FINAL TRANSCRIPT

Thomson StreetEvents℠

ENB - Enbridge Day 2007

Event Date/Time: Oct. 03. 2007 / 8:00AM ET

CORPORATE PARTICIPANTS

Bob Rahn
Enbridge, Inc. - Director - IR

Pat Daniel
Enbridge, Inc. - President, CEO

Richard Bird
Enbridge, Inc. - EVP - Liquids Pipelines

Stephen Letwin
Enbridge Inc. - EVP - Gas, Transportation & International

Al Monaco
Enbridge Inc. - President - Enbridge Gas Distribution

Steve Wuori
Enbridge, Inc. - EVP, CFO & Corporate Development

Wanda Opheim
Enbridge, Inc. - VP - Treasury & Tax

CONFERENCE CALL PARTICIPANTS

Daniel Shteyn
Desjardins Securities - Analyst

PRESENTATION

Bob Rahn - *Enbridge, Inc. - Director - IR*

Good morning everyone, we're going to get things underway. I understand there are some traffic issues getting into the city this morning. So -- but, given that we're webcast, then I think we'll have to roll.

So good morning, and welcome to our Ninth Annual Enbridge today in Toronto. My name's Bob Rahn, and I'm up here today representing the IR team from Enbridge. We have several other members here with us today. Anu Phatak is over there, Anu if you would raise your hand. And hopefully, you met Christy West when you came in. Her and Sylvia Neuert are really responsible for putting this event together. Sylvia is in New York getting ready for tomorrow's session there.

Back in Calgary, we have Jocelyn Yiu who is manning the fort while we're all here. And what is now the -- certainly a tradition, we have Carolyn Gadway, Cherry Blackwood, and Kay Kovack from Enbridge Gas Distribution, probably consistent year in, year out here to give us a hand. So, please approach any of us if you need any assistance in any way, and we'll try to help you.

In terms of the conference material, at registration you should have received your binder. And it looks like most of you picked up a book. We had Mr. Tertzakian speaking to us last night about the challenges we face globally in the energy market, and it was quite provocative. So, I hope you do enjoy the book.

In the binder, we have all the hard copies of the presentation. I'd also like to mention that we have a hard copy of the supplementary financial information for 2002 to 2006. It's in Tab Six. Most people find this very useful in terms of truing up models and actually getting to the core of our business. So -- and it can also be found on our website under Financial Information, Additional Resources in the Investor Relations section. Inside the front cover, there's also an evaluation form. It would be greatly appreciated if you could fill that out. It does help us in terms of planning these events as we go forward.

Turning to the agenda, we're going to try to move through it fairly quickly and provide lots of time for Q&A. And I will try to time-keep and make adjustments accordingly as we go through the day. When we do get to the Q&A, what we're going to do this year is we're not going to hold until the end of the presentation. So, feel free to fire away. We'll try to do it on the fly, so to speak, but please wait for a microphone to come to you. It's important for the webcast that we pick that up. And to the presenters, if they would repeat the question, I think that would be helpful. I'm also asked to remind you that we are going wireless today, so please turn off your Blackberrys and mobiles. I do apologize for that, but it -- given that we are wireless, it can interfere with the production.

At twelve-thirty, we'll be serving a buffet lunch across the hall, and I do encourage you to approach anyone if you have not had your questions answered during the session or just further Q&A, everyone will be available. The washrooms are out to the left. Ladies is on the right, after you make that left, and gentlemen on the left and then another right. So --.

A transcript of the conference proceedings will be posted to our website as soon as possible after. And last not but least, direct your attention to the legal notice in the front under Tab One. You're all familiar with the legal notice, and the caveats do apply.

At this point, I am pleased to turn the conference over to Mr. Pat Daniel, our Chief Executive Officer and President. Thank you.

Pat Daniel *- Enbridge, Inc. - President, CEO*

Is this microphone working? It's not advancing Bob, but let me talk while you fix the -- well, good morning everyone, and welcome to our Ninth Annual Investor Day Conference. We appreciate you all being here, and as Bob indicated, we understand there's a bit of a problem with the GO train coming from the west. And we might have a few people arriving during the proceeding. But, I appreciate you being here. We appreciate that were able to attend the dinner last night and look forward to going into a fair bit of detail for you today on Enbridge and how things are going.

Before I start though, what I'd like to do is introduce the executive team. They've all very conveniently hidden at the back of the room. But, I'd like each one to stand up and give a wave, because it's important for you at coffee breaks and whenever to be able to corner these individuals and ask them follow-up questions.

So alphabetically, Richard Bird heads up the crude oil business. Bonnie DuPont heads up corporate resources and services; Steve Letwin, who heads up the gas business; David Robottom, general counsel and legal; Steve Wuori, CFO. Steve's up at the front, yes. Finance guys are always a little different. And also presenting today will be Al Monaco, President of Enbridge Gas Distribution here in Toronto and probably is known to many of you. I'm going to ask Steve later on to introduce some of his people that are in the room as well.

We are very pleased to have a good turnout, and we're very pleased with the turnout on the webcast. And we find more and more frequently now that people are going to the webcast as a way of tuning in for our Annual Investor Day Conference, and we think it's very effective. And I guess it's pretty greenhouse gas friendly as well when you consider the theme of last night's talk. These are very, very exciting times at Enbridge. And we feel we've got a tremendous story to tell to you today and have had for some time. As you know, we're very proud of the past of this Company. And we talk a lot about that, both the Interprovincial Pipeline and roots in the crude oil business but also the gas distribution roots of the Company.

So, we're proud of the past. We're also very pleased with the present, which means mainly the 2007 performance of the Company. But even more so, we're absolutely thrilled with the prospects of this Company going forward. And we feel, to a large extent, we are building a whole new franchise, equivalent to the one that we were given by those that originated Interprovincial Pipeline a number of years ago. So, we're extremely pleased with that. And we've never been more confident that we have a highly sustainable shareholder value creation model at Enbridge and one that I'm going to describe in a minute for you. But, it's pretty straightforward, but absolutely critical to you as shareholders.

So, we're very happy with the strategic positioning of the Company. We've referred to that many times over the years. Maps are important to asset managers like us. We're very pleased with that. We're very pleased with the role that we're playing in the development of energy delivery throughout North America. And that is particularly true in the crude oil side of the business where we feel we're providing a very essential service. We also are happy that we're able to produce returns to our shareholders using a very low-risk business model. And we think that when you consider the combination of safety, income, and growth, this is a very compelling story.

So really, our message today or the message that I was going to give you today before last night's presentation was to get on board now. We have an extremely exciting future in the Company. And for those that are not on board, get on board now. However, after last night's presentation, I think I can just modify my theme to pound the table by, which is the way we were described by our guest speaker. And I realize that we are the ones that arranged the guest speaker. So, you might think there's a little bit -- something a little bit suspect in his message. But, we didn't prompt him to deliver that message.

The cover picture here is an interesting one, because the cover picture is meant to suggest pipe as far as the eye can see. And interestingly enough, we did an Investor Survey back at the beginning of the year. One of the comments that we got back from one investor is that these guys seem to be -- only want -- wanting to do one thing. And that's build and operate pipe. And I think it was meant as a little bit of a negative comment, but still, you -- we took it as a compliment. That's basically what we're here to do, build on and operate pipe.

For those not familiar with Enbridge, we deliver energy. That's our business. We're not traders. We're not upstreamers. We're not marketers. We're not refiners. The three main businesses of the Company are crude oil pipelining, natural gas pipelining, and natural gas distribution. Now, just to capture a few of the highlights off this slide, we move about 2.2 million barrels a day of crude oil, which is about 10% of the daily imports to the United States, the largest single conduit of crude oil into the U.S. in any single day. We're very well positioned with our Alliance and Vector pipelines.

The Barnett Shale, which you heard referred to last night for those at the dinner, the Bossier play in Texas and the Gulf of Mexico are three of the four biggest natural gas plays in the U.S. And we're Canada's largest natural gas distribution utility and the second fastest growing in North America. So our positioning, we feel, is absolutely ideal for the exciting times that we've got coming forward. Right now, looking at the pie chart in the upper right-hand corner, about 55% of our earnings are coming from liquids or crude oil pipelining and about 45% from gas. These are in the form of gas pipelining or gas distribution.

This slide, you've all seen many times. It shows our total shareholder return over the past decade, 19.1%. And as you know, we always proudly refer to our 53-year TSR of 13.3%, recognizing that very few companies in North America have got that kind of a track record. And I also realize that many of you have investing horizons a little bit shorter than 53 years, but we do think that it's a very relevant number in terms of sustainability of the value creation model of Enbridge. And we intend to continue to deliver that kind of value. This management team is absolutely, intent on that.

So, how are we going to do it? Well, we're embarking on the largest capital program in the history of the Company. Currently, we've got a five-year capital forecast of $12 billion CAD, and that includes about $9 billion CAD of liquids pipeline projects. The liquids projects on their own, support overall corporate EPS growth on average of 8% to 10% over the next five years. That's the crude oil expansion alone, generates 8% to 10% EPS growth over five years.

Post 2011, we see a further wave of liquids opportunities. In total, could amount to a further investment opportunity of $14 billion CAD, and Richard Bird will elaborate on that later on. I will emphasize that that is potential, we're going to have to work hard to win that business. But, I think based on the success rates that we've had on the $12 billion CAD that we've got under construction, we've got to agree, we've got a pretty good chance of winning a lot of that second wave that he will talk to. So, the value proposition really remains intact at Enbridge. It's a combination of income, growth, and safety.

I think you all know about the income part of that equation and of that value proposition. So, we'll spend much of the day today talking about growth. And in fact, many of the presentation is oriented towards growth, but let me spend just a couple of minutes talking about the third element, which is the safety element, of the investment.

This is a low-risk business model that we use at Enbridge. Almost all of our earnings are generated from regulated businesses, and 80% of that is supported by compacts that provide volume protection. In other words, we don't take volume risk with regard to the projects that we build on 80% of those projects. 90% of our revenue is generated from investment-grade counter-parties, again very low risk. Our policy is to maintain no more than 5% of our earnings at risk as a result commodity price exposure, foreign exchange exposure, and interest rate exposure. So again, 95% of the income has no sensitivity to those factors at all. So, I think you'd have to agree, considering the regulated nature of this business, it is a safe investment.

Bob, the response from the slide forwarding is very lethargic. So, I'm going to use the keypad. I suggest other presenters do the same.

So, let's talk about growth. Again, assuming that I have convinced you that the income and safety part of the stories are well in hand, let's talk about growth, because that's really where the exciting times are for the Company going forward. Once again, this map shows you that we're very well positioned with regard to growth. Our liquids pipelines are basically hard-wired between the oil sands, which is right now the biggest resource play in the world and the U.S. refining markets. And that's a link that's growing stronger every day. We've got all of the benefits of scale on that system and a very flexible position in terms of the type of products and the variety of products we're able to move through the system.

And of course, we are able to extend that now to new markets that are very critically important to Western Canadian producers in order to maximize the netback that they get for their crude oil. And I think it was well put by someone at our table last night at dinner that Western Canadian producers have got far more to gain by extending their crude oil markets than they have by battling issues around royalties. Not that they shouldn't battle issues around royalties in Alberta, and I'm sure that subject will come up for discussion later on, but there is a lot to be gained by extending to new markets and increasing the netback pricing that they're able to get.

So, it's really the positioning that you see on this map that's given us this $9 billion CAD worth of crude oil pipeline projects that are under construction today. And it should serve us very well in competing for that $14 billion CAD second wave of opportunities that we'll talk to later.

Turning to natural gas, we're involved in three premium development areas for gas, the Barnett Shale, the Bossier, the deepwater Gulf of Mexico. Alliance and Vector are well positioned for Alaska in the longer-term. And I will emphasize longer-term, because we don't see that happening for some time. The gas distribution system continues to add 45,000 to 50,000 new customers every year. That's almost like a small franchise unto itself that's added every year here, primarily in the metropolitan Toronto area. And we're now in the position of optimizing the performance of that asset through incentive regulation, which Al will refer to later on.

Excellence in execution and operations and then environmental stewardship are absolutely critical to the growth of this Company. We're particularly focused right now on execution. And the top one of the three pictures on this slide is a lift from a new system that we've implemented called our construction status visualization system, a little bit of a mouthful, which allows us to track progress on our major construction projects. And like I said, we've got $9.2 billion CAD worth of them underway in the crude oil part of the business right now.

This is just a small part of some significant efforts that we've put into ensuring we've got a very effective project management approach within the Company. We're able to sift daily, as I do, and pull up and see the construction of each one of these major projects with photos of them posted at the end of the final day as to where we are, what problems we're accounting, and what issues that are relevant. So, it's one of many methods that we're using to follow the progress on the projects.

The second picture captures Enbridge Gas Distribution leak survey crew in action, focusing on safe, reliable service, which really transcends all of our operations. We are very highly involved in ensuring that we've got safe and environmentally responsible operations.

We've also got a role to play in the responsible use of energy. We feel that very much so. Hydrocarbons fuel our economies today as we heard last night, we all know that. But, we are trying to encourage the development of renewables in energy -- in -- of energy, renewable energy developments. We've now got four investments in wind farms in Enbridge and also are involved in the fuel cell projects here in Toronto that's very exciting and we think that provides some interesting breakthroughs. We've once again, for the third year in a row, been named as one of the top 100 most sustainable companies in the world at the Davos Economic Forum.

There's no question that over the next five years, the excitement and the action in this Company is going to be in the liquids pipelining business. The mandate is very simple. And that is to execute on what we have before us at the same time as we work to secure that second wave of new development opportunities that we referred to. Our gas business also has got a very important role to play in this overall mix in strategy. It provides very stable earnings, at this point, to support the liquids development efforts while at the same time, ensuring that we're well positioned for the next turn in the energy cycle in North America. And we see that very possibly being a turn to natural gas. And I think that we all know, over the years, the kind of changes that have occurred in this business.

I've mentioned to many of you that back in the early 1990s, we very boldly said in our business that we would never again expand the crude oil pipeline system. And now, we're in the process of spending $9 billion CAD right now with a potential further $14 billion CAD to come in that business. And hence, we see the potential for very good development in the natural gas business, so positioning is critically important. So, we expect five years out from now to be 65% liquids, 35% natural gas. If you go 10 years out, we're probably going to be 75% liquids, 25% natural gas. But, that's based on the way things look today and the very big capital program that we've got on the liquids side of the business.

The question that I'm asked most often by investors is, how are we going to finance this tremendous growth platform? And that's usually asked in the context of the $9 billion CAD of crude oil projects and the about $3 billion CAD that we have on the gas side right now. It doesn't even consider this $14 billion CAD second wave. And you're going to hear today, and Steve Wuori is going to elaborate on this, but we are going to be seeking more diverse sources of capital than we have in the past. And our capital program, of course, is growing. We've got an unprecedented opportunity to redeploy capital in this Company to low-risk opportunities that really fuel the crown jewel of Enbridge. And that is the crude oil business. And we've described it as that for decades now. So, you will see a significant change in our strategy there, and Steve will elaborate.

Our intention is to manage the balance sheet, inject equity when it's prudent to do so. Going to equity markets, however, is only going to be one option that we use to raise equity. And we'll increasingly look to asset monetization opportunities, either in the form of sales or in new partners. Recent events, of course, in the capital markets have reinforced the need to have sufficient and readily available liquidity and to guard against unforeseen market disruptions, things that we never anticipate. And I'm sure you'll agree with that. We're very well positioned in that regard. And I think you'll feel very comfortable with that as Steve goes through his financial presentation later on.

