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## PRESENTATION

### Operator

Good morning, ladies and gentlemen. Welcome to the Enbridge Inc. 2014 third-quarter financial results conference call. I would now like to turn the meeting over to Adam McKnight, Director, Investor Relations.

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### Adam McKnight - Enbridge Inc. - Director, IR

Thank you, Alexandra. Good morning, and welcome to Enbridge Inc.'s third quarter of 2014 earnings call. With me this morning are Al Monaco, President and CEO; John Whelen, Executive Vice President and CFO; Richard Bird, Executive Vice President, Corporate Development; Guy Jarvis, President, Liquids Pipelines; Leigh Kelln, Vice President, Investor Relations and Enterprise Risk; and Chris Johnston, VP and Controller.

This call is webcast, and I encourage those listening on the phone lines to view the supporting slides, which are available on our website. A replay and podcast of the call will be available later today, and a transcript will be posted to our website shortly thereafter.

The Q&A format will be the same as always. We'll take questions from the analyst community first, then invite questions from the media. I would also remind you that Leigh and I will be available after the call for any follow-up questions that you may have.

Before we begin, I'd like to point out that we may refer to forward-looking information during the call. By its nature, this information applies certain assumptions and expectations about future outcomes, so we remind you -- it is subject to the risks and uncertainties affecting every business, including ours.

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



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

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

Good morning, everyone, and thanks for joining us. This is just the agenda here on slide 3.

I'm going to begin with the highlights of the third-quarter results. Then I'm going to recap our five-year capital investment plan, the status of the projects that we have in execution, and then recent sponsored vehicle developments.

John Whelen will then take you through the financial results and update our funding plan that supports that capital program. Then I'll come back and wrap up with our longer-term outlook.

Before we do that -- and now we're on to slide 4 -- with the equity market volatility we've seen recently, I'd like to reiterate the sustainability of our business model. It starts with commercial structures that minimize throughput and capital cost risk and executing well on major projects, then closely managing financial risks and maintaining a strong balance sheet. We are selective about the opportunities we go after, and our investment review process ensures we are allocating capital to the best projects.

As you can see from the top chart there, that model drives growing and predictable earnings within a tight guidance range, along with substantial dividend growth. The transparency and predictability of results has generated superior returns to shareholders over the long-term through various market cycles.

Before I leave this, it's that solid business model combined with our focus on operations and sustainability that has earned us a spot on the Dow Jones Sustainability Index, where we're one of only three energy companies on the World Index and 1 of 11 Canadian companies of 319 in the Index. Companies in this Index have a track record of creating shareholder value not just through economic growth, but environmental and sourceful performance.

Turning now to slide 5 -- it was a solid quarter, with adjusted earnings coming in at CAD345 million or CAD0.41 a share. That brings our year-to-date numbers to CAD1.165 billion or CAD1.41 per share, up CAD93 million over last year. The results are pretty much in line with where we expected to be, and we've seen good year-over-year growth in most of the areas of our business.

With a strong quarter now under our belt, we are now solidly on track to come in within our full-year EPS guidance range of CAD1.84 to CAD2.04 per share. John is going to provide more color on the results and the usual look at the full-year headwinds and tailwinds.

So turning now to our updates on slide 6 -- some of you will no doubt recognize this chart. Just last month, our annual investor day happened. We announced our five-year plan there, and we highlighted that with a record capital investment program of CAD44 billion. Despite having rolled forward the plan by two years since 2012, we've increased the backlog by CAD9 billion, as you see on that bar chart on the right.

More importantly, three-quarters of that, or CAD33 billion, is commercially secured and in execution today. That's a CAD15 billion increase in secured projects in the last two years, which certainly will secure our future for many years going forward.

This program will drive out 10% to 12% average annual EPS growth through 2018. And the vast majority of that 10% to 12% is driven by secured portion of the capital program, so we're not reliant on projects on the drawing board to deliver superior growth.

So moving now to slide 7 -- this picture captures the projects that we have completed this year or just about there on, and the check-marked ones here are the completed ones to date. All in, almost CAD10 billion of capital. These projects will contribute nicely in 2015, but we also expect another CAD8 billion-plus to go into service next year. I'll come back to those after John goes through his remarks. The point is that we'll see strong earnings and cash flow momentum through the next two years as we execute the capital program.



Let me just highlight a couple of points, though, on this picture. Perhaps the most critical to industry is our CAD5.4 billion Gulf Coast access program. That's the one, hopefully in green, on your chart there that you see.

With the completion of Seaway in July and Flanagan South in September, we've now flanged up the first large-volume, full-path solution for Canadian crude to the Gulf. We're in the process of line-filling Flanagan South right now, so we should see heavy Canadian barrels land at Jones Creek, Texas, sometime in the beginning of December. This is a big milestone for Enbridge and our customers, because it connects Canadian heavy barrels with scale to the largest refining center in the world. We've already seen the benefits of this conduit, with improved netback pricing for Canadian producers.

Just a bit more color on this: Seaway volumes are going to have access to 4 million barrels per day in that refining market where it delivers into, and Seaway barrels will have access as well to the ECHO Terminal downstream at Jones Creek, where they can be shipped to one of nine refiners Houston, Texas, city area, or to one of four refineries at Port Arthur. And the facilities at Freeport and Houston provide access to tidewater, as well.

Our Line 6B replacement project -- that's the one in blue on the chart here -- it was completed in September. 6B is a key component of the CAD3 billion-plus Eastern access program, which provides much-needed capacity downstream at Chicago and into the Upper Midwest and Ontario.

The other key part of Eastern access is the Line 9 reversal and expansion; I'll come back to that in just a few seconds here. On the regional oilsands strategy, though, the Norealis line is ready for service. So that's now generating revenue.

