



### Enbridge Inc.

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**Jeremy:** This afternoon we are extremely pleased to be joined by Enbridge's CEO, Al Monaco, to discuss the Enbridge story and updated ongoing. Al, thank you for joining us today. We will also have the capability of the audience sending in questions to ask, and that can be a part of the discussion as well.

Al, to start off here, Enbridge was able to reiterate guidance despite very challenging conditions in the environment out there, which is a very unique circumstance as we saw many other energy companies either have to retract or materially change the guidance.

I was wondering if you could walk us through what allowed Enbridge to buffer these changes better than a lot of other energy and [inaudible] companies out there.

**Al Monaco:** Well, thanks for having us, first of all, Jeremy. I think if I was to boil it down into a word, it would be resilience. That's really the key here and our ability to withstand previous downturns, frankly, but obviously, this very significant one.

I would say it sort of comes down into three or four things. Number one, the demand pull nature of our business versus supplier base in specific risk, and that we deliver to end-use markets, i.e. large utilities, competitive refiners. That's number one.

Definitely the strong commercial underpinning almost 100 percent of our EBDA is either cost or service taker pay or similar type of structures where you got good predictability. If you add them all up about 40 plus different streams of cash flow, which are diversified by geography, by size, by different businesses that really adds to the stability.

I think, if you look at what we entered the year with, we'd actually completed, I guess a bolstering of that, the resilience by selling assets, bringing our leverage down, and really focus on simplification of the business.

We entered strong, then we have the challenge you're referring to with COVID and the oil price

crash that threw a couple curveballs our way with respect to mainline volumes and around some of the edges. We don't have a lot of commodity exposure, but where we did, we saw some impact there for the year.

Now, the factors though that gave us confidence to get your point around the guidance where we have really good operating performance out of liquids, and in the gas transmission, and utility businesses. Our first quarter was very strong. We've got a bit of a tailwind with foreign exchange here, with a weaker Canadian dollar.

I'd say probably the biggest one, Jeremy, was the cost reductions. Whenever we get into a situation like this, we look for mitigation so we can try and hold the guidance. We're targeting around \$300 million this year through various measures that we took fairly early on.

We had a couple of other things. We trimmed back the CAPEX a little bit. We added a bunch of liquidity to carry us through in case the capital markets for debt were closed. That didn't happen. We've issued really well into the market as of late.

Bottom line in all of that is that in the face of what is, I think you'd agree, pretty unprecedented times here, we've been able to hold that guidance range. We're proud of that. We're hoping to be able to fulfill that promise. That really shows the strength and resilience of the business model.

**Jeremy:** That's really helpful. Thanks. During the last earnings call, I just remember coming away thinking how much detail you guys were able to provide with regards to your guidance and sensitivities and how far you had thought through some of the gives and takes, particularly as it relates to the Mainline and how you saw that progressing and how you saw the impact in your business.

Was just wondering if you could update us as far as have things moved in the direction that you expected here. How are you tracking against those variables as you laid them out there?

**AI:** It was a good observation, Jeremy, because we tried to get into it in more detail, just given the severity of what we're seeing in the market. That helped. Relative to what we said, we're pretty much in line in terms of Mainline volume impacts that we outlined back then, maybe a tad better than that.

There's a few things that we're keeping track of here almost day to day. Obviously, the crude flows here in North America are driven by, ultimately, product demand. We watch gasoline

consumption, diesel, and jet fuel. Jet fuel is not, obviously, returning anytime soon.

On the supply side, I think you'd agree, we saw a pretty quick reaction in terms of shutting in volumes by producers as well as capital investment basically turning down. What really stands out for us though, in terms of our business, is the US refining complex in the US Midwest and in the Gulf Coast.

A lot of those refiners, first of all, very competitive refiners globally, but very much scale-driven. A lot of them have coking capacity. That means that we've got good pull through the main line in just about any scenario.

Utilizations, as we know, have gone up in both PADD 2...PADD 3 -- pretty strong as well. On the call, we talked about four to six hundred thousand barrels per day off of our 2.8 or so of capacity and running full, and then tapering off through the rest of the year.