So, what are we trying to do at Enbridge? To sum up before I turn this over to Richard Bird, I'd like to walk through this investor value proposition that we have. This is a model that attempts to depict what we're doing. We feel, as I said, that we've got a very low-risk business model. We've got a strong credit rating. Our corporate structure is such that it allows us to acquire capital at the lowest possible rate. And that's very important when we turn around then and redeploy that capital at attractive returns, utilizing incentive structures and a focus on customer that we're very well known for to generate a favorable spread on invested capital. So, we feel that we're able to maximize both in terms of access to low-cost of capital and then ensure that we maximize the returns through incentive systems and good customer relations.

That, of course, generates the kind of spread that you're looking for as investors. And then, we expand that. And we do more of it, and we do more of it. And we perpetuate that model with a great growth story on top of it. The result of that is a model that generates the kind of low-risk, accretive projects that are going to continue to generate shareholder value for this Company going forward. And we hope to turn most of you, if not all of you, in this room to buys when it comes to next year. And I'm making reference to last night's dinner for those that weren't at it.

So, that is a very quick run-through of some of the material we're going to cover today. And what I'd like to do now is just pause briefly for questions before I turn it over to Richard Bird, who's going to get into some detail on the major liquids projects that we've got underway. Richard, it's all yours.

Richard Bird - *Enbridge, Inc. - EVP - Liquids Pipelines*

Well, good morning. As Pat indicated, our liquids and gas business units are carrying different medium-term missions in support of Enbridge's overall strategy for investor value creation. I'm going to now take you through some of the specifics of the liquids pipelines portion of that mission and how we are progressing with it.

You've all heard the expression, make hay while the sun shines. And in our case, it is really put pipe in the ground while the sun shines, both sun shining from a weather perspective, and we'll get into that a little bit more later on and also from an opportunity perspective.

Our mission in liquids pipelines is to capture as much of the oil sands-driven investment opportunity as possible at an attractive risk return spread. And with $12 billion CAD of planned investment over the 2007 to 2011 period, we are well advanced in the execution of this mission and are approaching the tipping point where we will be contributing a significant and sustainable earnings growth acceleration to Enbridge's financial profile. And as I'll describe in more detail and as Pat's alluded to, it's increasingly apparent that this impetus will extend well beyond $12 billion CAD of investment and well beyond the year 2011.

In my title slide, you see a picture of the physical execution of the mission, pipe being strung in preparation for welding for the Waupisoo pipeline, which remains on target for completion in the middle of next year. Waupisoo forms the front end of the rising wave of new projects and associated earnings, which will begin kicking in, in the latter half of 2008 and thereafter. And this wave is, for the most part now, locked in commercially and into execution. And I'll come back to the execution side later in the presentation.

Here's a quick reminder of the physical scope of our liquids pipelines business unit with 14 different systems spanning a good part of Canada and the U.S., both from west to east and from north to south. And ultimately, we will connect the West Coast, the East Coast, and the Gulf Coast all into this system. It is already the largest crude oil pipeline system in the world and likely, I think, also the fastest growing. Although the 14 different systems are held through three different public entities that provide financing flexibility and low-cost capital, they are all managed to a common strategy and a common standard of customer service and operational excellence.

The presentation is organized into five sections, a quick look at the supply, demand, and pricing fundamentals, which form the foundation for our strategy; a review of the various growth projects underway in support of the first wave of earnings growth and those on the horizon as the next wave; a discussion of how we structure commercial terms to ensure favorable project economics and the ability to attract capital. I'll spend some time on the execution of this large capital investment program and then wrap up by summarizing the financial dimensions of our growth opportunities.

We continue to drive our infrastructure planning from a fundamental analysis of western Canada crude oil supply and markets. Our updated supply picture on the left is roughly similar to last year. A potential line at the top of the chart represents the plans of all oil sands project sponsors in aggregate while the colored layers reflect our risking as to what we think is achievable. But, that still represents a growth of 2.1 million barrels per day in production from western Canada from 2006 to 2016.

CAPP's latest forecast for pipeline capacity planning purposes is the red line, which is slightly higher than our forecast by about 150,000 barrels a day from 2013 on. The chart on the right is our base case scenario for which markets the supply will move to. And if you look closely, you'll see we actually have more volume moving to markets than the raw production figures out of western Canada. That's because the forecast includes 350,000 barrels a day of imported diluent by the end of the period, which is blended into the dilbit stream, which is being exported.

Notable aspects of this market scenario include significant switching in the Ontario market from imported crude to western Canadian crude. PADD II, the traditional major market, absorbs the lion's share of the growth, but even with increased pipeline capacity to markets in the eastern and southern peripheries of PADD II, there's still a significant surplus beginning in about 2011, which we don't believe can be absorbed in the existing markets without very large discounts, if at all. This drives opening up access to one or two completely new markets, which we expect to be the U.S. Gulf Coast followed by exports off the West Coast.

One set of key assumptions within our market analysis is the incremental demand for heavy crude in traditional markets, which results from investment in additional refinery conversion capacity of processed heavy crude as opposed to light crude or the equivalent in Western Canada, which is additional independent upgraders. We're assuming over one million CAD barrels a day of incremental demand for heavy crude from this source, which is again a risk estimate of how much investment in this category comes to fruition. The significance of this set of assumptions or risking is that a lower figure for this would mean even more surplus heavy crude, which would need to access new markets.

On the other hand, a higher figure would mean less surplus heavy crude but a corresponding increase in surplus synthetic production. That could result in a shift in the logical new markets for Canadian crude toward refinery areas, which are more oriented toward light crudes such as the U.S. East Coast.

This chart provides a perspective on the benefits of access to new markets. It depicts the price relationship between Canadian crudes priced in western Canada and comparable quality crudes priced at the U.S. Gulf Coast, which is a highly liquid market. The red line is for heavy crudes and shows that historically, a barrel at Hardisty fetched about the same price until the year 2000 as it would have sold for on the Gulf Coast if it could have been moved there, so no real discount or premium.

But thereafter, following the year 2000, the Hardisty price has been at an ever-steeper discount to the pricing available at the Gulf Coast. That discount averaged $8 a barrel in the first half of this year, and it's actually standing at about $13 a barrel at this moment. So, if you can move crude from western Canada to the Gulf Coast for something less than $13 a barrel, and we sure think we can, there's a significant arbitrage to be captured there and shared between western Canada producers and Gulf Coast refiners.

The reason that that discount exists at the moment is because of the landlocked nature of Canadian production. And in the absence of access to new and more liquid markets, whether that's the Gulf Coast or elsewhere, it can only grow worse and, in fact, explains why Canadian heavy crude producers are keen to see the Gulf Coast market and why Gulf Coast refiners are keen to see that heavy crude -- heavy Canadian crude in their market.

The blue line is a similar story for light crude and indicates that discounts for Canadian light have also become a reality in the last 18 months. So, there's also a stimulus to access new markets for light crude, though it's not yet to the same extent as for heavy crude. We expect this too will intensify in future if new markets are not connected.

My last fundamental perspective is to update the outlook for the balance between the growth in export production and the available export pipeline capacity. And that's a subject that has been somewhat topical in the recent NEB report and also in the media. So, what you see here to start with is the volume of crude oil supply, which is surplus to prairie province consumption and, therefore, must be exported out of the Prairie provinces. From 2006 to 2016, we expect it to grow by 2.3 million barrels per day to a level of more than four million barrels per day of exports. That's more than twice the current level.

Next, we superimposed the existing pipeline capacity, and I think this is where some of the furor is coming from. And it's because it's clearly inadequate to see us beyond 2007, particularly when you would like to see some cushion to allow for seasonal fluctuations in crude mix considerations. Even with our southern access expansion, the cushion will remain tight through 2009.

At that point, the Keystone project and our Alberta Clipper expansion project, which are scheduled to come into service in late 2009 and 2010 respectively, will provide breathing room for several years. However, within that 10-year horizon, there will be a need for another two 400,000 barrel per day export capacity increments. Our current thinking is that this will likely be some combination of the Gateway Pipeline and the second phase of Alberta Clipper.

Next, I'm going to review our line-up of growth projects, which are driven by these oil sands fundamentals. These are organized into five separate platforms, each with somewhat different commercial and competitive characteristics. The first of these is regional developments within Alberta, then mainline capacity developments. And we have been active in both of these platforms for a long time, though not at the current pace of activity. Then, there is the diluent in-core infrastructure, new market access infrastructure, and terminaling and storage. And these latter three are all recent additions to our line-up. But similar to the first two, they're offshoots of oil sands expansion.

So, we'll start with the upstream end of the system and the infrastructure to move crude from the oil sands projects down to the mainline hubs at Edmonton and Hardisty. Our Athabasca system, in green, is now connected to six different oil sands projects and is undergoing the first phase of what we expect will be several phases of pumping capacity expansions to take it from its current capacity of 350,000 barrels per day up to its ultimate limit of about 600,000 barrels per day. The Waupisoo Pipeline, in blue, is under construction and scheduled to complete next year.

Between connecting the existing projects into these systems, expanding the Athabasca line and the initial phase of Waupisoo, we have a $500 million CAD of capital investment opportunities, which are secured in this platform. However, the biggest prices on this platform are yet to come with five additional new large-scale oil sands projects, indicated in red, at various stages of development and which are not yet tied into or committed to any regional system yet.

We believe we are in a strong competitive position to capture a good share of this opportunity. Our five-year plan incorporates another $1.3 billion CAD of investment opportunity associated with these projects on a risked basis. In other words, we assume success on part, but not all, of the opportunities. To give you a sense of the full opportunity set associated with these projects, on an un-risked basis, it would equate to nearly $5 billion CAD in addition to the $1.3 billion CAD that we have built into our five-year plan. Whatever share of this we capture would fall primarily into the first half of the next decade. So these projects, for the most part, are a little further out.

The main engine of growth in our current wave of development is the expansion of our mainline system, both in Canada and in the U.S. The first project in this line-up is Southern Access with 400,000 barrels per day of capacity from Edmonton to Chicago, in phases, to be completed in early 2009. The section from Edmonton to Superior, Wisconsin, involves powering up the existing system. And the section from Superior to Chicago involves constructing a complete new 42-inch line, a very large line.

Following on the heels of Southern Access will be Alberta Clipper, a complete new 36-inch line from Hardisty to Superior. This will provide another 450,000 barrels a day of capacity by mid-2010 in conjunction with further powering up of the 42-inch Southern Access line. We are also undertaking a smaller, debottlenecking project between Edmonton and Hardisty, the Line 4 extension project, to be completed in early 2009. These three projects together, Southern Access, Alberta Clipper and the Line 4 extension aggregates to $6 billion CAD of investment for which attractive commercial terms have been settled with our shippers.

There remain additional mainline development opportunities beyond the projects, which have already been secured. These include expansions of the U.S. system on the northern line over Lake Michigan and the system between Chicago and Sarnia. Beyond that, both Alberta Clipper and Southern Access have a further phase of low-cost expansion potential. Our five-year plan includes a small, $600 million CAD portion of this additional opportunity. Beyond that, there is another $2 plus billion CAD of opportunity that would fall into the next decade.

The need for significant volumes of imported diluent by the end of this decade is something Enbridge identified and proposed to shippers several years ago. This is a complex equation, which depends not only on how oil sands production splits between synthetic crude, which doesn't require diluent and bitumen, which does, but it also depends on refinery economics and refinery valuations of a bitumen blend diluted with condensate versus a bitumen blend diluted with synthetic. Both of those variables affect how much condensate for dilution purposes is require.

Our analysis indicates that condensate for diluent will be in increasingly short supply in the basin for the future. Adding a condensate import line to the Gateway proposal was our first proposed solution to this issue. And that remains as part of the Gateway scope, which I'll talk about later, but targeted now at diluent requirements a little further into the next decade.

The more immediate solution we have developed in conjunction with shippers is the Southern Lights import line from the U.S. Midwest. This involves a 20-inch new line being constructed from Chicago back to Clearbrook, Minnesota, which is shown as the green dashed line and reversing our existing Line 13 from Clearbrook back to Edmonton, shown as the green solid line. This will provide 180,000 barrels per day of diluent import capacity by late 2010 at an investment of $1.5 billion CAD.

This project also includes a new line for light sour crude from Cromer, Manitoba to Clearbrook, shown as the yellow dashed line, which is to be completed in 2009. This line is designed to debottleneck the light crude part of our mainline system to provide sufficient capacity to make up for removing Line 13 from crude service. It will actually add about 45,000 barrels per day of effective capacity to the crude system and temporarily, until Line 13 is reversed, it will add even more than that.

Next, we look at the downstream end of the system where we are working on several projects to extend the reach of Canadian crude beyond the Chicago refinery hub. This is another innovative concept we have been working on for several years, which has positioned us well to capture these opportunities as shipper interest gains momentum.

Early initiatives in this vein are shown in light blue and include the Mustang Pipeline from Chicago to Patoka, the Toledo Pipeline and the Spearhead Pipeline from Chicago to Cushing, Oklahoma. Many of you would know that the start-up of the Spearhead Pipeline early last year resulted in a substantial improvement in Canadian heavy crude netbacks, not only on barrels moving to Cushing, but on all barrels as a result of relieving the over-crowding of supply in the traditional market.

Looking ahead now, the commercial terms and agreements on the Southern Access extension to Patoka, Illinois, and an expansion of the Spearhead Pipeline, again to Cushing, Oklahoma, are finalized, subject to regulatory approval. These will involve and expected investment of a $500 million CAD

We are also working on a joint venture with Exxon Mobil to move Canadian crude from Patoka all the way down to the U.S. Gulf Coast and another project to provide additional pipeline capacity into the eastern periphery of PADD II. The potential $900 million CAD of capital investment provided for these projects reflects our risk share. Again, there is significant additional potential opportunity over and above that of upwards of $3 billion CAD.

Rounding out our infrastructure plans is the significant amount of crude oil terminal capacity being called for by the market, primarily for term contract storage, both at the upstream and downstream ends of the crude oil mainline system but also for operational tankage at key receipt, delivery, and breakout locations on the mainline. We have $800 million CAD of these projects under construction at present with another $300 million CAD planned for this period. And we see potential for a further $1 billion CAD of investment opportunity in this platform in the early part of the next decade.

And finally, we have three other large-scale, new market access options under development, one or more of which we expect will come into play post 2011. These include the Gateway Pipeline, a direct line from western Canada all the way to the U.S. Gulf Coast, and an extension of our mainline system to the East Coast of the U.S. into the Philadelphia area. These opportunities are definitely out in the next decade and not in our current five-year plan. With scope and timing undefined, it is difficult to dimension the size of the opportunity other than to say that it is large. For conceptual purposes, we have included a ballpark figure of $3.5 billion CAD. It could be larger than that.

With this large volume of capital that we are deploying to new infrastructure, there has been a lot of interest in the economics of these projects. Before getting into the specifics of -- the economic specifics for the projects let me talk for a moment about the framework that we use to evaluate project economics. We basically focus on the full-life return on equity, which will be achieved, calculated on a discounted cash flow basis.

In liquids pipelines, our full life returns would range at the bottom end from about 9% for the very small number of projects that are undertaken at the NEB's generic rate to an upper end in the mid teens. We also look at the return profile, in other words, the shape of those returns over time in addition to just the full life return. Generally, we're preferring a flat profile to a back-ended one. So, we prefer one where we get the full return up front to one where it grows over time.

However, we're required to accommodate shipper objectives, we will undertake projects with tolling arrangements, which provide initial returns in the mid single digits, tilted upwards thereafter, to achieve the overall full life return. And examples of that would be our Athabasca Pipeline laterals to the Surmont and Long Lake projects.

We also look very careful at -- carefully at what risk, if any, we will bear relative to our ability to manage and mitigate that risk. So in our business, volume risk is obviously a critical one as is, particularly in the current environment, capital cost risk. Since we have no control over volume risk, we generally carry little or none. Occasionally, we undertake a project where an acceptable minimum return is contractually assured. But, our upside is contingent on uncontracted volume. An example of that would be Spearhead.