And lastly, we increased our ownership in the Lac Alfred and Massif du Sud windfarms in Quebec. That acquisition provides immediate earnings and increases our renewable portfolio to 1,500 megawatts of generation.

Turning to slide 8 and our Line 9 project -- just for a bit of context first, Line 9 is going to allow Eastern Canadian refiners to access low-cost, light oil feedstock. This will ensure the sustainability of Quebec refineries, a huge petrochemical complex, and thousands of jobs. And it provides a crucial market access conduit for Western Canadian producers.

After a very thorough public consultation and regulatory review, we received NEB approval last March. That approval, as you know, was subject to a number of tough conditions that we needed to meet before we could start the line in eastbound service. We worked very hard to satisfy those conditions, and the fieldwork is now done.

As you know, though, by now, the NEB told us in, I would say, some pretty blunt terms that we needed to provide more information on one of those conditions, which has to do with the placement of isolation valves. Since we received the NEB's directive, we've taken a hard look at what we had done technically and how we addressed the condition with the NEB.

It's clear from our second look that we should have done a much better job of explaining our approach to the placement of valves along the route. And the NEB, I think, was right to question us on it. Two weeks ago we submitted a comprehensive report to the NEB on that condition, which is public information, so feel free to go through that.

Our understanding is that the Board is reviewing that submission now. As far as we can begin operating the line -- I know that's probably a question on your mind -- we won't be able to determine that until the NEB concludes its work. That's the status of where we are at with Line 9. But before I leave that, let me make some comments on our overall approach to that project, because I think it's important to review that.

In our view we've taken a very rigorous approach and a conservative one to the entire project. Although we believe not only have we met but exceeded the requirements, it's up to the NEB to assess whether we've met that mark. And we respect the process they need to go through to make that assessment. That's been the strength of the regulatory process in Canada for decades, and it's what the public relies on to ensure the industry is held to the highest standards.

From day one on this project, we've strived to ensure we do everything practical to minimize the risk, particularly with respect to water crossings and other high-consequence areas. That's why we ourselves committed to adding 17 new remote control isolation valves, bringing the total to 62

along the route. That's a 40% increase in the remote control valves. And it's also why we carefully reviewed every single one of the 329 water crossings along Line 9, not just those in high-consequence areas.

One last thing on this: the isolation valves are just one of several layers of protection we've committed to. Namely, prevention, like integrity management and the Dig program, which has been very expensive; ongoing monitoring of the line; leak detection systems; and enhanced emergency response commitments above what's required. We've gone beyond what's required as well in those areas because that's how we are measuring ourselves in this environment, and we know that's what the public expects of us.

So turning to slide 9 now and the two pie charts that provide the snapshot of where we're at in executing the overall capital program -- we've got 27 projects in execution right now, totaling CAD27 billion. And as you can see, we are on track with most of those.

At the same time, though, there's no doubt that our industry is experiencing a challenging environment to permit and complete these projects. That's because of the increased scrutiny on energy projects generally, which requires more time to work through the process and address the concerns of the landowners and the general public. It's our job, though, to manage through these issues, which is why having a major projects competency is a critical part of our business.

As I said before, we are going to encounter challenges. Not everything is going to go perfectly, and that's the nature of executing projects today. But we are very comfortable that we've got the skills and resources to manage in this environment.

Moving to slide 10, which ties together my comments on Line 9 and major projects execution: ultimately, in our business the ability to execute projects and maintain public trust depends on good performance. And that's why the number-one priority of this Company is safety and operational reliability of our systems.

In October, we released our second annual operational reliability report which provides an open and transparent view of our Company's safety and environmental performance, but it also gives some good background on how exactly we're doing that. I think we're making excellent progress as well on our operational risk management program, moving closer to our goal of industry leadership.

Before I turn it over to John, let me recap our recent progress on our sponsored vehicle strategy. Enbridge Income Fund and Enbridge Energy Partners, or EEP, play an important part in minimizing our overall cost of capital at Enbridge, providing equity for our reinvestment and maximizing the value of our strong cash-generating assets within our Group.

With respect to Enbridge Income Fund, or the Fund, you can see its valuation has grown nicely over the past couple of years. So it's an attractive vehicle for sure for Enbridge to monetize assets.

In September, we announced a CAD1.8 billion drop-down of the US portion of Alliance Pipeline and our investment of Southern Lights into the Fund. That drop generates an economic gain for Enbridge, releases about CAD300 million of equity, and increases incentive earnings. At the same time, it enabled a 12% increase in distributions for Fund owners. So it's truly a win-win transaction.

The takeaway from all of this is our intention to make greater use of the Fund going forward. EEP's valuation -- now, this our US MLP -- has improved considerably, as well, since last year. One of the key objectives has been to reestablish EEP as an effective sponsored vehicle. I think you've heard me say this before.

To support that goal, we undertook a number of actions, including a restructuring of the general partner incentive mechanism and joint funding arrangements, as well as some other items. That's allowed us to accelerate a proposed drop-down of our two-thirds interest in the US segment of Clipper for about CAD900 million. And as you know, Clipper is a strong cash-generating asset, and the deal will be accretive to EEP's distributable cash flow.

We've also structured this initial drop-down so that EEP requires no public equity. We think there's more room to improve on EEP's valuation, but this drop-down certainly gets the ball rolling.

To close on this, these two transactions highlight the important and expanded role that these sponsored vehicles play for us going forward. And, of course, we have a large inventory of assets that's available for drop-down, which now exceeds CAD24 billion. That backlog obviously provides a good opportunity to capitalize on the effectiveness of these vehicles.

So with that, let me turn it over to John to discuss this quarter's results.