We saw May come in pretty good, maybe a tad better than that guidance, and June, we'll have to wait and see here. I think probably useful to step back. We get this question a lot on how the main line's doing. In terms of the main line impact that we talked about on Q1, that even represents somewhere around three percent of EBITDA.

I think a good example, again, of how the business model is working and we remain resilient to whatever's happening out there, even in these bad conditions.

**Jeremy:** That's really helpful, thanks. Maybe turn to some of the other topical points in the news recently. Just wondering if you could update us on Line 3, the PCA there. There's recent news, and if you could just walk us through I guess the steps on the regulatory calendar here going forward -- your latest thoughts on that.

**AI:** The PCA one is a good one. Just to step back one moment here, the PUC process, of course, has already been completed. That's important, because that dealt with the EIS, the certificate of need, and the route. I think that's good.

This part of it is getting now into the permitting. I would have to say, Jeremy, we're probably in the eighth inning of this whole thing, which has been quite a lengthy regulatory process here.

What you saw from the PCA was effectively that if you go back, in March, they issued the draft permit. They said that permit was fine in terms of our ability to meet the standard, so that wasn't

an issue.

They got some public commentary and then decided from that to go into what they call a contested case. That essentially is going to make it a bit longer process to the statutory limit of November 14th, which they've said they want to hold to.

We actually think that in terms of the whole process, it gives us further strength, and it should make the permit even more ironclad than it otherwise would have been.

I think we're on track there. We're working closely with the PCA through this whole piece and look forward to moving that one along. Hopefully, that'll be out in November, and then we can move on from there.

**Jeremy:** That's very helpful, thank you. Maybe pivoting over to Line 5, if you could update us as far as discussions with Bad River Band -- how they've progressed and how you see that moving forward.

**AI:** This one, I would have to admit, Jeremy -- this one's been a little bit frustrating. We've made numerous attempts along the way to address the Band's concerns on this one. I think at this point, we've concluded that the plan A here is simply to reroute around the reservation.

Obviously, we remain open to discussions with the Band. That was always our preference, but I think we're moving forward with the reroute here. We filed the applications in February. It's probably a bit too early to tell where we are in terms of cost and the ultimate timing, but that's the plan A, and that's the way we're moving.

**Jeremy:** That's helpful, thanks. CTS obviously -- very topical discussion point as well. Just wondering if you could provide updated thoughts there as far as how you see that progressing. It seems like there's pretty substantial support for what you proposed, but maybe you could just walk us through what gets us to the finish line at this point.

**AI:** Let me just touch on the benefits first, like you referred to there. I think if you go back to what we talked to our shippers about a couple of years ago when we started out with the process, mainline contracting is what our customers are really looking for.

We've got great support from more than 70 percent of our current shippers on this. What they told us back then was, "We want two things, Enbridge. We want guaranteed access to your system,

the Mainline, and, equally important, total certainty for the next foreseeable future." That's important to them because they want a good certainty on tolls in making their own decisions.

We spent about 18 months negotiating contracts and itemized what we thought were some pretty significant benefits to all parties in the industry, whether you're a producer, refiner, or integrated company.

From a producer's point of view, this is really key. If you think about long-term contracts on the system, basically what it does is lock in that market. That's critically important for Western Canadian producers. It gives you good access to the very best markets in North America. Ultimately, it's going to support better net backs out of Western Canada.

In terms of where we are in this timeline-wise, the regulator in Canada, the CER, came out with their schedule recently. We're now going through the interrogatory process, or the information request process.

We should have a hearing hopefully in the first half in 2021. Then we'll review that decision after it comes out, post-hearing, and then decide where we go from there. The intention would be to hold an open season very quickly and get people signed up.

From a financial point of view, on average, the way to think about it is the exit tolls would be about the same. Revenue-wise, it's probably not a huge variation either way. The key point for us though, Jeremy, is that having long-term contracts locking in that volume for us from a cash flow and stability point of view would be a good outcome. That's the main driver for us here.