On capital costs, we undertake many projects with little or no exposure. But, we are also amenable to incentivized structures where we can share in the upside if we effectively manage the cost. Occasionally -- rarely, but occasionally, we will accept full capital cost exposure if the returns are attractive enough to justify doing so.

So turning to some specifics, the risk return details of many of our projects are on the public record. For example, the Southern Lights Public Open Season documents fully disclose the financial parameters of the project. This is a $1.3 billion U.S. project that comes on stream in late 2010 and carries a 12% return from day one.

So, it's got a flat return profile, plus a kicker where we keep 25% of spot volume revenues on the 10% of capacity that's reserved for spot shippers. This feature would contribute another 2.4 percentage points of return if the spot capacity were fully utilized all the time. There is no volume risk to us, apart from that spot capacity upside. But, there is an incentivized capital cost, risk-sharing formula.

The two Southern Access projects in the U.S. have similar risk return characteristics with a full life return of about 11%, depending on the inflation rate, so they are inflation indexed. On the U.S. expansion, we have capital cost risk exposure to 12% of the project costs. But apart from that, there's no capital cost risk on either of those two projects.

We recently finalized and announced the commercial agreement with shippers for the Canadian and U.S. sections of the Alberta Clipper expansion project and the line four extension. And these terms are generally similar to the projects that I've just discussed. Bear in mind that the economics of the U.S. section of Southern Access expansion and Alberta Clipper flow through to Enbridge via the incentive distribution mechanism of Enbridge Energy Partners. So in effect, those returns are super-charged, and we look at them from an Enbridge perspective. I won't go through the rest of the projects in detail, but I think if you look at them, we have a large portfolio of growth projects with attractive returns and modest risk exposure.

While given that large volume of investment opportunity that we've been successful in securing commercially, our focus is now on execution. A picture is worth 1,000 words and so, I'll start with a sequence of photos of the physical side of our execution activities. And most of these pictures are taken from the system that Pat mentioned earlier, our construction visual, monitoring-system that's a tool that we use to keep senior management in touch with physical conditions in the field. The overall impression that I would like to convey through these pictures is that we are making good progress. Pipe is going into the ground. It's often not easy, but we are meeting the challenges.

The first picture is from Waupisoo. It shows a section of 30-inch pipe, which has been welded up and is being lowered into the trench by two side boom tractors. The pipe is bent to fit the contour of the terrain. Construction conditions in this location are good. It's dry, which is important. And there are no unusual terrain features or obstacles, which are being managed around here other than the contour of the land itself.

The next picture is a similar one, but it's taken on the Southern Access right-of-way. This is 42-inch pipe being welded up and inspected prior to lowering into the trench. Again, construction conditions are favorable at this location. And I'm starting off with the pretty pictures, because you're going to see a few that aren't quite so pretty.

This is another picture of 42-inch pipe, welded up and ready for lowering in. This location is flat, which is good news, since we don't need to do any bending. But, this is a wetland area. It's a wetland area that's quite dry when this picture was taken, but in general, it can be quite wet. And you can see two things in this picture, which add to the cost in a wetlands location. The first is the wooden mats that are laid down to protect the surface of the right-of-way from wrecking by heavy equipment. And the second on the right, if you look, you will see concrete weights, each one of those weighing 13,000 pounds, which will be placed on the pipe once it's been lowered in to prevent it from floating back up to the surface once the soil becomes saturated again with water.

This is another Southern Access picture of 42-inch pipe. And you might think from looking at this that we're installing two 42-inch lines side by side. But, that's not the case. These are long sections of pipe that have been welded up and pre-positioned to be pushed and pulled through a directional drill under the Wisconsin River a distance of about 2,000 feet. This pipe is a different color, you might note than the earlier pipe, which was sort of a reddish color, because this pipe is coated with a special abrasion-resistant coating to prevent damage to the regular coating as it is forced through the drill hole.

And this is a picture of the pipe actually being fed into the hole at the Wisconsin River crossing. If it looks thinner than the pipe in the last picture, it actually is thinner, because this is the 20-inch Southern Lights pipe. Southern Access and Southern Lights are being constructed in tandem in Wisconsin, so this is the same river crossing, but it's the 20-inch pipe being installed.

Here we are back to the 42-inch pipe, and this picture is showing a track boring machine that's used to drill under a feature, which cannot be cut through. In this case, it's boring or preparing to bore under a road, but similar equipment is used for crossing a river or a large creek.

And here's where it gets tougher. Now, we're in a wetlands area again. You can see the mats on the left. You can see the silt fencing running along both sides of the right-of-ways. And that silt fencing is to protect against silt-bearing runoff from the right-of-way, running off and contaminating the wetlands with the muddy residue. You can see a little water in the trench, actually not too bad. But, what you can also see is sheet piling driven in on both sides of the trench to stabilize the saturated soil and prevent it from sloughing into the trench. So, that's relatively expensive construction when you have to start by driving those piles down along both sides of the trench.

This is a picture from an inspection of the right-of-way that I participated in on Friday. It's another crossing of a small river. And what I was mainly looking for on this inspection was the silt fence protection measures that protect the river from silty runoff. And here's another shot of wetlands work. This is a location where it's actually currently too wet to work. So, we would be shut down in this area following some heavy rainfall. Again, you can see extensive silt fence protection on both sides of the right-of-way. So, that's through -- that's to catch any runoff before it moves through this wetlands area and off the right-of-way into the wetlands.

This is a stream crossing in the middle of marshy wetlands. So, we've got mats. We've got a bridge over the stream. We've got sheet piling. We've got transverse barriers to protect the stream from flow along the right of way. We basically have the works in this picture.

Okay. This is the last picture. You've probably seen enough pipe at this point. But just in case, this is one of our pipe yards for the Southern Access and Southern Lights projects where pipe is stockpiled prior to being strung along the right-of-way.

So that's it, the good, the bad and the ugly. And then now, let's look at our process for trying to make sure that we get all this right. And there is a lot to getting the execution part of these projects right. And the environment for doing that is becoming increasingly challenging, every aspect from the acquisition of the land and the right-of-way to the physical construction, the environmental measures, is all becoming more challenging. I've listed here the key execution variables that have to be done well to have a project completed on time safely, which is a key priority for us and without adverse impact to the environment which is also a key priority and, of course, on budget.

During the last year we have added substantial manpower resources into each of these functional areas and we've modified our organization structure to ensure the necessary focus in leadership in each. For example, we have consolidated all procurement activities into a single group for all of our projects that's headed up by a new hire who led the procurement for one of the large integrated oil sands projects. This group, for example, has completed strategic sourcing agreements for, all, the line pipe required for our projects, and that's with a low-cost North American supplier. You will hear about other large inch pipeline projects which are scouring the world to source pipe, given the limited remaining uncommitted capacity in Canada and the U.S., but not us.

To ensure timely regulatory approvals, we have established a Facilities Application Group staffed largely with professionals with prior experience with one of our regulators. This group is responsible for coordinating application preparation and for interfacing with the regulators to ensure we meet their needs and maximize the efficiency of the process. The Field Execution Group, which supervises our various contractors, has grown more than any other part of the team. We have expanded the senior management resources that are providing leadership to this group from one VP at the beginning of 2006 to a current roster of one Senior VP plus two other VPs.

This has enabled us to clone the prior structure where one group handled all Liquids Pipelines construction to having that original group fully focused on the Canadian projects now with a completely separate fully resourced group focused on the U.S. projects. We've also realized that a critical success factor is the overall coordination and scheduling of the many different functional areas involved in project execution and we've established a project management group under the leadership of a Senior Vice President which is tasked with this role. I'll expand on this in my next slide.

So the organization structure which ties all our project execution resources together is depicted in this chart. At the top is a major project steering committee which consists of Pat, Steve Wuori, myself plus an independent senior executive project management specialist who brings and objective expert set of eyes to the review process. The project management jargon for this is a cold eyes reviewer. This committee meets monthly with our key execution executives to review the status and issues on each major project with additional meetings as required.

The guts of the structure underneath is a matrix. Each project has a Project Director who is accountable for the overall coordination of his project. The Project Directors report to a Senior Vice President. The various functional areas second the necessary resources to each Project Director but the management of the functional departments do remain accountable for the quality and effectiveness of the project work undertaken by their staff. We've had this structure now for about eight months and we are utilizing an external project management consulting firm to help us put in place the appropriate tools and processes to achieve state-of-the-art competency in project execution.

I don't want to convey that we have discovered the silver bullet of project execution that will make us invulnerable to the cost and schedule pressures faced by oil sands production projects. We are certainly experiencing those same pressures like all other projects. What we do have is a structure which will minimize and mitigate the impact of those pressures to the maximum extent which is possible. This in combination with the limited commercial exposure, which we retain with respect to cost and schedule risks, will ensure that our portfolio of investment opportunities will deliver attractive earnings growth and returns to our investors.

I covered a lot of ground with respect to our opportunities to invest capital at an attractive spread, so I'll summarize the big picture for Enbridge's Liquids Pipelines in the next couple of slides. Our first wave of investment opportunities, coming into service primarily in the next three years, is already substantially secured from a commercial perspective and now in execution mode.

Between our five growth platforms, this amounts to about $12 billion CAD of capital deployment with the largest portion being mainline capacity development. And that $12 billion CAD includes the capital being spent in both Enbridge and Enbridge Energy Partners. And just to try and tie it in with some of the other numbers, about $9 billion CAD of that is secured, a little over $9 billion CAD, and about $3 billion CAD in total we assume that we will be successful in securing within this time period.

Coming behind that first wave is a second wave of growth opportunities. These will come into service in the first half of the next decade. The full opportunity set un-risk, as Pat referred to, could be another $14 billion CAD, although we won't necessarily be successful in capturing 100% of this opportunity and some of the larger projects will undoubtedly involve partners. You might notice the shift in composition of the second wave with a much greater emphasis on regional pipelines and new market access pipelines and less on mainline capacity development.

So where will all of this take us? There is no question that we are on the verge of a dramatic acceleration in the earnings growth contribution of the Liquids Pipelines financial segment within both Enbridge and Enbridge Energy Partners. While none of these projects will contribute to current year earnings and only modestly in 2008, earnings growth will kick in hard in 2009 and thereafter. These projects are expected to contribute to an average earnings growth rate of about 16% per year over the 2006 to 2011 period for the liquids pipeline segment, and about 26% for the Enbridge Energy Partners segment. The EEP segment will further augment Enbridge's consolidated earnings growth through the GP incentive mechanism.

The earnings growth acceleration from these new projects is, as I said before, for the most part commercially secured. Only a very small portion over this time period, the top layer of the chart in black, has not yet been commercially secured. Everything below the top layer is locked in. of course this is only the earnings from the first wave. The opportunities available to us in the second wave should ensure that Liquids Pipelines will be able to sustain this kind of earnings growth contribution well into the next decade. That concludes my presentation and we can move into your questions now.

QUESTIONS AND ANSWERS

Bob Rahn - *Enbridge, Inc. - Director - IR*

Let's see whoever gets the mic first. Okay, why don't we start here.

Unidentified Audience Member

Yes good morning, I have a question with regards to the second wave opportunity set here that you've described on a number of occasions and a number of slides. Some of these are rather obvious, for instance new market access, the second wave opportunity set, mostly Gateway, U.S. Gulf Coast, Bullet and so on.

What is a little bit less obvious to me, and what I wanted to see if you could add a little bit more granularity to it is, for instance on the new market mainline extension. The second wave opportunity set number of people and $9 billion CAD on slide 12, I wanted to see if you can kind of specify a little bit more what these things are, what these projects might be.

Richard Bird - *Enbridge, Inc. - EVP - Liquids Pipelines*

Okay so the second wave on slide 12 is primarily the two projects that are shown in red, which is the U.S. Gulf Coast access project and an extension further into the peripheries of eastern Padd 2.

Unidentified Audience Member

And most of the lion's share of that would be the Gulf Coast?

Richard Bird - *Enbridge, Inc. - EVP - Liquids Pipelines*

The Gulf Coast would probably be the bigger portion of that, yes. Yes distances much further to go, although the ultimate look of projects to push capacity into the eastern part of Padd 2 is still in flux. So conceivably if you're going all the way to Catlettsburg that could be a pretty significant project as well.

Unidentified Audience Member

Super. And the same question on slide 10, which is the second wave opportunity set for about $4.8 billion CAD, again I wanted to see whether you are able to discuss the opportunities that you're kind of lumping in there.

Richard Bird - *Enbridge, Inc. - EVP - Liquids Pipelines*

Okay sorry, just say again which slide you're on?

Unidentified Audience Member

Slide 10, second wave opportunity set of $4.8 billion CAD.

Richard Bird - *Enbridge, Inc. - EVP - Liquids Pipelines*

Okay am I looking at the right slide.

Unidentified Audience Member

The regional pipeline development.

Richard Bird - *Enbridge, Inc. - EVP - Liquids Pipelines*

The regional? Okay so basically you know what we've seen regionally is that the industry has focused, so far, primarily on making sure that the export capacity is in place, which is a collective industry issue. But we're now starting to see the focus shifting to individual project proponents, wanting to make sure that they can actually get their crude to the hubs which the export capacity is going to take the crude at. So you've got the five projects that are identified there, all of which are scheduled to come on service sometime in the first half of the next decade, some of them towards the front end of that some of them a little further along, who are not yet connected or committed to any of the regional pipeline systems.

Those are all projects that we feel we've got a pretty good competitive advantage in being able to hook up. And if we were successful in hooking them all up, and recognizing that there's a fair bit of estimation here in trying to think through exactly what the scope of that will be because some of them will want to get to Edmonton. Some of them will want to get to Hardisty, some of them will want a little of both, some of them will diluent lines, some of them won't necessarily need diluent lines. That's in sum our estimate, something in excess of $6 billion CAD in total, of which we've built into our current five-year plan $1.3 billion CAD, and with another roughly $5 billion CAD yet to come.

Unidentified Audience Member

That leaves the Fort Hills, Kearl, Sunrise, and Borealis?

Richard Bird - *Enbridge, Inc. - EVP - Liquids Pipelines*

Yes.

Pat Daniel - *Enbridge, Inc. - President, CEO*

Yes and Daniel, just to emphasize something that Richard mentioned, we think we've got a significant strategic advantage in accessing those projects because we're already able to offer the Athabasca and clearly the Waupisoo Pipeline as interim measures. And as you probably know, a lot of these projects start up at relatively low volume and then ramp up so we're able to offer a combination of existing service and then build the pipeline to their future ultimate volume.

Unidentified Audience Member

Thank you.

Bob Rahn - *Enbridge, Inc. - Director - IR*

Let's see, Karen?

Unidentified Audience Member

I have two questions, for greater clarity can you talk about the other projects that do not yet have commercial certainty? And then secondly, why do you feel you need to partner for that next round?

Richard Bird - *Enbridge, Inc. - EVP - Liquids Pipelines*

So I think you're probably referring to, on the last slide, the other projects that are providing that top layer of earnings. And those are basically the same kinds of things that we just talked about. For example, in the regional pipeline area the other projects layer that's built into our current five-year plan assumes that we will secure, within that five-year plan period, some additional business from that collection of other regional pipeline development opportunities associated with those five projects.

So we've taken that total and we've looked at what could possibly fall within the five-year period and we've risked that down to the $1.3 billion CAD in this particular category. So that other consists of $1.3 billion CAD of activity from this along with a similar, if you look at each slide, a similar little underdevelopment piece that's shown in the top data box on each of the slides. Was that clear or confusing, Karen?

Unidentified Audience Member

It was confusing. So I just want to make sure, if you go back to each of the slides for each of the five types of development, at the top of each of the slides you've got a number in there for your current five-year plan that is not yet specifically attributable to a specific project and that is not yet subject to commercial arrangement.

Richard Bird - *Enbridge, Inc. - EVP - Liquids Pipelines*

That's right.

Unidentified Audience Member

Okay.