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

Well, thanks, Al, and good morning everyone. I'll pick up on slide 12 with a little more detail on our financial performance this quarter. Adjusted earnings came in at CAD345 million, about CAD67 million higher than the third quarter of last year. This was roughly in line with our overall expectations, but not without some puts and takes among the individual business units.

In liquids pipelines, we had another strong quarter. Earnings for this segment were up CAD34 million over the third quarter of last year, reflecting solid performance from a number of assets. The mainline delivered record volumes during the quarter. Throughput average is a little over 2 billion barrels per day ex-Gretna, although the quarter-over-quarter impact was muted somewhat by a lower Canadian IGT residual benchmark toll; higher power depreciation and operating expenses quarter over quarter; and the absence of revenue from Line 9, which remains idle, pending commencement of reversed operations.

Performance from the mainline was ahead of expectations at the nine-month mark. And while we do expect that volumes and toll revenue in the fourth quarter could taper a little, mainline earnings are still on track to come in solidly ahead of expectations for the full year.

Regional oil sands were also up over the third quarter of last year, driven primarily by earnings from the Norealis Pipeline, which went into service in April of this year; and higher throughput on the Athabasca Pipeline. Seaway was also up, largely due to a change in the way we recognize take-or-pay toll revenue in our adjusted earnings. And we also got higher contribution from our feeder pipelines. Generally, the combined performance of these other subsegments within liquids thus far in 2014 has been in line with our expectations.

In our gas distribution segment, earnings increased by CAD20 million relative to the third quarter of last year. Earnings for this quarter reflected the impact of the Ontario Energy Board's approval of the Enbridge Gas Distribution's customized IR plan. We had been accruing revenue through the first two quarters based on last year's toll pending this decision. As anticipated, the rate order issued by the OEB resulted in a toll refund to customers in the third quarter. However, the negative impact of the refund was more than offset by lower depreciation charges related to site restoration costs, which were also addressed in the OEB's decision.

Quarter-over-quarter results are also distorted by the fact that we corrected for an accounting error at EGD in the third quarter of last year. Our gas LDC business is seasonal, and typically it records a loss in the third quarter. Ignoring last year's correction, the loss recorded in the third quarter of 2014 was actually about \$6 million lower than the prior year.

On balance, we are very pleased with the outcome of the decision. And EGD's full-year earnings are currently on track to come in close to those achieved last year, which is what we anticipated in our original guidance.

Gas pipelines, processing, and energy service continued to underperform in the third quarter, both relative to last year and to expectations. Volumes at Aux Sable were higher, but this was more than offset by weaker fractionation margins and somewhat higher operating costs. Green Power was also down somewhat on weaker wind resources.

These negative results were partly offset by stronger performance from our onshore and offshore transmission pipes, but the major factor in the substantial decline in the contribution from this segment both quarter over quarter and year to date has been the performance of our energy services business.



As I noted last quarter, when we developed our 2014 guidance, we had anticipated a decline in energy services compared to the strong 2013 performance. However, differentials and opportunities to lock in attractive margins have generally proven to be even less favorable than anticipated and have resulted in unrecovered demand charges in certain markets where we have retained committed transportation capacity.

These market dynamics continued through the third quarter, and we expect them to prevail through the balance of the year. Accordingly, we continue to have energy services tracking below expectations for the full year.

Sponsored investments had a very strong quarter, delivering incremental CAD40 million in adjusted earnings relative to Q3 of last year. The quarter-over-quarter earnings growth was primarily driven by a higher contribution from Enbridge Energy Partners and from our investments in the US liquids expansion projects that we jointly fund with EEP.

The growth in EEP's contribution resulted from the very strong performance of its liquids pipelines for the impact of record volumes and higher tolls in the liquids system, as well as growing utilization of the recently expanded North Dakota system, more than offset weaker results in its natural gas gathering and processing business.

The higher contribution from our joint funding investments in US mainline expansion projects was primarily driven by the completion of the first phase of the Eastern access project in April of this year and improved performance from the US portion of Alberta Clipper. You will recall that we currently have a 75% direct interest in Eastern access and a 67% interest in Alberta Clipper through our joint funding arrangements with EEP.

Also within sponsored investments, the contribution from the income fund was down slightly quarter over quarter due to higher taxes at the corporate level. However, the fund's contribution year-to-date is very much on track. All in all, our sponsored vehicles have performed as expected on a year-to-date basis and are on track to meet expectations for the full year.

Finally, in corporate, we saw slight uptick. Noverco's contribution was pretty much in line with the third quarter of last year. And interest expense, net of intercompany interest income from our business segments, was lower; however, that was offset a little by higher preferred dividends that we paid during the quarter.

So turning to slide 13 and the outlook for the full year -- 10 months along, we look to be tracking fairly closely to expectations. And we continue to see adjusted earnings falling within our full-year guidance range of CAD1.84 to CAD2.04 per share, albeit with some headwinds and tailwinds from different business.

Continuing to provide a strong tailwind are increased volumes on our mainline and Alberta regional liquids pipeline systems. Improving supply and demand fundamentals combined with the impact of system optimization initiatives on our mainline has generated a strong ramp-up in throughput year to date, which we expect to be substantially sustained over the balance of the year, and in which, in combination with lower O&A expense, will deliver mainline earnings in excess of expectations. Dampening this effect somewhat is the in-service delay on Line 9 that AI discussed earlier.

On the other hand, we do see growing headwinds and expect that the strong overall performance of liquids pipelines will be offset by the much weaker-than-anticipated performance from energy services, and to a lesser degree by the dilutive impact of the common equity that we issued back in Q2 to help de-risk our funding program.

Moving on to slide 14 -- with all of the turbulence that we have seen in the commodity and financial markets of late, as AI mentioned, I thought it would be timely to remind investors of our conservative approach to risk management. AI talked about our reliable business model earlier on the call. That model requires that we systematically hedge controllable risks to minimize earnings and cash flow volatility.