**Jeremy:** That makes sense. Certainly for everyone is something that everyone would like to see. Just wondering on the natural gas side, it's part of the business that people forget about a little bit, quite a sizable piece of the pie these days. Just wondering if you could update us there as far as how you see growth opportunities going forward in that business.

**AI:** You hit it on the head. People forget about this business. In many ways, it fits so well. Of course, these are primarily the Spectra assets that came over three years ago. We're very happy with the outlook on this front, particularly when it comes to the position we have to capitalize on LNG.

A lot of that is driven by our position with Texas Eastern right along the Gulf Coast and even more so today by Valley Crossing, which is now in the ground. The LNG export opportunity is a good

one. We've got opportunities in the US Southeast for expansion. You can't forget about the West Coast system up in BC, in Canada, which has got some pretty good opportunities as well.

The avenues that we're using here to export the LNG opportunity are really this position that we have along the Gulf Coast, and as well in BC, to capitalize on this. That's been strategic for us.

Even to this point, the business has built up some good current LNG export facilities, Sabine, Cameron, Freeport. Now we have a bunch of projects in the hopper around Rio Grande, Annova, and Plaquemine. Probably, the LNG opportunity is one of the biggest ones in gas.

We can't forget about the other opportunities in gas, mainly to do with modernization of the system around changes in air permits and so forth and compression and things that we'll do over the next little while here that provide really good investment opportunities that need to go through rate cases. That's an opportunity that looks pretty good as well for us.

**Jeremy:** Maybe following up on the LNG point a little bit more there, it seems like Enbridge has mostly focused on very contracted, secure cash flows, which often come with LNG projects. It seems like a lot of the developers have tried to set themselves up that way.

Just feeling out your interest level in taking a stake in an LNG project, moving that next step downstream, is that something that could make sense for you guys, or are you happy where you are in the value chain?

**AI:** On balance, I'd say we're pretty happy. That's because we've got enough going on right now, as I just went through, related to the pipes. I would say direct investment in an LNG plant itself, not a priority. We would consider a minority interest if it hit a couple things.

Does it help us build a pipeline position upstream to feed that plant? Perhaps equally important here, does it fit the profile, like you just suggested? Does it have stable cash flows? We wouldn't be interested in a merchant position. Overall, LNG for us has been focused on the pipe side. We've got a bunch of opportunity there to execute on.

**Jeremy:** Just going back to the rest of your pipeline system for a bit, you touched on it there. It seems like building a new greenfield in certain parts of North America is not as easy as it used to be, I guess.

It seems like there's some advantages for having pipe in the ground and maybe brownfield

expansions off of that, right? That's lower regulatory risk, lower costs, and could be better accretive. Just wondering your thoughts there. Do you see many opportunities on this side?

**AI:** That's an excellent point. It's not only because the environment is very difficult building greenfield projects. Throughout our four franchises now, if you go to utility, transmission, liquids, and renewables, we've got lots of organic opportunities.

The root benefit of having those is, like you point out, that there's usually less regulatory process to go through. Having assets in the ground, in this environment, should inherently be more valuable. I haven't seen that reflected in our share price, I have to be honest, yet, but hopefully, over time, it should be recognized. It certainly is a much lower risk way to go.

On the other side of this, Jeremy, call it the need, generally, for large-scale mega project greenfield opportunities is certainly less in this environment as well.

**Jeremy:** Maybe just rounding out the natural gas discussion here, there's been some notable rate case settlements recently across your pipes. Just wondering, is there much left to think of on that front? Also, the TETCo settlement seems like it was favorable for you guys. Could you touch on that as well?

**AI:** It's been a real busy year on the regulatory front, on the gas transmission side. You had Texas Eastern, like you pointed out. Algonquin has been settled. We filed for Alliance and Maritimes & Northeast.

For sure the biggest one in all of that was Texas Eastern. It was a good outcome. It was good for us from a financial point of view in terms of the EBITDA that it's going to contribute in 2020 and then beyond. It was also real good for our customers, in that we kept rates reasonable.