Richard Bird - *Enbridge, Inc. - EVP - Liquids Pipelines*

And in each case there's two boxes, one for the five-year plan showing what's secured and then the other showing what's built into our plan that's not yet secured. And the earnings on the last slide, the little thin layer at the top which is attributable to other projects is that within the five-year period but unsecured component.

Pat Daniel - *Enbridge, Inc. - President, CEO*

And to answer the second part of your question, Karen, with regard to why partner, it's in part a financial issue and Steve Wuori is going to talk to that later on. And in part because we may feel that there are certain skills in other partners that we want to bring to bear on execution of some of these projects. But it's primarily the first part of that and that is the financability and the fact that often our upstream customers want to take an exiting position in the pipeline.

Unidentified Audience Member

So is that going to be then accompanied by simplification some place else in the corporate structure? Because it's getting -- is he going to talk about that?

Pat Daniel - *Enbridge, Inc. - President, CEO*

Yes.

Unidentified Audience Member

Things are getting a bit messy, so you're adding more partners, are you going to simplify somewhere else?

Pat Daniel - *Enbridge, Inc. - President, CEO*

I'm not sure what you mean by simplify somewhere else, but we may add more partners in order to simplify the financing, I guess you could say, at some of these projects. Otherwise it's a huge financing requirement.

Bob Rahn - *Enbridge, Inc. - Director - IR*

Okay Andrew?

Unidentified Audience Member

Just a question on your last slide. To what extent do you have non-cash earnings in those numbers that you posted on the last slide? And really relating to allowed funds used during the construction, have you included those non-cash earnings in the earnings estimates that you've put out?

Richard Bird - *Enbridge, Inc. - EVP - Liquids Pipelines*

Yes. That's a projection of the GAAP earnings, so for those projects which are generally Canadian regulated projects where we book under GAAP allowance for funds used during construction it would be included in that. I don't have a dimensioning on that but for the most part -- well first of all you have to be able to use regulated accounting and that's generally not available to us on U.S. projects, it's generally only available to us on the Canadian projects and there it would only be the mainline projects.

Unidentified Audience Member

And then just a second question, a slightly different question, as it relates to apportionment and if we look out at pipeline capacity in particular, when we look at later this year and more next year, what do you see as a probability of apportionment? And then what flexibility do you have with the mainline to engage in some line swaps and then also changing the viscosity thresholds a little bit to really see some extra flow go through the pipes?

Richard Bird - *Enbridge, Inc. - EVP - Liquids Pipelines*

Yes okay, before I answer that let me come back to your question on the earnings component due to allowance for funds used during construction. By the time you get to the end of that period, 2011, basically it's all cash earnings. So the shape of that profile between 2006 and 2011 would look different whether you included or excluded non-cash earnings, but the endpoint would remain the same.

With respect to apportionment, I think that the high-level answer is that we're not expecting apportionment. There is, based on our forecast and based on CAPP's forecast, enough capacity, assuming that we bring Southern Access next phase into completion on a timely basis. Assuming that little light sour line that I showed comes into service on a timely basis and does provide a pretty good temporary capacity kick just by itself, there is enough, in fact there is ample pipeline capacity.

That doesn't mean that you can't have situations which you have alluded to where you get a mismatch between the type of crude that's nominated in a particular month and the configuration of the system at that point in time. And we have seen that from time to time where we've got capacity on the system but we don't have capacity for say the volume of heavy crude that's been nominated versus the volume of light crude. So we've been close to apportionment, in fact I think once or twice in the last couple years we've announced apportionment on the heavy crudes. Although in reality we've never apportioned because the denominated amounts have never shown up.

We can address that situation by reconfiguring the system, but that's not something that you do for the sake of a month or two, that's a major shift, a shift of line from light to heavy, and make the appropriate manifold changes that are required to do that. So if we had a persistent shift in the mix, we could rebalance the lines to address that. It's conceivable that we could have a temporary mismatch that would cause apportionment in a month or two, and apart from that there should be ample capacity.

Okay let's see, do you want to bring the mic to Winfried?

Unidentified Audience Member

Regarding slide six, if the steepening of the slope of the basis differential is indicative of what is yet to come, why does it take until 2011 before you start perhaps constructing or bringing to operation a direct access pipeline to the Gulf Coast?

Richard Bird - *Enbridge, Inc. - EVP - Liquids Pipelines*

Well that's a very good question because that would seem to be a pretty dire consequence for the industry to be experiencing those kinds of discounts. And Pat sort of touched on that when he said the biggest battle to fight here for the producers in terms of value capture is to make sure they get to the right markets. Things like royalties are important but probably not as important as that particular issue. You know there are things that are going to happen before 2011 that will provide some relief against us continuing to deepen between now and then, the expansion of Spearhead for example. When Spearhead first went into place it solved this problem at least for a period of time just by itself, as did Pegasus which is the ExxonMobil line that already is going to the Gulf Coast.

So there are some temporary fixes along the way, but I think your point is still a valid one which is that really a solution is required sooner than the end of 2010. And that frankly was what drove our original thinking on Gateway and wanting to have it in place much sooner than it currently would be planned to be. So I don't have a good answer for you other than to say that it's been an uphill battle getting individual producers to really focus on the need for additional markets. But they're pretty focused on it now.

Unidentified Audience Member

So what is then the catalyst or catalysts that would motivate producers to perhaps push for an early construction of a facility to the Gulf Coast?

Richard Bird - *Enbridge, Inc. - EVP - Liquids Pipelines*

Well I think that catalyst exists today and it's what you see on the page, it's the size of the current location basis differential and the implied arbitrage or loss of value associated with it. And the reality is they want to get there as quickly as it's possible to do so but the reality is also that that's about as quick, given the challenges of constructing pipe in the current environment, that we could get there.

Unidentified Audience Member

A final question regarding all the capital cost dollars that are in your presentation, what is the vintage of these dollars unless these dollars are on an as-spent basis?

Richard Bird - *Enbridge, Inc. - EVP - Liquids Pipelines*

They are all on an as-spent basis so we have escalated them all. They all include estimates of allowance for funds used during construction where that is appropriate. And the vintage is basically our strategic plan, which was finalized in the spring of this year.

Pat Daniel - *Enbridge, Inc. - President, CEO*

And just before Richard moves onto Matthew, just to come back and add to this issue around why not move more quickly, as you know we have pushed very hard with the producers to try to get them to realize the value that is there, if they're able to broaden out markets. I think opening up the Spearhead pipeline has resulted in them very quickly approving a whole series of expansions in order to broaden those markets. There is one fundamental issue though that causes them to delay and that is that we go to producers looking for firm commitments before we're able to put the pipe in the ground.

The challenge that they've got is that the companies that support the new initiative and make the commitments and take the liabilities, the shipment commitments onto their balance sheet, are no better off than those that sit in the weeds waiting for others to support it. And it's a little bit of a who's going to move first in the industry and we saw that happen with the Alliance Gas Pipeline years ago and we're seeing it right now. Everyone wants access to the Gulf, everybody wants access to the West Coast, but they know that if they go ahead and support it everyone else benefits to the same extent because of the impact that acts favorably for everyone. So it's a little bit of a chick and an egg thing, who's going to move first, but they all do want it.

Richard Bird - *Enbridge, Inc. - EVP - Liquids Pipelines*

Okay and I think the other structural thing, Pat, that I'd add to that is that we've got this peculiar situation where it takes us longer to build a pipeline than it takes them to build an oil sands plant. So when we're asking them to make those long-term commitments, we're asking them to make them before they've actually made their final commitment decision to their own oil sands project. Matthew?

Unidentified Audience Member

Thanks Richard, there's a lot of discussion about growth in the oil sands beyond 2010 with a lot of the royalty debates going on and environment debates and so forth. Have you given some thought to what that would do to your 2010 to 2015 growth if that does slow down? On the one hand there would be maybe less oil coming out but new market access requires infrastructure development anyways, as we've seen with reconfiguration of gas pipeline across North America, despite real big production growth. So is that how you see it playing out for the oil pipeline, whether there's a big increase in production or not just to get to new markets? Or would that slow growth in your business from 2010 to 2015 if production doesn't grow as fast as people are expecting? How do you see that?

Richard Bird - *Enbridge, Inc. - EVP - Liquids Pipelines*

Right. Well here's something that we've certainly started to give some thought to. I think you're right in identifying the post-2010 period as the period where, if it is going to have an impact that's where it would likely be. Because up until that point in time things are pretty much locked and loaded at this point. And I think you're also correct in your assessment that, even absent strong volume growth post-2010, there's still an economic driver for market diversification that's separate from the physical need to move barrels and is driven by the price arbitrage opportunity that we saw in that pricing chart.

So if that pipeline was in place today, well the pipelines that are in place today, Spearhead and Pegasus are sought after in terms of their capacity. And if a pipe to the U.S. Gulf Coast was in place today I think we could likely sign people up to ship on it. So somewhat independent of the evolution of further volumes we'll see some drive for that component, at least, of the strategy.

And I guess beyond that, our sense when we look at the economics, and we haven't done any detailed modeling yet on this royalty issue, is the other variables in the equation, certainly we don't want to see our customers' economics impacted by an unfavorable change in the royalty regime. But there are other variables in their decision economics such as what their price, what their net back is going to be? You know what market they're going to get to and what the pricing is going to be there, what they're going to have to pay for capital cost to construct these projects, look to us like they are more significant decision variables than the royalty variable by itself.

So we're doubtful that the royalty variable is going to be the make or break economic variable in those decisions. And even if it were for some projects, let's say some of the more marginal projects, going back to the chart where we showed the potential versus what we assume, we've already risked away 50% of the plans that are out there at the moment. So if the royalty regime change was the thing that caused that 50% to be deferred further into the future, our forecast and for that matter CAPP's forecast of what's required would still look pretty much the same.

Unidentified Audience Member

Thanks.

Richard Bird - *Enbridge, Inc. - EVP - Liquids Pipelines*

Way in the back here.

Unidentified Audience Member

Good morning. Could you give us some clarification as to why the capital structure for the Southern Lights project is different from the other projects? That is my first question. And the second question is, although it is early days and your capital expenditure program is relatively fresh, as you look at the various project categories, are you going through any of the variance tolerances that you've allowed for so far? What has been your experience? Are there any things that you're seeing now that give you some concern?

Richard Bird - *Enbridge, Inc. - EVP - Liquids Pipelines*

Okay. So I'll address the first question first. The reason Southern Lights has a different look to it is because it is a fully contracted pipeline. And so it's an exception to the commercial model that applies to most of the other projects that are firm projects at this point in time. It was negotiated with a group of shippers to specifically what the tolling methodology would look like, what the returns would look like, what the incentives would like and what the capital structure would look like. They happen to be very creditworthy shippers and believe that it should be possible, with their long-term commitments, to gain a significant amount of project financing for the project.

And so it's basically built off a project financing model, 70% of the debt will be non-recourse project financing directly associated with that project on the strength of the covenant of those shippers. And because of that, we agreed that we would finance it in that fashion. So I hope that covers that question. It's actually a very similar structure, when you look at it, to the Alliance Gas Pipeline, if you're familiar with the financial structure and the tolling structure of that pipeline. It was effectively the template for the Southern Lights agreement with a few wrinkles.

On the subject of capital cost performance and what our experience to date has been and what we're seeing in the future, it varies a lot from project to project. And some of these projects like Southern Access, for example, decisions were made at the last minute by the shipping industry, by the producing industry to go ahead with that project at a point in time when all we had on the table was a Class 5 estimate. And I won't get into the details of classified estimates, but a Class 5 estimate is a relatively rough and ready approximation of what the cost would be.

Because the decision was late in the coming and we reached the point really where we said, if we don't start executing this project now, we cannot be in service in time to meet our forecast or your forecast of when the capacity is going to be required.

Because it was delayed to that point in time we didn't have the opportunity to prepare a Class 3 estimate, which would be our normal estimate accuracy for a commitment decision. So they agreed and we agreed that we would launch, based on a Class 5 estimate. We agreed to that because we didn't take capital cost exposure on that project and couldn't off of a Class 5 estimate, and they agreed because really it was urgent to get the capacity in place.

So that's a long explanation to say on Southern Access we are seeing quite significant variances from what the original Class 5 estimate was. But with the exception of 12% of the U.S. portion of Southern Access, for the same reasons that those variances are occurring, which is that we were working off a Class 5 estimate, we don't take capital cost risk on that. On the more recent projects which have been taken to a Class 3 estimate, we are seeing some variances. None of them are in the direction we'd like to see them, but they're manageable.

And I think I mentioned earlier that we have locked in the steel pipe pricing, which is about a third of the capital cost of most projects, so we're not seeing any variance on that. In fact, we're actually seeing a bit of a positive variance on that because scrap prices have come off a bit and there is a scrap price escalator in that arrangement. And back to Karen.

Unidentified Audience Member

Richard, I'd just like to come back to your free-riding problem that you talked about a couple of questions ago. I mean, given the integrated nature of this system and the problem that you further described where a shipper would have to commit often to type before their own oil sands development, why did you not simply build out a new line in parallel to your existing system? And then maybe snuggle into the ExxonMobil or other line in that right of way down to that U.S.?

And then once this thing is built out on a rolled-in basis, break it out so that in effect it is a single bullet line but it's along the existing route? Does it have to be something that starts at Hardisty and cuts a new right of way across the west down into the U.S., or can you not build out something, break it out after the fact but do it in effect on a rolled-in basis?

Richard Bird - *Enbridge, Inc. - EVP - Liquids Pipelines*

Okay so I think you're sort of asking about the direct Hardisty to the U.S. Gulf Coast option?

Unidentified Audience Member

Well, the standard bullet line they always show starting mid-Alberta going straight to the Gulf. But you've got this system here with scalability and the ability to build it out on a rolled-in basis, could you not eliminate that free-rider problem and the commitment requirement and then in effect put the facilities in?

Richard Bird - *Enbridge, Inc. - EVP - Liquids Pipelines*

Okay. Well that's a great question and there's some fairly complicated thinking in behind it. But I think your intuition is correct that a direct line from Hardisty to the U.S. Gulf Coast loses the scale advantages and various other advantages associated with piggy backing on top of existing infrastructure, whether it's our mainline system down to Patoka or the ExxonMobil line from Patoka down to the Gulf Coast. And that's really why our primary focus on the near term in Access and the U.S. Gulf Coast is just exactly that.

There is enough capacity planned for the mainline system and enough further capacity possible through further phases of Alberta Clipper and Southern Access that there's lots of incrementally low-cost capacity available to get us to Chicago and down to Patoka on the mainline system with all the rolled-in benefits of the mainline system. And no free-rider issues that stand in the way of that. And then it's a relatively short trot from Patoka down to the U.S. Gulf Coast compared to going all the way across country. So that's the alternative that makes the most sense, from a purely cost perspective.

Now I will add to that one caveat that trying to do the section from Patoka to the U.S. Gulf Coast on a rolled-in basis is a very charged question, as in fact has been doing the section from Chicago to Patoka, what we call Southern Access Extension, on a rolled-in basis. And that's a long discussion that I probably shouldn't try to get into here, but I think suffice it to say that it's unlikely that we could do that without facing serious regulatory challenges from some economic parties whose interest would be opposed to a roll in of that section. But the concept of going to Patoka and then down, I think, is a solid near-term proposition.

The reason why there is some interest in going directly from Western Canada and the reason why we continue to have that project on the books and have discussions with some shippers about it is a pricing and negotiating leverage question between producers and refiners. And some producers' theory of pricing dynamics leads them to a conclusion that, if they go through Chicago and through that hub where the Chicago refiners enjoy significant leverage, that that will affect their overall basin pricing. Whereas going direct from Hardisty to the U.S. Gulf Coast will give them an avenue which is decoupled from pricing in the rest of the basin.