As you can see on this slide, we have substantially hedged exposure to interest rates and foreign exchange rates well into the future. We have ramped up our FX hedgings since Enbridge days, and currently about 77% of our exposure to the US dollar over the next five years is hedged at an average forward rate a little above 1.06 Canadian dollar per US dollar.



About 69% of our projected floating-rate debt exposure over the next five years has also been hedged at an average forward swap rate of about 1.5%. And about 88% of our plan term debt issues have also been hedged using forward start swaps at an average benchmark rate of about 3.6%. As I emphasized at Enbridge days, we'll continue to proactively manage any material market price exposures, including commodity price risk, and ensure they don't meaningfully impact our financial performance going forward.

And while we have been managing risk inherent in our business, we have also continued to make very strong progress on the funding side. As you can see on slide 15, year to date we've raised close to CAD8 billion in permanent capital in addition to securing CAD0.5 billion of bank credit.

We've diversified and deepened our funding sources, as evidenced by the variety of markets that we successfully tapped in 2014 thus far. We continue to see strong appetite for our debt and equity securities, and our ability to access a variety of markets in different jurisdictions has further increased our funding flexibility and helped optimize our cost of capital.

We also continue to maintain a very significant amount of liquidity in the form of committed standby lines of credit, which will be available in the event that capital market volatility becomes more pronounced and affects our ability to access long-term capital on reasonable terms. As you can see on this slide, we currently have more than CAD11 billion of available liquidity to fall back on if need be.

Turning to our longer-term funding plan, slide 16 sets out our sources and uses of funds using the waterfall format we've been using of late. It depicts the funding requirements for Enbridge Inc over the next five years based on the update to our long-range plan that we presented last month at Enbridge days. It does exclude any financing required by our sponsored vehicles. You can see on this slide the base plan calls for us to raise close to CAD16 billion in new long-term debt and a little over CAD6 billion of equity over a five-year period.

On the debt side, we have already made great progress, having issued about CAD5.5 billion of term debt and CAD1.4 billion of rate reset preferred shares so far this year. In accordance with rating agency guidelines, we have credited 50% of preferred share capital to the debt requirement, and the other 50% to equity. We also plan to take another big bite of the debt requirement shortly after Enbridge Income Fund drop-down closes, when the Fund is expected to repay the bridge funding Enbridge Inc. provided for the drop-down with the proceeds of term debt offering of its own.

On the equity side, we're also making very good progress. To date, we've already raised about CAD1.5 billion of equity or equity equivalents through the issuance of common shares, preferred shares, and through the sale of assets to Enbridge Income Fund. As noted at Enbridge day, after taking into account the equity that will be raised through our DRIP program, that leaves only CAD1.9 billion of equity to raise in support of our five-year growth plan, which we believe is very manageable.

So moving on to slide 17 -- and as we also discussed at Enbridge day, we do have plenty of alternative sources of equity that we can draw upon as required. As you can see on slide 17, we've identified about CAD4.5 billion of readily available alternative equity sources, which substantially exceeds the remaining CAD1.9 billion requirement included in our base plan and provides further opportunity to enhance our overall cost of capital.

And with that, I'll turn you back to AI for some closing remarks.

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

Okay, thanks, John. I'm going to conclude with our longer-term outlook. And this is now on slide 18.

Earlier on, we looked at the CAD10 billion or so of projects placed into service or coming into service here shortly this year. The slide here on 18 captures the projects we are expecting to complete in 2015, so another CAD8 billion or so. I'm not going to go through this entire list, but as you can see, the projects are spread across a number of areas: so regional and market access initiatives, gas pipes, gas distribution, and power generation. These projects are going to build on the momentum we see next year with earnings growth in 2016.

Slide 9 (sic - slide 19) shows how all of this comes together in our financial outlook. This is not going to be news to most of you, but it does bear repeating. Our CAD44 billion capital program generates what we believe is an exceptional 10% to 12% average annual EPS growth rate through 2018. The vast majority of that is driven by secured projects that are in execution today, including the ones that we just went through.

And the nature of that growth fits squarely within our value proposition. It's organic. It follows the business model I alluded to at the beginning of the call.

Of course, we can't be specific about post-2018 growth at this point, but what's clear is that we have several sources of future earnings potential. Most important, a highly visible component of growth today is the tilted return profile embedded within some CAD20 billion of capital investments in execution. More visibly today is further optimizing the use of our sponsored vehicles. We went through that. And we will hopefully see contributions from new growth platforms and as increasing our focus on natural gas.

We usually conclude these calls with our dividend outlook. But before I do that, let me recap how we assess the dividend payout policy, since there's been a good deal of discussion on that topic in the market recently.

Now, we covered this in some depth at Enbridge day, so I'll just hit the highlights here. This is now on slide 20, where we're showing the key dividend payout considerations and how we balance those factors in our thinking about dividend payout.

The primary driver has been the magnitude of our capital program -- so CAD44 billion -- and the fact that it's entirely organic. So unlike an acquisition-based program that we can be turning off or delayed, our organic program comes with hard obligations. Ensuring that we can fund that program is critical, because it drives the bulk of value creation for us over the next five years and beyond. And we think that's unique in our business.

So this and the size of the program argues for a more conservative payout, and that's the three downward arrows that you see. On the other hand, we expect to see rising internal free cash, a 25% CAGR in free cash flow per share over our five-year planning horizon through 2018. That stems from both new projects going into service and lower maintenance capital going forward. So this drives an upward bias in the payout, because it reduces our external funding requirements.