Of course, biggest thing is reliability with the gas transmission system overall in North America when you're thinking about moving to key markets. It was really a good outcome for both sides of the equation.

**Jeremy:** Makes sense. It seems over the past several years, Enbridge has done a lot to simplify their portfolio and divest some non-core assets there. Just wondering if you could provide us updated thoughts as far as where you stand there. We're often asked about DCP and how that fits into the Enbridge story at this point. Just wondering if you could update us on those thoughts.

**AI:** If you go back a while, we had a total of five sponsored vehicles. Some of that related to the Spectra deal, which we've cleaned up. We're quite happy with a simplification like you referred to. In terms of DCP, right now DCP is a whole force. We have a great partner there in P66 as you know.

The plan right now is to support management in the way forward that it's identified to improve the business. You saw they took strong actions on capital, on costs, and really focused on managing through this difficult period for the entire industry. We're happy with that. We're going to support them in making that happen from here. It's a hold for now.

**Jeremy:** That makes sense. Maybe the other side of the coin, I imagine after getting your financials right where you want them, M&A might not be very high in the list as far as acquiring stuff but, at the same time, it is a very unique time. You're one of the very few energy infrastructure companies that have the stability and financial strength to actually make moves.

This could be a market or a situation where unique crown jewel assets are something that you could get at a more reasonable price now than other points in time. How do you balance, I guess, those different thoughts?

**AI:** I don't blame you for your assessment. You've got it right as far as the bigger picture here. Having sold assets, reduced leverage, and really further strengthened the portfolio with these great gas assets, you're right in your presumption.

I guess, though, I would say, Jeremy, at this point, the M&A is not a priority for us, especially the large-scale stuff. Reason mostly being that we repositioned the business with the Spectra deal. We got what we wanted. We really like the business mix between the big utility that we have, one of the largest in North America.

We've got this prime gas transmission franchise. I don't think anybody would argue of an unparalleled liquids franchise as well. When you look closely at the opportunities, there are some when you just look at absolute prices and valuations. They've come down.

The issue we always face is there's very few of them that really fit the business model that I described earlier, and that would fit in terms of one of those three big franchises and the strength of the commercial model. That's usually the issue we run into with large scale M&A. That's why it took us a while to find an opportunity like Spectra.



The bottom line is from here, we're going to be disciplined and focused around capital allocation. Number one, preserve financial flexibility, return capital, as you know, through the dividend, and grow organically. That's what we're good at. I guess all that to say that it's just not at the top of the list right now.

**Jeremy:** Got you. Makes sense. You did touch on utility a bit there, so can't forget about union. Just wondering with the combination there, synergies, outlook at this point, what can you share with us as far as latest thoughts there?

**AI:** You get up in the morning and it seems like the utility year after year generates some great returns and great capital opportunities. It's looking like we can put to work almost \$1 billion in terms of capital annually there. We don't throw that number out there lightly. This fits right down the middle of the fairway in terms of what we like to invest in.

Your point about synergies is good. Cynthia and the team have done a great job in terms of capitalizing on incentive ratemaking that we're in right now. In this period, we're ramping those synergies up. They're doing a good job with that.

It's a great risk reward investment for us. As I keep saying, we get lots of offers for that business. It really is fitting quite well right now within the Enbridge portfolio, and we'd love to grow it.

**Jeremy:** Makes sense. Maybe pivoting towards renewables or offshore wind rather. It seems like it's a highly competitive business, renewables overall. Maybe Enbridge has found a niche here where you bring the expertise and you can get attractive returns without maybe taking on too much risk or really returns being driven down by competitors.

Just wondering if you could tell us about your thoughts as far as your vision for offshore wind going forward. How do you fit in? How big could that portfolio be over time?

**AI:** I bet you 10 years ago, Jeremy, you wouldn't have been asking me this question. It probably would have been something like, "Why are you in that business?" This renewables business has really gone through an evolution, I would say, globally and within Enbridge. We started out 15 years ago pretty much focused on North American renewables onshore, obviously.