And it's a pretty complex argument as to why they believe that, I'm sure whether it's correct or not. But some of them have that view and therefore some of them have an interest, if it could be done economically, in making that direct connection. The challenge is to make that as economically attractive as the route that you think makes more sense. They have to believe that there's a pretty significant pricing benefit to doing that.

Pat Daniel - *Enbridge, Inc. - President, CEO*

But I'm prepared to give you my fearless forecast. Out of all of the projects in this book, the direct line from Alberta to the Gulf Coast is the least likely to proceed. That's just my fearless forecast.

Richard Bird - *Enbridge, Inc. - EVP - Liquids Pipelines*

I wouldn't disagree with you because you're my boss. Yes?

Unidentified Audience Member

I'm looking fairly far out here, but bare with me a sec. In the next section you show a slide, or Steve is going to show a slide that shows assumptions of declining natural gas production in Western Canada. We've already seen some gas pipe converted to oil service, if that declining natural gas production trend continues, could we see more gas pipes converted to oil service? Does that represent a potential competitive threat to you or a potential opportunity? And if so, when might that materialize, what time frame?

Richard Bird - *Enbridge, Inc. - EVP - Liquids Pipelines*

Well I think it's quite possible that we could see more surplus gas pipe relative to what's required to move gas out of the basin if we continue to see production declines in gas. Whether the economics are there to convert that over to crude oil I think is another question. Compared to building a complete new line, so if you assume a similar thing to the Western Canada leg of Keystone, a repeat of that, the economics of that relative to building a new line I think would be strong.

The economics of it relative to expanding Alberta Clipper won't be strong at all. And that's sort of the strategic competitive strength of the capacity line up that we've worked towards for the last several years where we put enough capacity in Southern Access, the 42-inch line. And that's frankly why we carry 12% of the capital cost exposure on Southern Access is, because we made an independent decision to upsize from 36 inch on Southern Access to 42 inch. So that, when we put that together with Alberta Clipper, we've effectively got another 400,000 barrels a day of very low-cost capacity expansion from Western Canada all the way through to Chicago. That's by far and away the most economic incremental capacity to the U.S. Midwest.

So you'd have to, to see additional gas pipe coming into play. I think you'd have to look to a further tranche, you'd have to look to the next 400,000 barrels a day to Chicago and then a further tranche of 400,000 barrels a day after that, which would put that out somewhere in the middle of the next decade or later.

Unidentified Audience Member

Thank you.

Richard Bird - *Enbridge, Inc. - EVP - Liquids Pipelines*

And over here.

Daniel Shteyn - *Desjardins Securities - Analyst*

Daniel Shteyn, Desjardins, I have a question with regards to the one thing that struck me on slide seven, which is the step up in pipeline capacity to keep up with the growth in crude oil output out of the Western Canadian Sedimentary Basin, you have a step up for Keystone and a step up for Clipper. Now kind of trying to eyeball it, it seems to me that this is just a Phase 1 that's being built in without the expansion, is that correct?

Richard Bird - *Enbridge, Inc. - EVP - Liquids Pipelines*

Of Clipper that's right.

Daniel Shteyn - *Desjardins Securities - Analyst*

And I think the same thing for Keystone but it's hard to be sure.

Richard Bird - *Enbridge, Inc. - EVP - Liquids Pipelines*

Well, I think in the case of Keystone it's a 36-inch pipe so it requires only additional pumping horsepower to drive it to 800, 850. I think in the case of Keystone the current capacity that's shown there is the full hydraulic capacity of that system. So to expand it would require constructing a whole new line.

Daniel Shteyn - *Desjardins Securities - Analyst*

Okay. But I guess what I'm thinking here in looking at Keystone and Clipper is that really these things would be coming on quite close one to the other, especially if you assume that the Clipper Phase 2 goes ahead as well. So you actually wind up with a substantial pipeline over capacity scenario versus what is happening over 2007 to 2009/10 when you basically have very little. Now the real question about that is what, in your opinion, does that do to the whole growth profile remaining after that? Does that undermine shipper support to some extent for new pipeline extension initiatives? And could that impact any sort of economics on any of the projects?

Richard Bird - *Enbridge, Inc. - EVP - Liquids Pipelines*

Okay, well I think what it means is that between Keystone and Alberta Clipper we won't see a need for further capacity out of Western Canada, including the second phase of Alberta Clipper. Until, as the graph shows with those orange lines, into the early part of the next decade or even on towards the middle of the next decade. So we are certainly not seeing, at the moment, any shipper impetus to look at additional expansion of the mainline beyond that.

In terms of how much excess capacity there is, I think that's right. It looks to us, based on our forecast at least, that there is going to be for a period of time more than enough capacity. Now a couple things to bear in mind, this is our forecast. CAPP's forecast is running, as I said before, above our forecast and so they don't see it as being quite as ample as we see it on. And these are very conceptual charts, there is a need to have some surplus capacity in the system, or there is a benefit in doing that, to avoid, as I mentioned before when we talked about apportionment.

When you're matched dead to the pin you can run into apportionment in some months of the year because of seasonal swings, because of crude mix, good mix non-alignment with the configuration of the system. So some excess capacity is a good thing. And in effect what the shippers have done is said, we're prepared to pay for having some excess capacity in the system. And of course our arrangements are volume independent, we get effectively the same stream of earnings and cash flow whether some of that capacity is idle or not. So I don't see it having any impact on the economics of any of the existing projects. And really that phenomenon is built into our thinking as to when the second wave is likely to come on.

Daniel Shteyn - *Desjardins Securities - Analyst*

Okay. And just to make sure I clearly understand the Clipper expansion, that would potentially be the next increment one as opposed to being built into Clipper around 2010?

Richard Bird - *Enbridge, Inc. - EVP - Liquids Pipelines*

Yes exactly. You know our thinking on what we've labeled as next increment one and next increment two, at the moment we see the most logical projects to fill in those slots would be a further expansion of Alberta Clipper and the Gateway project.

Daniel Shteyn - *Desjardins Securities - Analyst*

Thank you.

Pat Daniel - *Enbridge, Inc. - President, CEO*

Daniel, I just would like to add that I think spare capacity is the least of the worries that the producers have right now at any point, in part because we don't represent a significant cost to them in the landed price of crude. You know our toll commitment in Chicago is about $2.00 a barrel on an $80 commodity. If you look to the natural gas business it's about $1.50 toll on a $6.50 commodity, that transportation is very relevant in the natural gas business, but not in the crude oil business, hence having spare capacity is by far the best way for them to go and access the markets in proving that package by far the more critical issue.

Richard Bird - *Enbridge, Inc. - EVP - Liquids Pipelines*

Let's go back to Andrew.

Unidentified Audience Member

Just on that capacity when we see Clipper and Keystone come up and running, do you see it in any way similar to what happened in '98 or thereabouts when you did a big mainline expansion, we saw volumes shift from Trans Mountain fairly dramatically onto the mainline into Pad 2. Do you see that being very similar this time around?

Richard Bird - *Enbridge, Inc. - EVP - Liquids Pipelines*

I think there's a potential that we'll see some volumes at the moment are being driven to the West Coast by pipeline capacity availability come back on the system. On the other hand, you know a big driver for barrels moving to the West Coast is this pricing arbitrage issue that we talked about before. And that that issue will still exist even after those capacity expansions because the capacity expansions aren't access to new markets by themselves. So I don't that affect will be very significant.

Unidentified Audience Member

And then just as a follow up. If you could give us any color and commentary just on what you've seen from Kinder Morgan, well I guess now Knight, what you've seen from Knight within the oil sands, just from a competitive dynamic, and how things have really changed from I guess when they took out tariffs in 2005 to now.

Richard Bird - *Enbridge, Inc. - EVP - Liquids Pipelines*

Yes. I'm always a little reluctant to -- the boss is telling me to hurry, to get too much into talking about competitors. So maybe I'll just keep it short and say in the oil sands we don't really see any evidence of Kinder Morgan activity. They seem to have backed away from that particular competitive arena. And how much time have I got left here, about eight minutes? About that long? Okay so I do have time a few more, yes Bob? Can we get Bob - sorry, looks like that was inefficient --

---

Unidentified Audience Member

Thank you.

Pat Daniel - *Enbridge, Inc. - President, CEO*

Then if you could give the mic back over to Robert since he was all loaded to --.

Richard Bird - *Enbridge, Inc. - EVP - Liquids Pipelines*

We'll go to Bob first and then Robert.

Unidentified Audience Member

Yes just looking at outside problems that might slow down development, obviously eminent domain has become big issue in the U.S. in combination and, as you referred to, there are some issues in Wisconsin which I believe you reacted very quickly to once there was problems. But does that sort of feed on that there could be greater impetus to slow this process down because of the land owners?

Richard Bird - *Enbridge, Inc. - EVP - Liquids Pipelines*

Land access is a big issue, it's a bigger challenge than it ever has been and it's a big issue whether we're in the States or even in Western Canada at this point. And so I would say yes it does have two impacts. One is it's costing more because we're having to spend more, whether it's on environmental compliance or whether it's to gain access to the right of way in the first place, and it does have a time impact as well. And that's we've -- you know we're in a world now where it takes longer to permit and approve a pipeline than it does to permit and approve an oil sands project itself. So we're building that circumstance into our thinking on schedules as best we can, but it's still an area where there is some potential schedule risk and some potential cost risk.

Unidentified Audience Member

I see some of the land owners are reacting to the actual people are asking for quicker rights of way than before, before projects even get FERC approval and we're going to court quicker for eminent domain, which is starting to get them quite upset. So we're obviously trying to get these processes in quicker, it seems to be a bigger backlash this time. I'm just wondering if you see that or think that's going to be an end problem?

Richard Bird - *Enbridge, Inc. - EVP - Liquids Pipelines*

We do see it and it is creating a bigger challenge, but not one that we think is insurmountable.

Pat Daniel - *Enbridge, Inc. - President, CEO*

One of the challenges in these projects, I think it's fair to say, are very much in the natural interest in both Canada and the U.S. And yet individual rights, of course, prevent moving along as rapidly as we would like. It is becoming a bigger issue every day and to date we've been able to manage it, Bob.

Richard Bird - *Enbridge, Inc. - EVP - Liquids Pipelines*

And I should say that on many projects we seek the right of expropriation and we've been successful so far in getting it. To actually resort to expropriation is really the last resort and if anything we like to have it there so there is a little more leverage on our side in negotiations to keep things reasonable. But our objective, and we're generally successful, is to reach commercial agreement with our land owners and I would say in 99% of the cases that's what we get to. Okay Robert?

Unidentified Audience Member

Just when you look at your five-year plan and the rough $3 billion CAD you have under development in your group, is that the biggest driver between -- on the corporate 8% to 10% EPS growth, in terms of just whether it's 8% to 10%?

Richard Bird - *Enbridge, Inc. - EVP - Liquids Pipelines*

Yes so in my group we've got, between the partnership and Enbridge itself, we've got $12 billion CAD that we're planning on over the next five years, $9 billion CAD of which is secured, $3 billion CAD of which is still under development. And I would say that that is the largest single driver, but I'll look to my boss and my colleague Mr. Wuori to confirm that that's the case.

Pat Daniel - *Enbridge, Inc. - President, CEO*

Yes absolutely that is the big driver of that growth.

Unidentified Audience Member

And the $3 billion CAD is a risked amount, to the extent you realize more than that $3 billion CAD, should that put you about the 10%? Or would that get you just to the 10% mark?

Pat Daniel - *Enbridge, Inc. - President, CEO*

Well, I think there are a number of factors. The 8% to 10% is an average over five years and I think we've indicated before that it's very much back-end loaded, although we're moving much closer now than we were when we first put forward that 8% to 10% number. So we're going to be in excess of 10% in the latter years whereas we're sub-10% in the early years. Also there are issues like foreign exchange exposure et cetera that cause us to put an 8% to 10% range of that. So the number of factors will determine where we fall in there.

Richard Bird - *Enbridge, Inc. - EVP - Liquids Pipelines*

But directionally I guess it is the case that if we are successful in getting more of that risk pool in the $3 billion CAD that we've assumed that will tend to elevate that number, with the one caveat that the biggest portion of that $14 billion CAD second wave is first half of the next decade. So, in terms of a 2010 horizon, getting more of that pie wouldn't have a big impact before the post-2010 period. Okay I think we've got time for one more, Winfried, it looks like --.

Pat Daniel - *Enbridge, Inc. - President, CEO*

And then we've got another one over here, let's take two more, Richard.

Richard Bird - *Enbridge, Inc. - EVP - Liquids Pipelines*

Okay.

Unidentified Audience Member

On slide 19 when you look at terminaling and storage, particularly in the context of longer new term access opportunities, what strikes me is it's relatively small whereas new market access opportunities have increased. Could you just explain why that is? Is that a function of the capital costs and sort of risk profiles of those projects? Or is it market dynamics? Or why is that?

Richard Bird - *Enbridge, Inc. - EVP - Liquids Pipelines*

So you're saying why is it smaller on the right-hand block or why is it smaller in general?

Unidentified Audience Member

Yes, and why is it smaller and why is it smaller in relative terms, particularly when you look at the new market access opportunities to the Gulf for example.

Richard Bird - *Enbridge, Inc. - EVP - Liquids Pipelines*

Well I think it's smaller in general just because it's cheaper to build tankage than it is to build long-distance pipeline. So that's why the opportunity tends to be relative to the pipeline expenditures as a smaller amount. Why we've got it smaller in the second wave than the first wave is probably just a reflection of the fact that it's easier -- you know we're talking about a long way out into the future, the first half of the next decade, it's easier to see the pipeline projects coming at us in that period than it is to see the terminaling demand that's coming at us in that period.

The pipeline opportunities are discrete, well defined projects, the terminaling opportunities are more collection of the number of different places, the number of different customers. So we don't have quite the level of ability to predict and so we probably have maybe predicted a little bit conservatively. Okay and Winfried?

Unidentified Audience Member

Among the future tar sands producers there is a debate raging between building upgraders up in Canada or sending bitumen down to the United States. And regarding the second wave of expansion, do you see a significant difference in capital cost and configuration of pipe to Enbridge, whether you're carrying diluted bitumen or synthetic crude petroleum?

Richard Bird - *Enbridge, Inc. - EVP - Liquids Pipelines*

I think the answer to configuration is yes. I'm not sure at the level of conceptualization that we're looking at for the cost estimates on the second stage that that would drive a big change in the kind of global cost of putting that infrastructure in place. But you know the configuration, if there was much more synthetic in Western Canada being produced, as I said before, that will tend to decrease the need for diluent import infrastructure.

If the balance between synthetic and heavy shifts, far enough in a synthetic direction, you'd probably see less of a drive to get to the U.S. Gulf Coast and more of a drive to get to the U.S. East Coast. The Gulf Coast being the natural home for heavy and the East Coast being more of a natural home for light, so the picture could shift around based on those kinds of changes.

Our overall strategy has really been, for a long time, to try and figure out all the possibilities. Figure out what we think is the most likely possibility and make sure we're well positioned to cover that, but also to make sure we're well positioned to cover some of the other possibilities as well so that we've got a place at the table really regardless of how the market plays out. And I think with that I am out of time. So I think this is now the break, is that right Bob?

Bob Rahn - *Enbridge, Inc. - Director - IR*

It is time for the break. Are there any more questions. If we could clear them we could take care of it now.

Pat Daniel - *Enbridge, Inc. - President, CEO*

I think everybody's ready for a break, Bob.

Bob Rahn - *Enbridge, Inc. - Director - IR*

I think so. About 15 minutes and we'll come back with Mr. Letwin. Thank you.

(BREAK)

PRESENTATION

Stephen Letwin - *Enbridge Inc. - EVP - Gas, Transportation & International*

I want to look like Bob Hastings, so [I'm] in good shape. The theme of my presentation is, he's not heavy, he's my brother. And I'm talking about Richard Bird's capital program. And Pat Daniel mentioned earlier that one of the strengths that we have is in the gas transportation and international area, we have a very solid business and in fact we do.