On that note, we've made good progress on equity funding. As John described, net of the DRIP program, we now have less than CAD2 billion of equity remaining to fund externally. And that's very manageable for an enterprise of our size.

We also have access to a number of low-cost sources of capital, including sponsored vehicle drop-downs. Good progress, then, in de-risking the overall funding plan. So two upward arrows for both of those equity funding factors.

So these are the things that we think about when determining the right dividend payout for our specific circumstances. So with that, I'll wrap up with our high-level dividend outlook on slide 21. Based on our five-year plan -- and our current dividend policy is 60% to 70% of earnings -- dividends should track our forecast EPS growth rate of 10% to 12%. You can think of this slide here as our base case outlook through 2018.

After 2018 we could see significant surplus free cash, enabling us to further elevate dividend growth. And as I said before, that will depend on the size and quality of our capital investment opportunities that we see at that time and how they fit within that business model I described earlier.

Within our five-year planning horizon through 2018, there may be an opportunity to accelerate dividend growth. That will depend on those dividend payout considerations that I just discussed.

So that concludes the formal part of the call. Now let's turn it back over to the operator for the Q&A session.



## QUESTIONS AND ANSWERS

### Operator

(Operator Instructions) Paul Lechem, CIBC.

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### Paul Lechem - CIBC World Markets - Analyst

First question just on the mainline, the IJT residual toll split down to CAD1.53 now for Enbridge Inc. Just wondering -- maybe, John, you can give us a sense of -- is this now bottoming out? Can you give us some thoughts about how we should view the trend of the IJT residual toll, the split towards Enbridge Inc. over the next year or so?

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

I think we are going to get Guy to take that one.

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

Yes, Paul, so I think we're certainly seeing a bit of a bottom in this year, and we would expect going forward generally to start seeing some improvements. It will through this next period of time, when we are bringing in some pretty substantial investments on the EEP side as well, have a bit of lumpiness. But I think the general direction of our expectation is with the strong volumes and that new capital coming in, we'll begin to continue to recognize more revenue on the Canadian side of that tolling mechanism.

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### Paul Lechem - CIBC World Markets - Analyst

Okay. So the bottom --

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

Maybe just to supplement that: I don't think what we are seeing this year in terms of the residual toll is surprising to us at all. We certainly bake in the capital at EEP into the plan, and so we are pretty confident in the profile of that toll. So I guess my point is, Paul, that it's pretty much baked into our plan. And we are not seeing any variance from that -- substantial variance, at least, at this point.

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### Paul Lechem - CIBC World Markets - Analyst

Okay. Should CAD1.53 -- should we view that as a bottom in terms of the split in your favor?

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

I guess maybe we're just trying to figure out with the detail is here. Just one moment, Paul.

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

That looks like a safe assumption.

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

Okay, just maybe a quick question on your commentary on Gateway. You have received an update in terms of the cost estimate. I realize you don't want to give specifics here.

Can you give us anything in terms of an order of magnitude -- how much higher it might've been over last published numbers? And can you remind us, again, on cost-sharing mechanism with the shippers and what this implies to your returns on the line? Thank you.

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

Okay. Well, we won't get specific about the numbers, nor the order of magnitude. I think, though, Paul, we've been pretty clear to say that it's going to be significantly higher.

There are number of reasons for that, including the fact that we've obviously seen quite a delay in terms of the regulatory process, and that always adds to costs -- along with more detailed estimation relative to a very preliminary estimate that we had when we filed the application. So I think maybe all the we can say at this point is we are going through those costs right now with our funding participants, who would be shippers on the line.

And there's really not much more to add at this point. Obviously, in terms of our return, the commercial underpinning of this would be such that we may end up taking some capital cost risk. But we really haven't pinpointed what that outlook is going to be, because the Class III estimate needs to be finalized with the shippers before we can proceed.

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

Okay, thanks.

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**Operator**

Carl Kirst, BMO capital.

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**Carl Kirst** - *BMO Capital Markets - Analyst*

If I could, maybe just a couple of questions on Line 9, understanding there's a lot of uncertainty. I just want to make sure I understand from, I guess, a road sign. Is the gating factor of knowing the extent of the delay basically just waiting to hear back from the NEB -- whether they have additional information requests?

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

Yes. I mean, Guy can add on to this, but essentially it's in the NEB shop right now. As I mentioned, we have a pretty detailed report to them. We understand they are looking it over, and so we are waiting to hear some feedback from that process.

But we do understand they are looking at it pretty carefully right now. Anything you can add on that, Guy?

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

Yes, nothing to add.

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

Okay.

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**Carl Kirst** - BMO Capital Markets - Analyst

And inasmuch as it's mechanically complete, once they are satisfied with the conditions, presumably that project could come into service relatively quickly?

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

Well, let's put it this way: we are ready to roll. We don't want to presume what the National Energy Board is going to say. Obviously, they have to carry out their diligence. But from our perspective, Carl, there's nothing really left to do from a physical point of view.

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**Carl Kirst** - BMO Capital Markets - Analyst

Understood. And one last question, if I could, then, on it is just with respect to Line 9 essentially being idled since late 2013. Is there a range of either opportunity costs or impact -- i.e., had the project been flowing for all of 2014, or even just in the last quarter, what the impact otherwise would have been?

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

Well, I'm not sure if that's quite the right way to look at it. We always intended for the line to come out of service. And we were anticipating, I guess, probably the end of October to be in service.

So I think the way that we would look at it is what is the revenue or the net earnings that would come about from the project being in service? And I think you guys probably have a number that's been affected, I guess, in terms of earnings from not having Line 9 in service. Is that -- do you guys have something like that handy?

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

Yes, so, I think if you look at the demand charges themselves on Line 9, I think that impact could only be, like, CAD5 million or something like that. Because our system is so full, we see the impact of the delay not being significant on the mainline and the balance of our business as other markets absorb the volumes in the short term.

