot on his business and lots of good things going on, on LNG exports, on the pipe side for us.

I should just mention, and back on the Liquids export strategy, one of the architects of that is Phil Anderson. Phil, just stand up for a moment, please. So Phil is one of our imports. He saw the light and came to Enbridge, I don't know about a couple -- or 1 year ago, I guess, somewhere like that. So he's running the Gulf Coast strategy out of Houston.

Line 3, I think we've talked about that enough, but I think the EIS work now being concluded and reestablished and reaffirmed, that's positive. And the fact that the PUC will handle the comment process related to the EIS, the certificate in the routing permit, I think, is a good sign.

And then in terms of growth, there's really 2 things, 2 periods of time. In the next 3 years, we've got very visible growth to the -- visibility to the 5% to 7% on growth from optimizing the base and the secured capital projects. Beyond that, it becomes optimizing the base and then newly secured projects. And you saw a pretty darn good inventory of all of those that we're working on.

That was it for today. As you saw, hopefully, we conveyed the strength of this team. I'm very proud of the group. They're doing a fantastic job, getting through a very challenging environment.

Lastly, we want to give thanks to Jon Gould who's not here today, he's back in Calgary holding down the fort. Jon looked after Investor

Relations for a number of years, as you know, and we want to recognize him for his good work. IR jobs can be challenging when prices are going the wrong way, and you don't get much credit when they're going up. So great job by Jonathan Gould and providing transparency -- further transparency to our opportunity set to all of you.

So thank you for joining us, and we look forward to seeing you over lunch. Thank you.