When you look at our metrics, and it's funny the way things go, five years ago, as Pat said, we could talk nothing but natural gas and maybe I should tell that we do not plan to ever build another gas pipeline again. And next year we'll have $9 billion CAD other projects.

But right now, of course, we are playing second fiddle a bit to what's happening in crude oil, but we're there, we have a position to play in this team of ours at Enbridge and I think you would agree it's been a very, unified team and a very continuous team in the nine years that I've been here. And our position right now with gas transportation and international is to protect and continue to generate the strong cash flows that we have been blessed with. And these cash flows, by the way, are on a EBITDA basis for this division in excess of $1.2 billion CAD and earnings of $365 million CAD, these are not small numbers.

And from an asset value standpoint, I think you would agree that the market continues to value infrastructure at very high multiples, so if you use simple mathematics, the value of this business to Enbridge, especially when we're looking at the kind of growth profile going forward, is enormous.

So on that note, we talk about our platform and the fact that this solid contribution, not only to earnings and cash flow, but to credit ratings, will continue. And while we cannot proclaim a 9%, 10% growth rate in the gas world right now, and I think you heard some of Peter's comments about gas and we'll talk about that a little bit later on, we do expect to see steady growth in earnings. And we conservatively forecast to grow at that 4% to 5% per annum rate over our horizon. That is not a growth rate to be ashamed of at all. In fact, we're very proud of it and it's very steady and a lot of companies would die to have it.

So let's quickly talk about these assets that I know a lot of you know very well. Of course the Alliance Vector, Aux Sable connection, the west-to-east natural gas transmission system, very highly contracted, capable of moving both natural gas and natural gas liquids to Chicago, where our Aux Sable plant exists. And by the way, who would have guessed five years ago that we would see Aux Sable experiencing the kind of earnings and cash flow that it's doing today? We're still sitting at gas-oil ratios, which are 12, 13 to 1. And as a result of that, the Alliance pipeline, although gas continues to be challenged by high costs that you've heard about in the Western Canadian sedimentary basin, I'm talking to a number of you last night, the value of the frac spread keeps this pipeline worthwhile and very valuable.

Vector is a key linkage in this system, it joins two very key market hubs, has very strong supply and demand fundamentals. And we'll talk about Vector a little bit later on, it's enjoying continued expansion.

Our Gulf of Mexico assets, we have applied corridor footprint. We are the largest mover of natural gas in the Gulf of Mexico. Our deep water Gulf of Mexico is anticipated to double from our 2006 numbers out 10 years from now and we're looking at growing from about 3 Bcf a day to 6 Bcf a day. And we weren't exactly excited about what happened to us after we bought the Gulf of Mexico assets. I was sitting in Steve Wuori's job and working with the guys in the South to buy these assets from Shell, if you remember, and we bought them in around 7.5 times EBITDA. At least that's what we had made the calculations around and then we had the largest hurricane season that they've seen in, I don't know, 100 years and knocked us to our knees.

But I will tell you this, that we have recovered, that our Gulf of Mexico assets look stronger than ever and that we are very, very bullish, optimistic about growth in that corridor. And I'll talk a little bit more about that. And we'll keep our fingers crossed that we don't see another hurricane season like we did two or three years ago.

Texas continues to be very, very bullish, with the Bossier, Barnett Shale and Anadarko, Pat talked about this. We have a very solid market share and this has become a very attractive asset for us, not only within the partnership, but obviously as a contributor to Inc. and as a leveraged asset with respect to growing gas.

LNG, Rabaska, we expect to see our approvals from the government in the very near term. The challenge there continues to be supply and I'll talk a little bit more about that. EGD, we've got Al Monaco here. You know Al's become a Torontonian and I was shocked yesterday, I went to his home and he had a Leafs jersey on. And I'm disappointed, Al. But Al is here to talk about the steady, reliable, low-risk, just like the Leafs, the low-risk investment we have here in Toronto and very credit friendly and he's done a spectacular job already in just the year he's been here.

International, Pat Daniel started this division, I think, 10 years ago and we created two very great performing assets, as you know, CLH and Ocensa. In fact I'm going down to Colombia on Friday to visit with the new energy minister and the presidents of the various shipping companies that use this pipeline. This has had a bit of a resurgency, which we'll talk about, and CLH along with Ocensa continue to be great contributors, almost $100 million CAD in EBITDA to the Company every year. So, a good sound base of assets.

Again you've seen this before, but let's just talk a little bit about what's happening in the gas world, prospects for demand growth in North America are very strong. They continue to be tied to electricity, particularly. Most of its growth is in the power, residential, commercial area and somewhat in the -- modestly in the industrial side. And if you look to Enbridge in terms of a view of what we see in the next ten years, we see very strong growth in Western Canada in support of oil sands.

Of course, we see moderate growth in Ontario, although again, talking to a number of you last night, I heard a number of very strong pitches for gas as it relates to the demand for power in this particular part of the world. And I think we're seeing Ontario, although I'm not sure who's winning the election today, but the -- there does seem to be a focus away from coal as a fuel and whether or not that's going to happen in the next number of years or not, I'm not sure. But even in the absence of coal being eliminated, we've seen the scene in Ontario growing very significantly with respect to its use of electricity.

We're seeing this growth across the entire U.S., particularly in Florida, in Texas and we are seeing some moderate growth even in the U.S. Northeast where there's been a bit of a slowdown here. So all in all, we do see growth at an increase of approximately 15% and gas use over the next 10 year period. And if you look at the top right area of the chart, supply to meet this demand growth will have to come primarily from LNG imports as North American indigenous production will be relatively flat.

Now we've always been surprised, and I -- again, talking to a few of you last night and this morning about how we seem to be able to find gas on this continent and make our deliveries up and although we have seen costs move up in the last little while, we do continue to see exports from Canada and the U.S. at levels they were last year. And we also seem to see Texas, as you heard last night, continuing to find new ways of finding gas and in fact have increased their indigenous production by about 2 Bcf a day.

Alaska gas is expected to come on. I will tell you this, and people say to me, are you wasting your time on Alaska? We have a very strong relationship with the producers who are in this particular region of focus. We also have a very good, and I believe strong, relationship with the State of Alaska. We continue to try and work with both sides of the particular projects to make sure that Enbridge, if there is a project that's going to move forward, can play a key role in it. We don't spend a lot of money on it, but we make sure that we are front and center if there does seem to be some progress that is to be made.

We also see a lot of increased supply coming from the unconventional sources, Rockies of course is front and center. A lot of activity going on in the Rockies right now and they do need to get that gas out of the region. As you know, it's been selling from anywhere from $0.03 to $0.15 an MMBtu, which would be unheard of. People generally would shut in at that -- those levels of prices, but we've continued to see the production, but we also see a lot of shale and tight sand formation in Texas, as we said, being explored. And this technology continues. If you go to the State of Texas and take any kind of a tour, you'll see that the activity in Texas is robust. In fact, half of the rigs that are built in the U.S. are now found in Texas.

So that's our take a look at demand going forward. In terms of supply, again, you've seen this chart before. We are seeing predictions of LNG and I guess the Gordian knot, if you will, with respect to LNG will be whether or not people can secure supply. So we, I believe, will have plenty of regasification facilities in North America, Rabaska can't afford the Gulf of Mexico particularly.

I'm convinced that what we thought would be problematic in terms of siting of these facilities will not be problematic at all and in fact we're probably going to see by the 2013 time frame somewhere in the order of 13 to 15 Bcf of regasification capability on this continent. So that will not be the challenge. The challenge will be how, do we secure the supply necessary to feed these facilities? That will depend, of course, on Russia to a large extent and the development of their Stockton fields and the Baltic areas.

It will also depend on pricing. And it's interesting from last night's discussion to talk a little bit. It would be my view that you're going to see natural gas pricing follow much more closely with oil prices going forward. And in fact, you're seeing it a little bit today with 3.2 Tcf in the ground, why is gas at $7.40?

Last year at this time, does anybody remember what it was at? With the same storage figure? It had a four in front of it. So it's kind of interesting to know that -- to see that there is reaction to the fact that supply is a concern on this comment. I'm a little bit more bullish than most maybe because I'm in the business, that gas will rebound, that you will see a reaction price-wise to our supply constraints. And if we continue to see the reduction in drilling activity in Western Canada and the fact that supply from LNG is going to be constrained because of the same challenges we're seeing in North America. So it's a very real case that you could see some very strong price movement upwards with natural gas, which again will bring around much more infrastructure development.

So we feel very strongly that based on where these arrows are pointing to, with respect to major trends in gas transportation, that we are very, very nicely positioned to take advantage of that. Whether it's along the Alliance corridor, feeding Alaska and Northeast BC, whether it's Vector, which is going to be fed primarily from gas in the Midwest, whether it's the Gulf of Mexico and Texas, which will tend to feed areas in the Southeast United States and the Northeast U.S. We feel quite good about where we sit.

Let me talk a little bit about offshore, because this has been a very good -- or turned in to be a better position than we had thought about, certainly, a year ago. And that we're starting to see this to be viewed as a very premier position in the Gulf of Mexico. And as you know, we have five large supply aggregation corridor pipelines. We focus on gathering deep water oil and natural gas. We have about 4.7 Bcf a day of capacity in the market and we're currently sitting at 2.1 to 2.2 Bcf net to shore.

We transport 35% of the offshore production to market. We have 1,600 miles of pipeline, with 1,000 of those miles being operated by Enbridge. So we have seven partnership pipelines and we operate four of them. And this continues to be a very prolific area, there's a lot of drilling going on, especially in the deep water development, up to depths of 6,800 feet of water, which is incredible.

If you take a look at the strategic position in the deep water, we have new development projects, Atlantis and Neptune start up expected in 2008. Thunder Horse expected -- extended delay. But start up plan for Q4 2009, cross our fingers. This is a huge development for us. Just so you know, when we bought this asset, talking to the partners, this was supposed to be up and running in late 2005. So, just a bit of a delay.

But we are hopeful that it's going to come on. We've had tours, we've had interviews with the Company that's driving this and we are quite confident that it's going to be there. And again this is something where they have seen delays due to weather and certainly, I'm sure, due to similar challenges that we've had in -- on land in North America with respect to finding skills and experience to put this facility up and get it going.

We have significant new development proceeding in the lower tertiary, ultra deep trend. The 7,000 to 10,000 foot water depth. I went out on a tour, this is absolutely amazing. If you ever have an opportunity to come to Houston, please come see me and give me a little advanced notice, I'd love to take you out into the Gulf of Mexico and show you what we're doing in the deep,

deep water. It's absolutely amazing, the technology that they have in place, Anadarko particularly, Shell, Exxon Mobil, Chevron. It is deep sea, it is very worthwhile seeing and I'd invite you to come down and we'd organize something for you. We'd love to have you.

It's estimated, as you know, that there's some three to 15 billion barrels of oil equivalent in that part of the world. And as I was talking to you, a number of you, last night and this morning, there is a very large level of interest, not only from U.S. companies, but from foreign companies, Petrobras is in there and we're also seeing some strong interest from the Scandinavian countries.

Let's go back a little bit and talk about our Alliance, Aux Sable, Vector. Today our integrated clients, Aux Sable and Vector Systems does provide these solid earnings to Enbridge Inc. Very strong EBITDA, very predictable, and this integrated system is also logical with respect to being a beneficiary, not only to Mackenzie Gas, but to Alaska. And in the absence of those two not showing up, I can tell you that we're working very, very diligently to ensure that the recontracting that will occur in 2015 goes as smoothly as possible. We can't assume that Alaska's going to be there or that Mackenzie's going to show up, so we have to work today to make sure that that recontracting of the Alliance system goes as smoothly as possible.

Alliance, as you know, is in a liquid's rich, high pressure system and it's very consistent with what will be required to carry the Alaska gas. We have long-term contracts, as you know, and for Aux Sable the BP agreement effectively eliminates the downside risk of low fractionation margins. I love this BP arrangement because we've basically taken Aux Sable and turned it into a pipeline-like arrangement where we have very limited downside and we share in the significant upside that we're experiencing from the fractionation margins that are out there right now. So it's been a great program for us. We literally don't have to worry about the large losses that we saw in the earlier part of this decade.

On Vector, where we own 60% ownership, we're operating at or near 100% utilization. We have a very strong and diverse supply in Chicago, strong market in Ontario and Eastern Michigan. We have growing markets, as you know, in Ontario and downstream. In 2007, we had compression expansion nearing completion of about $78 million CAD. We're eventually hoping to see the system move up to around the 1.3 Bcf a day level. And we've got further expansion scheduled out as far as 2009 and as I say, said earlier, the demand for gas [out of] this system continues to grow.

I would tell you that even with the Rockies Express coming into play, I think Vector is going to have a very bullish outlook. We're going to continue to see its use in the Dawn, particularly, and with some of the laterals coming off of Vector into that part of the world where there's a lot of industrial use, we believe that Vector will continue to be a very attractive asset for the Company.

Another primary project that we have, we see some significant opportunities and Al can talk about this a little more when he gets up here, around natural gas storage. We obviously would like to be a player in LNG, someone asked me last night, other than Rabaska where would you see yourself being in LNG? Well certainly we would see ourselves in the Gulf of Mexico. We have a number of CAs signed in the Gulf, looking at some LNG opportunities. Ideally we'd like it -- to see it tied to some of our current infrastructure and that is a very real possibility. We also see some opportunities in the U.S. Northeast, with some of the majors and we are asked continually to participate in some of these.

Again whether or not LNG shows up at the end of the day, it's anybody's guess, I believe it will. And the regas side of this will be obviously important, but will not be the bump in the road that everybody thought in terms of getting the siting.

On the storage front, we see some excellent opportunities in Ontario. Al will talk about this, but we see some very strong economics in being able to build storage in this province. We also see strong economics in Michigan, in and around Vector and we also see some very strong economics in New York where there is certainly a lack of storage for the U.S. Northeast market. But we do have a storage team that's looking at this.

With respect to Rabaska, we do have and do believe we will have our permits in the very near future, all approved. We are working with a number of suppliers as we speak. We have two very active CAs in place. We have a memorandum of understanding close to being signed with one of them. So will supply be there for Rabaska? I'm certainly a believer that it will be. And we're hopeful that by the end of this year, early part of 2008, we'll have something very positive to tell you in that regard.

Aux Sable, I've already talked about. We do think that Aux Sable has the capability of levering off its current position. It is a very nice, strategy opportunity for us, especially as it relates to potentially building infrastructure back in Alberta that complements this facility and particularly may complement our petrochemical business. As you know we have a number of projects that have set off of Aux Sable, including the Heartland off-gas processing project and we also have some unique opportunities with BA Energy that are moving forward.

On the Texas front, lots of activity. Drilling fundamentals remain very, very favorable in this state. And I believe, and again I spend a fair amount of time in the field, taking a look at what's going on there. I believe this will continue. People ask me, even with the low gas prices, are we going to continue to see drilling activities at these highs? My comment would be, Yes, we do expect it because with the technology that we see in this part of the world, with the shale, we are seeing costs that are probably about 20% lower than what you're seeing in some of the regions in Western Canada. And again when we point to the Rockies, I think because we have infrastructure in place in Texas, our overall costs are somewhat lower than even the Rockies.

If someone said to me, what's one of the most attractive features of your infrastructure in Texas? I would tell them right today, it's our processing capability. When people look at whether or not they want to use our infrastructure, they're looking at whether or not we have the processing capacity and right now that capacity has grown from around 250 million cubic feet a day, when we first got these assets five or six years ago, to almost 2 Bcf a day.

And we are seeing somewhere in the order of 31,000 barrels a day of liquids coming from our plants in the State of Texas and again a lot of the producers, with the fractionation spreads as attractive as they are, when they look to Enbridge, they look to use our infrastructure because of the location of these plants. So I am very bullish on seeing the infrastructure in this part of the world continue. I think it's been an excellent investment for us. EBITDA in this area has quadrupled and when we take a look at where it was seven years ago, six years ago. So again, a fantastic investment for the Company.