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**Carl Kirst** - BMO Capital Markets - Analyst

Understood. Great, I'll jump back in queue. Thank you.

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

Okay, thanks, Carl.

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**Operator**

Matthew Akman, Scotiabank.

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**Matthew Akman - Scotiabank - Analyst**

Staying with Line 9, Al, I think your comments on the introduction almost adjusts the need for a slightly different process in going through the approval stages of these types of projects. And I'm wondering if that's why you're thinking -- and kind of some of the lessons learned. It seems like sort of business as usual, even though, obviously, the Company was very careful in its study of this. In the way it related to the NEB or maybe didn't relate to the NEB, what has to change going forward?

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

Okay, well, maybe let me just clarify something first, though, Matthew. If you go back, as we've been working on this through various means over the last two years -- and that has been a very rigorous process. So I guess my point is we've actually learned much before today, and before this particular issue arose, on what it takes. And the amount of consultation, the amount of community engagement that we had on the project -- and there's a number of things that we committed to in the project that arose because of that community engagement.

The work that the regulator did here was exceptional in terms of the amount and the thoroughness that which they went through it. I think when we responded to the conditions, we did so very fulsome -- in a fulsome way.

So I'm pleased that the Company has actually learned over the last two to three years how to manage in a very difficult environment. I think in this particular case, it was pretty clear that, on reflection, when we looked at our response to the condition, we probably focused too much on various technical aspects in our response. And we really needed to go to the essence of what was being asked, which was to rationalize why we had our valves located in the right place. So that's how I would think about it.

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**Matthew Akman - Scotiabank - Analyst**

So it's more of a -- I mean, I read the documentation. There was obviously a tremendous amount of study that went behind it. So it feels like more of a communication issue in the process?

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

Well, that's our view. And I don't want to minimize that, because I think the NEB was certainly right, as I said, to ask us about this and ask us to rationalize it further. So we did that, and I think it's a pretty fulsome response.

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**Matthew Akman - Scotiabank - Analyst**

And I guess just as supplementary -- there's a note in the MD&A that talks about discussions with shippers on cost recovery for some of the cost overruns. If there are any further cost overruns as a result of this -- of the valve installations, will that be subject to those discussions, as well?

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

Well, I guess, assuming there's something else to do. I'm not sure that that would be significant in any case in terms of cost, but maybe, Guy, you can tell us where you are on that status of the discussions?

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

Well, again, we haven't been entering into any discussions with the shippers about this letter from the NEB at this point in time, because, again, they sought more information; and we've provided; and we're still confident in our approach. I guess depending on what the ultimate outcome of the Board's review is and what that means for the project, we would have to review our agreements and understand how that would play out. But at this stage of the game, there's no plan.

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**Matthew Akman** - *Scotiabank - Analyst*

Okay, thank you, those are my questions.

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

Thanks, Matthew.

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**Operator**

Robert Kwan, RBC Capital Markets.

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

I guess if I can come back to the topic of the day, Line 9 -- I know the timing is uncertain here, but if I can just get a sense of the goalposts here. So you filed the information request with the NEB. And I guess, based on their guidance, that the inside date would be that three-month period between your filing and the leave to open. Is that kind of the inside date?

And then the outside date would be if they come back and ask for a bunch of new valves -- I guess the time it would take for you to reevaluate a bunch of the water crossings, order new valves, and then install them. Is that the way we should think about a potential time frame here?

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

Yes, Guy?

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

Yes, so I think they did establish the 90-day limitation within their letter. And given the amount of evidence that's already on the record on this subject, we are hopeful that while they have the right to take those 90 days, that they may be able to rule on it sooner than that.

Going to your next question around the issue of what's the outside date, that's hard to predict, because, again, we don't know what it is that might be asked of us. And depending on what they ask of us, the biggest issue we've identified in terms of landing on that date is not access to the valves; it's not doing the work; it's the required permitting that goes around the installation of the valves themselves.

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

Yes. And just to reiterate, I think that's pretty much in the too early and speculative category at this point. I mean, if you read the NEB's letter, it was very clear that they were asking us for more information, as we've already said. We have provided it. So hopefully can move forward at a reasonable pace here.

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

Okay. Just my other question here relates to mainline volumes, which were up nicely here in the quarter and look like they were about where they exited Q2. Just wondering, with some of the apportionments notices we are seeing, do you see any constraints on the mainline system leaving Alberta caused by physical market access as you come out of Midwest?

And I guess what I'm wondering is with the line fill that's going on for Flanagan South, once that's placed into service, does that have the ability to pull additional volume down the mainline? Or should we just more think about it as providing the existing shippers with potential to get the higher netback in the Gulf Coast for the heavy?

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

I think the way that we are approaching it is -- in a normal scenario, the answer to your question is probably no. It's going to be -- the market will drive how the volumes line up and flow on our system.

The real benefit that we do see of having Flanagan South there is during the circumstances where some of the on-system refiners maybe are having some difficulties that aren't allowing them to take as much crude or take their crude as scheduled, having the Flanagan South outlet there provides industry and ourselves a much better effort to keep the throughput high on the mainline and redirect those barrels to markets down Flanagan South. So I think in terms of the ability to see more volume come out of industry, it's that flexibility that we see being the best value.

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

So, Guy, sorry -- does that mean -- are you saying that there's not really likely that much of an absolute increase from current levels, but what we may see is just to take the volatility that we have seen in volumes out?

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

Yes, I think that's a fair characterization. Because while Flanagan South is coming into service, the capacity of our system into the US is what it is, and it's running very, very close to being full.

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

Okay. That's great, thank you.

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**Operator**

Andrew Kuske, Credit Suisse.