We got to the point in that business, though, onshore where it really declined and you had to pretty much be a utility to play in that. In terms of growth, projects are still generating good cash flow. We shifted a bit to renewables European offshore. That's because it generates some pretty

good fundamentals for us.

We know the supply chains are well-developed. There's a big opportunity set. The PPAs are good and give us excellent returns, I'm going to say probably the low to mid-teens there. Most importantly, it fits that stability and business model resilience that I was talking about earlier.

We've got three offshore projects now that are operating in the UK and Germany. We've got a few more in the hopper in France. We've got actually one under construction and another at FÃ©camp that we just sanctioned as well. We're going to have two new projects coming on in the not too distant future.

The business model here, Jeremy, by the way, is we've brought in CPPIB, the Canadian Pension Plan Investment Board, as a partner to support or enhance our returns on some of these assets. They've been a good partner.

We look forward to doing more so we can continue to grow the business while minimizing the amount of capital that we put out, especially during development phase. They're going to help us move the business along well. In a nutshell, it's not a huge part of Enbridge right now, but we like the business because of those attributes.

**Jeremy:** That makes sense. Maybe just bringing it all together, a question about capital allocation at this point. How do you see, I guess, growth capital opportunities trending for Enbridge going forward there?

How would hurdle rates or how would that stack up versus dividend, increasing the dividend, share buybacks? Just wondering if you could tell us how those three compete against each other in this current environment.

**AI:** I would say that in terms of the capital opportunities set, we see some pretty good visibility in all of the four businesses. It almost breaks down evenly between the four if you look at the amount of free cash flow that we're going to have to put to work once Line 3 gets in in 2021. After that, we'll have ample free cash flow to put to work.

In terms of the priority, you're probably going to see a good distribution of capital amongst the four -- utility, gas, transmission liquids, and renewables. If you're looking at \$5 to \$6 billion in free cash to deploy, including balance sheet capacity, it's probably one and a half each somewhere in that order.

We got a lot of opportunities to fill up that one and a half each in each of those areas. If I ranked them just by returns out of the business today, it's probably liquids, renewables, and then the two gas businesses in that order. When we're deploying that next dollar free cash flow, we're comparing and looking at capital allocation between those businesses.

At the same time, though, we're also looking at more broadly in terms of capital allocation. For us, organic growth that we can earn a very strong return on, that's a priority. Obviously, if those opportunities aren't there, then certainly after Line 3, we can perhaps look at share buybacks.

At this point, we're pretty happy with our combination of generating that free cash, redeploying what we can if the returns are there, and then from that growth, generating some good growth in the dividend, which has been our mantra for 25 years in terms of growing that dividend nicely over that period.

**Jeremy:** We're down to our last couple minutes here. Just wanted to see if there was any final thoughts that you want to leave the audience with at this point or you think that there's anything that the market doesn't fully appreciate about the Enbridge story at this point.

**AI:** I'd have to say, right now, people are waiting for Line 3 to come in. I certainly understand that there's a lot of toing and froing with these regulatory issues that arise throughout the industry, including for Line 3. As I said, we're at the final steps there. We're really looking forward to get out to the field and construct.

On that particular project, we've got -- and this is really important -- certainly labor, counties, tribes who are all itching like us to get this thing moving along. That's one.

Other than that, I would say the resilience of the business model. You started out with that question. It's really proving out this year. If you think about it, if we can stay within our guidance range in what is the worst outcome in the energy space that anybody would have predicted, that would be a very good demonstration of the resiliency of this business model that we have, Jeremy.

**Jeremy:** Certainly one of the very, very few to retain guidance in this environment so that definitely stands testament to what you're saying there. With that, AI, I just want to say thank you very much for joining us this year in going through the Enbridge story. Hopefully, we can do it again next year in person.

**AI:** I hope so, too. We appreciate you having us on the program.

**Jeremy:** Thanks so much. Have a good day.

**AI:** Thank you.

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