In terms the gas supply, this chart gives you a little bit of an impression. Again, these are [higher] numbers of what they hope to see. The key here will be getting this gas to market. We see about 9 Bcf a day of gas that's in excess of what's needed in Texas. So most of our work is centered around getting it towards Florida and the U.S. Northeast. We even have some supply moving in the direction of California now to meet some of the electricity demand in that part of the world. So Texas is -- continues to grow and our expectation would be we're going to see activity going forward at least into 2000, 2009 to be very high.

On the international side, again, all of you know this investment very well. It's been a real jewel for us. We've seen significant growth in delivered volumes since 2002. Growth has moderated in recent years as market matures, so we expect to see volumes not grow as quite as prolifically, but we do see growth continuing in the strategic storage business at this asset. Operators and government must hold minimum levels of products per EU energy directives and these result in long take-or-pay contracts that are in existence.

We see a very strong capital program in terms of EUR730 million in the 2007-2011 timeframe. This involves some significant pipe expansion, some storage expansion and replacements. And the shift in product flows within Spain, several refinery expansions are occurring, mainly in the south, and this will require some pipe expansions to Madrid. We're seeing diesel and jet demand increasing because currently imports are required, so we're seeing a good growth opportunity in that particular product.

These 10-year tariff contracts provide some excellent incentives to shippers, with tariff discounts to ship on the system. So we expect to see our volumes to remain steady and grow over the next two to three years, particularly. We don't see competition being a major risk at this time, although we don't take our position lightly and we're constantly working with the shippers and customers to make sure that our expansion program with this asset is going to be realized. So we have some great partners, as you know, with Repsol and CEPSA and BP and Shell. And we have a very, very strong Board and very strong management at

CLH and we have four people over there working full-time to make sure that that interface goes as smoothly as its gone in the past.

With respect to Ocensa, again, been a great investment for us. We operate the Ocensa system, as you know, and this is done through 100% ownership of the operating company that we call CITCol. As most of you know, our equity investment earns a contracted 14% annual return. It's got an equity ROE of 13.5% plus a subordinated fee of 0.5%, which is earned through CITCol. Plus the fixed operating fee as well as these incentive fees earned through Sipcall are realized. Our volume outlook is very positive, the Cusiana/Cupiagua continues to decline, but increasing development activity, upstream primarily in the heavy oil area, which I'll talk about in the next slide, is starting to be realized.

The initial Ocensa debt was $1.6 billion U.S. This will be fully repaid in 2007. As a result, there is a return, potential return, of Enbridge initial equity starting in 2009, as per our original contract terms. This is something that I think some of you have heard, maybe not all of you, but it's certainly something that we are going to be working with the shippers with, to see whether or not we can continue realizing earnings from our investment. And that may require some further capital investment that might be attractive to Enbridge as it has been in the past. We hope to see our operating agreement extended and one of the reasons for my trip down there this weekend is to try and secure that.

With respect to what's going on in Colombia, the Colombian government, and I give Pat a lot of credit for this, he suggested about a -- over a year ago that we invite the Colombian government and some of the Colombian producers to Canada, to Calgary particularly, and have a conference about heavy oil. And his idea was, let's exchange some ideas about how heavy oil is explored in Canada and talk to those in Colombia about what they're doing. And I thought, well, that's an idea, but I'm not sure it's going to work.

Well we invited them up, we had over 100 people show up, and -- from the Canadian community and there it was one of our better conferences. So much so that we were invited back down to Colombia and the -- what you see on the map here is I guess an investment by the Colombian government and some of the producers in Colombia to get heavy oil flowing through the system. And this of course is driven by a concern of declining food production.

So in 2006, we saw 44 new contracts were signed for $1.5 billion CAD in direct investment. That's significant. And these active companies are Petrobras, Repsol, Chevron, Texaco, Exxon Mobil, Shell, and companies such as Nexen, Talisman, and Petrobank.

And there are two major, if you take a look at the slide, there are two major heavy oil plays upstream of Ocensa and these are the Castilla Field operated by Ecopetrol, where we're seeing about 96,000 barrels a day of production currently moved on Ocensa and this is expected to increase to 150,000 by 2008. And then I think you probably heard of the Rubiales field, which was announced a month ago. We see reserves estimated at around 621 million barrels and current production of around 18,000 barrels a day, which are -- is being trucked to local markets by the way, growing this particularly by the order of about 10 times, hopefully, over the next five years.

So financing has been raised. I think you probably saw the announcement, $420 million CAD in equity to finance the acquisition of MetaPetroleum and to fund development in the Rubiales Field. So a very aggressive program, I'm hoping to see it when I'm down there, something that we're excited about and again hopeful that this very, very attractive investment will continue to be that -- be such moving forward.

Our last slide is, don't forget about us, even though Richard has all these projects, we're here to help him. And Richard, I'm making that commitment to you. To make sure you have enough cash flow and value to execute those big projects. And if you take a look at our performance in the past, it's been very solid and it looks very solid moving forward. We believe that gas will return, the Empire will strike back. And we will be up here talking about our multi-billion dollar projects.

So on that note, are there any questions for this particular section before -- Bob, did you want Al to come up and then ask questions or ask questions now?

Bob Rahn - *Enbridge, Inc. - Director - IR*

You should proceed with questions. About 10 minutes or so.

Stephen Letwin - *Enbridge Inc. - EVP - Gas, Transportation & International*

Thanks. Erin?

QUESTIONS AND ANSWERS

Unidentified Audience Member

So if you believe that gas prices are going to increase and trade in tandem, I'm presuming that towards the 6 to 1 ratio versus the 12 to 13 you mentioned, why would you not monetize your frac related business with Aux Sable while you could probably predict $30 million CAD in incremental fee revenue a year?

Stephen Letwin - *Enbridge Inc. - EVP - Gas, Transportation & International*

Well we might do that.

Unidentified Audience Member

Okay.

Stephen Letwin - *Enbridge Inc. - EVP - Gas, Transportation & International*

That's an excellent question. Who was next? Win? Or no. Pat?

Unidentified Audience Member

Just on CLH, given the capital outlook that you have for that and the growth you've experienced from purchase in 2002 to now, when you look ahead, do you see any disposition opportunities? Especially in light of Repsol is rumbling about getting off their 25% at this point in time? We have seen some stakes sold in the past, but valuations are significantly north of the $530 million CAD you spent in '02.

And so how do you think about that? Because it is one of your higher returning assets that you have, but when you look at the capital that CLH could have in the future and you look at the capital coming on the liquid side, if your division is really here to help Richard, to what degree do you keep that asset around?

Stephen Letwin - *Enbridge Inc. - EVP - Gas, Transportation & International*

Well I think and Pat will, I'm sure, add to this. It has been an excellent investment for us, 13% ROE. And we obviously, when we take a look at the $9 plus $3 billion CAD of investment, we look at these opportunities in the way you described. I think that's about all I would say to you, is that it doesn't go without review and -- but we are very pleased with the relationship we have over there, we have been very pleased with the investment and it's something that we're also cautious about because internationally, again, we get called even today because of our reputation, because of our brand.

So yes, it's something to consider. Pat, I don't know if you have anything to add to that?

Pat Daniel - *Enbridge, Inc. - President, CEO*

No, I guess it's getting to the whole series of questions aimed at Steve was going to be to selectively go through all of the assets and say, Well, why don't you sell them? And he's probably going to give you the same answer that he gave Karen, is, well we might. We're going to think about it. We're going to look at it as the strategic importance and I think the key thing being that we recognize that we've got an unprecedented opportunity in the crude oil business to redeploy capital, as I mentioned earlier, into the crown jewel of Enbridge. Low risk, relatively low risk, high return opportunities in our backyard and in the business that we know the very best.

So we will look at Aux Sable, we will look at international, we will look at a number of assets to see whether there are monetization opportunities. And that doesn't mean to say that we're unhappy with any of those, because we've been very, very pleased with all of the investments referred to. But we will look at them and consider what we need to do in light of the financing challenges that we've got and I should say the financing opportunities that we've got and Steve is going to sum those up in a little while.

Unidentified Audience Member

And if I may, just a broader question on how you view international within the entire portfolio, is it really invest, develop and then harvest down the road? Is that the model that we're seeing? Is you've done two very strategic investments in the last, I guess, since '94 until now in that time period. Do we see a harvest time coming up? And then a redeployment in the future into more international and that's really what international winds up being? How does it fit into the overall Enbridge framework of a North American pipeline Company?

Stephen Letwin - *Enbridge Inc. - EVP - Gas, Transportation & International*

Well, way back when I was at Procter & Gamble, we always looked at things that still harvest their growth. And I think on the international side, we've always thought of growth. Because we never -- we would never go international, I think, thinking that we're going to grow it and then simply harvest it/sell it. We're hoping, I think, at one point in time to -- the energy delivery Company that we're talking about would not just be North American, it would be more global.

So I think I've been around all of you long enough to know that that was a template that we looked at fairly seriously. But we have to be realistic and with the number of crude oil opportunities that we have in our backyard. Your question, if I answered it any other -- differently than to probably look hard at harvesting/selling, it would be an inappropriate answer.

So how can we, when we have everything in our backyard, with these significant ROEs, think about investing in Germany or Russia or anywhere else for that matter. Not that we'd ever go to Russia. But it doesn't make a lot of sense to be trying to find new investment opportunities when Richard and Pat get called every day about new opportunities in our backyard. Yes? Oh sorry, Win?

Unidentified Audience Member

I seem to recall that when Enbridge acquired the offshore pipeline systems in the Gulf of Mexico, we were directed to annual earnings of $30 million CAD in the first full year of operations. Now we've had hurricanes, we have had exchange rate fluctuations, what happened to that number -- $30 million CAD. And will we ever see, and if so, when?

Stephen Letwin - *Enbridge Inc. - EVP - Gas, Transportation & International*

'08 I think we're going to see something in the order of, and this is unburdened, of $100 million CAD in EBITDA and the $20 million CAD, $21 million CAD in earnings, which is about 30% lower than what we thought. You're absolutely right. The $30 million CAD number was predicated on seeing success for the number of companies that were to tie to our infrastructure. And I take responsibility for putting that number out because I was in corporate at the time we looked at it. And quite frankly, we overestimated how quickly and were too, I guess, bullish, how quickly that infrastructure was going to be tied together.

That coupled with the hurricanes, which knocked out about 40% of our infrastructure for a time being, knocked the wind out of us. I would tell you that we probably hope to see that $30 million CAD number out into the 2010 timeframe, but that's again based on seeing some of this infrastructure show up.

Unidentified Audience Member

And as a follow-up if I may, what is the annual currency -- expected annual currency impact between the 2006 and 2007 for the Enbridge offshore pipeline system -- assuming we're going to stay around $1.01 parity.

Stephen Letwin - *Enbridge Inc. - EVP - Gas, Transportation & International*

You mean the currency, negative currency impact or --?

Unidentified Audience Member

Yes.

Stephen Letwin - *Enbridge Inc. - EVP - Gas, Transportation & International*

I'd have to check that. When I know for -- I think that it's going to somewhere in the order of $4 million CAD, in that region, but I'll have to check it.

Pat Daniel - *Enbridge, Inc. - President, CEO*

And I think that, Win, when Steve Wuori comes up later on, he's going to try to give you a feel for the overall currency impact of the dollar at parity. So I don't know that he's going to have it at the level of the offshore assets, but he'll give you an overall Enbridge impact of that.

Stephen Letwin - *Enbridge Inc. - EVP - Gas, Transportation & International*

Matthew?

Unidentified Audience Member

There it is. Steve, there's been a lot of activity around MLPs and I guess you've got that responsibility too and you talked about the partnership a little bit and the valuation on some of them has just skyrocketed and Enbridge Energy Partners still has a 7-something yield on it. Some of them have been a lot lower, with arguably not as attractive assets. They don't have the oil pipeline stickiness that you guys do in there. So are you doing the right thing on MLPs? Do you need another MLP vehicle? How do you get -- how do you maximize the use of an MLP from a financing perspective to maximize shareholder value for Enbridge in this context?

Stephen Letwin - *Enbridge Inc. - EVP - Gas, Transportation & International*

Well, I think it's an excellent question and I think the quick answer would be we've been sitting at a $3.70 cash distribution on that MLP for four years. And we haven't increased it in four years.

That's probably the major reason we haven't seen the MLP unit price move up as much as others. Now if you do any kind of research, you look at the U.S. research, there's a strong correlation between frequency of unit distribution increases and the value of the MLP. So, Win, you're very right. Many of these MLPs, and I'm not going to criticize them, but their asset mix is far less steady than ours.

Our expectation would be that given the strong performance of the gas area and given the fact that we expect these major pipelines to come onstream fairly soon that that profile will change. And I will not be leaving Houston with a $3.70 distribution hanging around my neck. I can guarantee you that.

Unidentified Audience Member

Does it make sense to have big gas assets and the oil pipeline assets in the same MLP?

Stephen Letwin - *Enbridge Inc. - EVP - Gas, Transportation & International*

We have this internal debate regularly. Right now, the positives of course are it supplies diversification. In many respects, the cash flow from high fractionation helps fund the capital program, which is going to be resulting in nice cash flows a year or two out from the crude oil price. So a little bit of M&A in terms of what we're seeing cash flow wise.

I think there is merit in taking a look at whether or not it makes sense to have those assets in different MLPs. But the jury's still out on whether or not that would make a world of difference to how we would trade. Again I would just tell you, we look hard at this all the time to see if there's some added benefit to the shareholder at the end of the day or the unit-holder in this case. Yes?

Unidentified Audience Member

I have a question with regards to one of the things that you mentioned for the segment, which was the natural gas storage opportunities in Ontario, Michigan and New York. Now obviously given the fact that you seem to believe that natural gas prices are perhaps -- have some bullish trend that can be seen in the future, have very little authority over the gas price, it certainly underscores the value of such assets. Can you provide a little bit more guidance as to what the timeline on some of these projects might be and what the capital costs may be for that sort of thing?

Stephen Letwin - *Enbridge Inc. - EVP - Gas, Transportation & International*

The costs are modest, especially in and around our current storage facility this year in Ontario. And I would say anything outside of Ontario can become very expensive. We've seen some acquisition multiples were quite high on storage that has been acquired over the last couple of years. But I would say that the timeframe that you're talking about is probably in the three-year timeframe that we would home to see some added benefit of storage opportunities for Enbridge.

And again, the earnings contribution would be modest to start with. Probably somewhere in the order of $3 million CAD to $9 million CAD a year in earnings, but Al will show you where we hope to see some of this add-on coming, particularly around our distribution system.

Unidentified Audience Member

Thank you.

Stephen Letwin - *Enbridge Inc. - EVP - Gas, Transportation & International*

Yes, Karen?

Unidentified Audience Member

It's on. Okay. Can we come back to the Shell assets -- Gulf of Mexico.

Stephen Letwin - *Enbridge Inc. - EVP - Gas, Transportation & International*

Yes. The Enbridge assets?

Unidentified Audience Member

The Enbridge assets. Like you're not going to get back to the acquisition economics until 2010, based on what you just said. So you're at $21-ish million CAD for 2008 in earnings, potentially $30 million CAD in 2010, subject to facilities coming on in other production areas. Why is this asset not up for sale?

Stephen Letwin - *Enbridge Inc. - EVP - Gas, Transportation & International*

Well, again the acquisition -- we didn't do everything wrong on the Gulf of Mexico acquisition. We paid 7.5 times EBITDA for it. The book value of the offshore is $720 million U.S. Again unburdened, that asset has EBITDA in the range of $100 million CAD. I don't think it's in any kind of difficulty. And that EBITDA grows to about $130 million CAD by 2010. So is it an attractive asset for Enbridge as it sits? Absolutely. Is it an excellent candidate for monetization? Absolutely.