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**Andrew Kuske** - *Credit Suisse - Analyst*

I guess a question for AI, and maybe just give us a sense of the tone from your customers, given the decline in crude in the last couple of months. I'm just sort of curious. And maybe if you could delineate the group from the large super majors to the smaller players, and just what you're hearing from your customers as far as their expectations for the future. Do they see this as being a bit of a blip in the commodity price? Or are they starting to really reset their expectations for future growth?



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

Yes, good question, Andrew. I don't think from my sense of the discussions, any way, that they are really ready to throw in the towel just yet. I think most people in town are obviously very concerned about the decline in oil prices, but I guess maybe the bottom line is that the market's going to be pretty difficult to balance here in the short-term, just given the increase in supply we've seen relative to the demand outlook generally on a global basis.

And then, don't forget, we've had refinery maintenance outage somewhere globally in order of 5 million to 6 million barrels per day. And, of course, you combine that with a slowdown in the demand generally on a global basis, it's not surprising we're seeing this out-of-balance position right now.

But I think most of the group, from what I gather, is looking at probably CAD80 to CAD85 through the next couple of years, and then stabilizing at a higher rate after that. So I think at the end of the day, if you look at overall demand globally for energy, and particularly crude oil, it's going to be ultimately the marginal cost of new production that sets that price.

So North American production on a full-cycle basis will still be competitive at even that lower \$80, \$85 range. So I think nobody's jumping off a cliff yet, but obviously very concerned about prices and how they manage it in the next two to three years.

And let's not forget -- we play a part in that, as well, to ensure that we are minimizing overall transportation costs. And certainly opening up new markets, like we are with Flanagan South and hopefully Line 9 soon, will help that overall equation, at least from our perspective, to try and to help out the situation. Interestingly, over the last little while, in combination between foreign exchange and the fact that we've opened up the Flanagan South for line fill has actually generated some decent netbacks, I would say, on the heavy oil side for a good chunk of the producers out there.

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**Andrew Kuske** - Credit Suisse - Analyst

Okay, that's very helpful. And then a related question: with the price of oil, obviously, the Canadian dollar is a bit of a petrodollar. So we've seen the pullback in the CAD relative to the USD with the decline in crude among a few other factors.

If you look at your balance sheet at a high level out to 2018, and in between now and 2018, how do you think about just your FX exposure? Clearly you've hedged a bunch off on an economic basis, but how do you think about just the balance sheet positioning with US dollar assets and the Canadian dollar dividend out into the future? Do you see that as just another tailwind helping you?

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

John, do you want to take a shot at that?

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

Yes, well there is a portion -- Andrew, it's John speaking -- of our exposure that remains unhedged, so we do get something of an uplift there. We've battened down the hatches pretty tightly on foreign exchange exposure over time. But that's been our philosophy; we pretty systematically tried to take that exposure away. There is a little upside to a weakening Canadian dollar that's left.

But we continually look at that proposition. We are heavily invested -- increasingly invested -- in the US assets. So we watch very closely those exposures going forward.

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

We do have some US dollar debt as well.

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

Yes -- no, no, it's not all hedges in the financial markets. We do have natural hedges through issuing US dollar debt.

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

I guess just maybe more fundamentally, though, given what we said earlier in the call about our business model -- ultimately, we try and lock down as much of this we can. It's certainly not within our control. To the extent we can lock down a good chunk of the cash flows and earnings through as much of this FX hedging as we can do, that's what we're going to look to do, Andrew.

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**Andrew Kuske** - Credit Suisse - Analyst

Okay, that's very helpful, thank you.

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

Okay, thanks.

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**Operator**

At this time we would like to invite members of the media to join the queue for questions. (Operator Instructions) Faisal Khan, Citigroup.

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**Blake Clayton** - Citigroup - Analyst

This Blake Clayton filling in for Faisal. My question today is about the performance of energy services, which you cited as a headwind for 2014, given a much weaker performance there from narrowing spreads and location differentials. Is the weakness of that segment an isolated occurrence this year? Or do you think it represents part of a potentially longer-term trend at that business? And when and how, I guess is my question, would you expect to be able to revive services performance?

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

John is going to take a shot at that.

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

Performance of that business will vary depending on the opportunities that we have in the market. It is a low-risk approach that we take. We're not speculating on the commodity prices themselves. It's when those location differentials open up and those opportunity to blend crude opens up that we would take advantage of those.

So we do expect to see some up and downward movement. There's a nice core level of earnings that do typically get generated by that business. In this particular year we have a couple of fairly unique situations that is putting some pressure where we are paying demand charges, as we noted, on pipelines and not earning a sufficient margin on those.

Those situations potentially will come and go. But on balance, you'll see strong contribution, but with some movement around this segment. And we try to budget relatively conservatively for it.

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

I think if you look at the history of this business, it's probably been in the range of maybe CAD20 million, CAD25 million in earnings contribution. I think the last couple of years have been anomalous, just given the basis differentials that we've seen in the market. As John said, we'd like to keep it fairly stable. But that's kind of where we are at today.

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**Blake Clayton** - *Citigroup - Analyst*

Great. Thank you.

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**Operator**

Carl Kirst, BMO capital.

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**Carl Kirst** - *BMO Capital Markets - Analyst*

Thanks. Sorry, just one quick follow-up, Al, and it really kind of just speaks to the sponsored vehicles. And certainly, as you all, management and the Board, evaluate looking at the sponsored vehicles potentially more aggressively, do you get concerned at all about the recent noise and volatility in the MLPs, the MLP index, or considering your long-term use of the vehicle five-year outlook, really this is just noise?

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

Well, I wouldn't say it's just noise. We are obviously concerned about it. But if you look at the history of these vehicles, this is going back when the MLPs actually first came out -- probably back in, what, Richard? -- 1990 or 1991, somewhere in there.

We've actually looked at this, and the sustainability of these higher payout vehicles is actually very strong through various markets. Whether it's general market tone, or whether it's interest rates, or whatever, they seem to withstand pretty much any environment. And I think what we've seen as of late is probably a more fundamental shift even to the focus on income. And that's probably due in large part to the demographic changes that we're seeing out there.

So we actually think that these are quite sustainable. Obviously, there may be periods of time when markets -- access to markets may be slower, but I guess we don't think that that should affect these types of vehicles any more than they would traditional corporate structures.

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**Carl Kirst** - *BMO Capital Markets - Analyst*

Fair enough. Appreciate the color, guys.

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**Operator**

Jeff Lewis, The Globe and Mail.

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**Jeff Lewis** - *The Globe and Mail - Media*

What's the latest on the presidential permit process for Line 67?



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

Well, where we're at right now, Jeff, is not that much different than where we were last call, I guess. As you know, the Department of State utilizes a contractor to do a good chunk of the environmental assessment work. We are working closely with that contractor now, working through the process. And that's really the current state of affairs.

We continue to work on it. And we meet, actually, quite often, almost weekly, with that contractor. So I'd say that things are moving along as expected. Obviously, we've been at this for a while already. So from that perspective it's a bit frustrating, but we have a process, and we are working through it.

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**Jeff Lewis** - *The Globe and Mail - Media*

And just as a quick follow-up, are you able to get as much of the volumes that you need across the border to sort of fulfill the Western Gulf Coast access project?

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

Yes, well, maybe to sort of pin it down to your previous question, if you look at what we had assumed for new capacity on Alberta Clipper, which was the 120,000 barrels per day of additional capacity assumed in the mid-part of 2014, we've essentially been able to address that requirement through some other means.

So I think that's worked out well. In a nutshell we're going to have capacity available for the downstream requirements on the Gulf Coast segment to meet the commitments on that particular segment -- Flanagan South and Seaway.

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**Jeff Lewis** - *The Globe and Mail - Media*

Okay, thanks.

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**Operator**

Eliot Caroom, Bloomberg.

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**Eliot Caroom** - *Bloomberg - Media*

I had two really quick ones. The first is about Flanagan South. I believe earlier guidance had been the initial rates might be around 430,000 barrels a day. I was wondering if that's still accurate, and then how long it would take to get up to the full 600,000?

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

Well, I'm not sure where you received that guidance. But I think we've said consistently, and Guy can add to this, that initially the ultimate capacity of the line -- we wouldn't be at ultimate capacity as the producers ramp up with their commitments. And that's what's always been planned. Guy, do you have anything to add?

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

No, I think the biggest issue is to recognize that the market is going to determine month in and month out how much volume is flowing on the system. There is going to be a competition for barrels. So it is very hard for us to pin down and put an estimate out there.

In fact, as we sit here today, I don't think the commercial activities and everything that's going to go on around first deliveries off of that system are complete. So we don't even really have an offer -- a number to offer you right now for the first month of service.

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**Eliot Caroom** - Bloomberg - Media

Okay, thanks for that. And then the second one is we've seen reports of volumes at Eddystone Terminal in Pennsylvania being a little constrained by other rail activity, commuter rail, that kind of thing. Can you comment on that?

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

Yes, that issue is not really in relation to the current operation and scope of Eddystone. Certainly we'd be interested in the potential to look at expanding our capabilities through there, and it's in conjunction with the potential expansion of our capabilities there that there may be -- there is a bit of a rail congestion issue that we would need to try and work through.

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**Eliot Caroom** - Bloomberg - Media

Thanks a lot.

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**Operator**

Chester Dawson, Wall Street Journal.

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**Chester Dawson** - The Wall Street Journal - Media

Yes, I've got a couple of questions. First, just in terms of some pipeline project timing, could you reiterate for Flanagan South what you're looking at in terms of timing and what the issue there is in terms of some of the delays? And, also, are you still on track for Sandpiper with 2017?

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

Okay, well, on the first one -- the timing for Flanagan South: we are line filling now, actually, so that inventory is going into the line. And we expect those volume should reach through Flanagan South and Seaway, the Gulf Coast area, by early December time frame. Yes -- to your second question, Sandpiper at this point is on track for 2017.

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**Chester Dawson** - The Wall Street Journal - Media

Okay. And one last one, just in regard to Northern Gateway. I'd like to know whether you have had any outreach from the new Premier of Alberta, Jim Prentice, who has kind of identified that as an issue that he's pretty keenly interested in. Have you begun any discussions with him since he became Premier on how to potentially break that logjam in regard to some of the discussions with First Nations and other stakeholders?

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

Well, first of all, I'd say the Premier is obviously very up to speed with this file in that just not too long ago, he was certainly working on that project with us to help engage First Nations. So he's very, very familiar with it.

Since he became Premier, obviously, I think he's made some statements around the need for market access, particularly to the West Coast and the East Coast as well. So I think that he's very engaged and actually knows our industry extremely well. So I think it will be helpful.

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**Chester Dawson** - *The Wall Street Journal - Media*

Okay, but no specific discussion since he became Premier with you on that yet? Is that right?

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

Well, we talk in various forms. I'm not going to go into specific discussions, but fair to say he's engaged in it. And he's obviously got other priorities as well.

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**Chester Dawson** - *The Wall Street Journal - Media*

Okay, thank you.

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**Operator**

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

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

Thank you, Alexandra. We have nothing further to add at this time. But I'd like to remind you that Leigh and I will be available for any follow-up questions that you might have. So, again, thank you for joining us and have a good day.

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**Operator**

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

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