Unidentified Audience Member

Why doesn't it come back? And maybe Steve will address this. You've got $9 billion CAD plus $3 billion CAD. You've $13 billion CAD on the table in the five-year plan. You've got another whatever billion after 2010. You've got Ocensa, CLH, the Gulf offshore, whatever you want to call it, you've got another potential MLP in the U.S. What exactly is the role strategically of this division? Can it actually get anywhere close to the return on capital employed to the oil pipeline group over your five-year planning position?

Stephen Letwin - *Enbridge Inc. - EVP - Gas, Transportation & International*

Well, in the absence of, you're an extremely bright individual, so I would say to you in the absence of capital, it would be impossible for us to get to that number. Because we're investing $9 billion CAD to $12 billion CAD at ROEs of 12% in the pipeline, crude oil pipeline division. And the natural gas business, generally, sits a couple of hundred basis points below that. Maybe sitting around 10%.

So intuitively, mathematically, you're asking a very good question. And I would just tell you that our job is to assess that regularly.

Pat Daniel - *Enbridge, Inc. - President, CEO*

I think, Karen, to maybe elaborate a little bit on that. If -- we've indicated that some of these assets may be candidates for monetization for exactly the reason you're suggesting and that we can roll that capital into higher returning assets. Realize though that when we look at the entire gas business, the stability of the cash flow and the fact that we are cash flow positive is very important. We also recognize that we have got a significant earnings contribution coming from the assets, so that's an important consideration. And remember the cycles that we referred to earlier.

Back in the early 1990s, when we'd said we never again expand the crude oil pipeline system, the returns we were realizing in the crude oil business were exactly the same as the distribution business. The regular rate of return.

We have gone to work on that to give the incentive mechanisms on the crude side and building our strategic position so we do now realize premium returns. You can hear from Al Monaco in a minute, it's an initiative that's going on in the distribution business to accelerate the returns there and hence I wouldn't condemn the gas business just because today the oil business looks an awful lot better. I think there will be some good potential to improve the returns over time and also some opportunity to monetize some of the assets. So we think the value is at an all time high.

Unidentified Audience Member

So just lastly then, I mean this is all strategic for the next cycle, are you going to file an application to the State of Alaska due before November 30th?

Stephen Letwin - *Enbridge Inc. - EVP - Gas, Transportation & International*

No. Not under AGIA we will not, no.

Pat Daniel - *Enbridge, Inc. - President, CEO*

Basically we don't feel the development of the best pipeline project out of Alaska is possible without the support of the producers. We need the long-term support of the producers to finance the $20 billion CAD project.

Stephen Letwin - *Enbridge Inc. - EVP - Gas, Transportation & International*

We've met with the Governor and we understand the state's position. She has been very eloquent in describing what her objectives are and we would like to be part of the success of the Alaska pipeline. But under AGIA and I'm not telling her over this webcast anything that I haven't told her face to face is that under AGIA, it doesn't make sense for Enbridge to participate. And there's a long answer behind that, but there really isn't time to go into that.

Bob Rahn - *Enbridge, Inc. - Director - IR*

Steve, if I could interrupt, I'm probably going to have to invoke time keeper privilege, I'm sure we're going to come back to this issue in Steve Wuori's discussion, so --.

PRESENTATION

Stephen Letwin - *Enbridge Inc. - EVP - Gas, Transportation & International*

Al. Let me introduce Al. Al, come on up. Where is he? Doesn't have his Leaf's jersey on. Okay. Al Monaco, President of our Distribution Business.

Al Monaco - *Enbridge Inc. - President - Enbridge Gas Distribution*

In case you're wondering what this picture is, it's a representation of a pressure-let-down station, which basically manages a flow from high pressure systems like TransCanada so that we can distribute it basically to the rest of our system and to you. The person you see in the picture is Steve Letwin, he's volunteered for the photograph.

But, good morning everyone. This group is obviously very knowledgeable about our gas distribution business, so I'm going to focus my comments on three topics. First Pat referred earlier to a value proposition for Enbridge overall. I'll discuss Enbridge East's value proposition. In other words, trying to get to some of these questions that have been asked already, what does this business contribute and why do we hold these assets?

Second, I'm going to highlight the two factors that are going to drive our business going forward, which are quite different than in the past. And finally, I'm going to talk about the opportunities we see for earnings growth, return growth and cash flow growth in this business unit, which you may not be aware of, hopefully over the next five years.

So this slide summarizes our overall approach to this business unit in the future. High returns and earnings are going to be driven organically. We would look at acquisitions, but it would be difficult, frankly, to pay a premium for utility assets without a great deal of transparency around synergies and around generating an adequate return and be any transfer tax in Ontario doesn't help. So the objective really over the next five to ten years is to generate as much value out of this business unit as possible. And with incentive regulation, we've got the mechanism to do that.

We've looked forward, as you know, to IR, incentive regulation, for a number of years. That's because we're confident about what it can do for a shareholder under the right regulatory framework. During the next five years, we're also going to bring around our unregulated businesses, namely gas storage as referred to, small scale generation and energy services. This will provide an extension of the growth that we're going to see in IR beyond the next five years.

Now this map here illustrates the operations. The point here on the map is that the scale and scope of the business will naturally provide opportunities for earnings growth. The fundamentals of gas in Ontario are strong. It's 40% cheaper than electricity and 30% to fuel oil that's for burner-tip applications. And we do have over 400 Bcf of surplus. Now through Noverco, we also hold a significant interest in Gaz Met, which operates Quebec's natural gas distribution business. So combined with our franchise, Enbridge is unsurpassed, I think, in Canada in the gas distribution business.

So this slide here captures the value proposition. Now it's clear, from what you've heard, that the liquid pipeline business is going to drive superior growth at Enbridge for the foreseeable future. But as Steve alluded to, the gas distribution business does provide good diversification and reasonable growth as well. Now strategically, if you're going to be in the gas business, then it makes sense to hold downstream distribution capability, particularly when you hold one of the fastest growing franchises in North America.

Now one point of illustration on the strategic front is that our gas loaded, Enbridge gas distribution, managed to result in the participation in Alliance Investor. Those two investments throw off a lot of cash flow today. This load will also likely be a factor in our participation in LNG going forward and ultimately longer term frontier gas development.

Now you can see here by the pies that the distribution business contributes about 20% of earnings today, significantly to the bottom line and generates a substantial amount of cash flow. It's also coming with a very strong balance sheet and I'm going to get into those two a bit more in a second.

So just -- let's peel back the onion one more layer on this value proposition. First let me, be, very clear, we're not satisfied with the returns on investment on the assets to date. Over the next five years, the plan, to go to some of the questions here, is to close the gap between the gas distribution business and other projects within the Company. We're going to achieve that objective through incentive regulation and through unregulated businesses.

Second, the business generates about $350 million CAD in cash flow today. In terms of capital, when you strip out the discretionary amounts and the non-recurring amounts, ongoing maintenance and customer additions amount to around $250 million CAD. That leaves about $100 million CAD in free cash flow annually, which we see growing by about $75 million CAD over the next five years. That excess cash flow that we're talking about lines up very well with the projects that Richard described, and the amounts of the capital expenditure requirements.

Another thing that lines up very well is that from a balance sheet and risk perspective, the gas distribution business is accretive to the Enbridge group. As the chart on the bottom-right shows, you'll see it in your book, our FFO-to-debt is very healthy and will improve actually over the next five years. That's reflected as well in a very strong credit rating of A, A-, which lowers our overall cost of capital.

Now the next two slides cover what will be the key drivers of our business over the next two years. Now you can't talk about natural gas in Ontario unless you talk about electricity. And there are two things to note. As you can see on the chart here, on the left, electricity demand is going to continue to grow in Ontario over the next decade. But what's really important is we're going to see a shift in the power supply mix to natural gas, renewables and conservation. A lot of that has to do with the coal shut down.

A key element of the government's plan announced just a few weeks ago is that power generation is going to be less centralized. Which means natural gas, because of its attributes, is going to play an increasingly important part of in the energy mix in Ontario. So conservation, renewables, nuclear, those are all very important, but I think the [link] into medium and supply gas in Ontario for power is natural gas.

We all know that gas is best for burner-tip applications, that's proven, but it's also ideal for peaking requirements. It's crucial for alleviating some of the transmission bottlenecks we see in Ontario, particularly given environmental concerns and cost concerns around new transmission. And as we've seen with Goreway and Portland facilities, the gas-fired generation can be brought on very quickly. Gas also happens to fit very well with the province's very strong environment objectives, given its low CO2 emissions. And remember, it does provide a very good load balance share to renewables like wind, since obviously the wind can't be stored and the wind doesn't always blow.

So bottom line is over the next several years, we'll need to add over 7,000 megawatts of gas-fired generation. And at its peak, gas is going to account for 14% of total energy production in Ontario versus 8% today. So that's a great business fundamental, but the most important driver in our business going forward is incentive regulation or IR. Now because of its importance, I'm just going to spend a couple of minutes on that, just to recap here, until the previous targeted O&M plans, unlike that, the current IR program is going to cover all aspects of our system. That includes capital investment.

We've applied for a five-year term with rates to be expected to be in effect in 2008. And our IR application is based on the revenue cap model. And just to emphasize here, that's the same type of model used by Terasen, Gaz Met, Gaz and incidentally that's the same one on our crude oil pipeline system on the IR side.

At this point, it looks like the regulatory decision here is not going to be available until around the second quarter of 2008. In the meantime, we're going to meet though with intervenors and others to identify issues that we can settle on so that we can reduce the hearing time with the effort of all trying to get under incentive regulation as soon as practical.

Now give the duration of the IR period, the five years, it's important obviously to get those parameters right. The biggest factor affecting success, from the regulatory perspective anyway, are establish the right starting point of rates as well as the revenue index factors. Now on the starting point rate, the 2007 rate decision we had puts us in a very good position to start out with. We had a 3.5% increase in rates, and that's the -- quite significant relative to history. We're also able to recover the true rates, the full amount of our customer care fixed costs over the next five years, and that's a third of our O&M. So that's pretty important.

As you know the OEB also lifted our equity component from 35 to 36 and accepted our weather forecasting methodology. Now the decision that we got on weather was very important on two fronts. First, we did get an earnings and cash flow bump in 2007, presuming we get normal weather for the rest of the year. But secondly, more importantly, the methodology is much better at forecasting weather because it takes into account the warming trend that we've seen over the last few years, whereas the previous methodology took into account a significant number of years of colder weather back 40 or 50 years ago. So this is important because it reduces our overall risk in the IR environment. It's also imperative that the formula allows us to minimize exposure to throughput as well as continue to incentivize us to make capital investments.

And finally, we hope to extend the IR period beyond five years. Our experience in the pipeline side is that the longer the IR term, the more sustainable those benefits and the more significant those are. That all sounds pretty good, I think, but we'll have to work very hard to get that regulatory model right. And we also have to transform the business to take full advantage of IR.

What does that mean? For one thing, we're going to have to rationalize our capital. And that will improve the overall return on investment. Secondly, we're going to increase productivity. And although we're pretty effective today in terms of other utilities, we do think that there's good opportunities here to drive some cost efficiencies. We're not going to get there all the way just by cost efficiencies and productivity alone. We're going to need to look at the top line. We're going to have to find some revenue opportunities and that's going to include fuel switching, demand side management and providing services to other utilities.

In addition to that, our first turbo expanded project is going to be online shortly and we'll be looking to apply that technology elsewhere in our systems. So that will help us generate some revenue with power generation. So what's the objective in IR? Well I think we've got to achieve at least a minimum of 50 basis points improvement over the embedded allowed ROE. Otherwise, frankly, it's not going to be worth the effort to go into IR at anything less. We are incidentally targeting a higher contribution than the 50 basis points. That said, we've got to make sure we continue to focus on integrity, reliability of system and safety and we're not going to compromise on that through the [piece] of IR.

Now as you know, one thing that has been a concern for investors and management especially is the existing allowed rate of return. You can see on the chart here, hopefully you can see it, that allowed ROEs for Canadian utilities have been around 150 basis points lower than comparable U.S. utilities. And that disparity of course emerged with the implementation of the formula based return. It was about the mid-90s. Now there's no doubt that the formula simplified life and it was effective, however the reality is that's not going to be sufficient to continue to incent us to invest.

Now what's interesting and very important is that OEB Commission did a study recently, which basically concluded there is no sound basis for this differential you see on this chart, which a very good first step in moving forward to higher embedded ROE. Now it's our point though that the starting point for IR has to reflect an appropriate return in the first place, not the other way around. In other words, IR can't be used to set an appropriate ROE.

Now the ROE won't be dealt with in 2007, we're working on the IR application right now. But we are developing a very strong evidentiary base, the OEB study is one data point, and we're going to bring forward an allowed ROE application as soon as practical.

So those are the business drivers, so let me cover just two specific opportunities within the utilitiy. First, core utility growth is going to be driven by customers as in the past and by 2011, we expect to be at the 2 million customer mark. Now the goal though is to generate the same level of customer growth more efficiently, by keeping investments at a level of $250 million CAD to $300 million CAD annually. That's going to result, if we're successful, in a five-year capital investment plan that's $400 million CAD less than what it has been in the past.

Second, I talked earlier about the need for new gas fired capacity in Ontario. So in addition to the Goreway and Portland projects, the OP has actually identified three new gas-fired projects in our franchise. These plans have very large loads. In fact, Goreway and Portland are going to be our largest customers.

The investment in new laterals here could be anywhere between $100 million CAD and $200 million CAD over the next five years, that's not going to be included in the estimates that I just went through. That's because those estimates to support gas-fired generation won't be undertaken unless we can get regulatory clarity on the approval and recovery of the capital exclusive of IR.

So with that, let me summarize some of the opportunities on unregulated. The most significant one we've talked about so far here is gas storage. Now the approach here is to leverage our existing storage assets first at Tecumseh, which you see on the map, and that will be to generate mid-teen returns on new investments. That's made possible, of course, by deregulation of new storage that we just received a decision on.

We think it was clearly the right decision because you do need a competitive market in order to stimulate new investment storage in this province. The strategy is to focus, though, on asset management rather than a merchant model. And to that end, Phase I of our storage expansion, I'll show you in a moment, is backed by long-term capacity commitments.

This slide illustrates the first two phases of that program, Phase I is underway right now. It's estimated at $35 million CAD and Phase II in late 2008 will have an open season. Once completed, the overall capacity increase will be 10% at Tecumseh and 25% on deliverability. The return on the project is going to be attractive and we'll be having achieved that on a fairly low-risk basis.

We're also foreseeing some other opportunities here. We signed a joint venture with Toronto Hydro to pursue small scale generation in the GTA. And that's going to capitalize on the OTA's standard offer program. And we'll target projects here between 250 kilowatts to 40 megawatts only and targeting a 15% DCF ROE.

Our electric business basically capitalizes on the smart metering legislation, which requires every home in Ontario to have a smart meter by 2010. The business is now established and hopefully we'll see good customer growth to build on our existing 25,000 customers. On the services side, we're offering energy services, starting with equipment financing, product warranties and energy efficiency, audits and services.

So with that overview, this slide summarizes here our outlook for the business over the next five years. Now although the historical business provided a reasonable risk adjusted return when the returns were around 9.5%, at least allowed, the goal here is to boost the return, earnings and cash flow. The base utility or the existing -- on the existing assets are expected to grow nicely, benefiting from IR, gas-fired generation and core utility customer growth. At the same time, we're going to position the business for unregulated growth, to extend it after five years and that'll start contributing, we think, in 2009.

So let me conclude with these few takeaways here. There's no doubt we've been blessed with the largest and fastest growing franchise in Canada. The business contributes solid earnings and cash flow at a relatively low risk. The scale and scope of the business has provided some good optionality, its supported upstream development, we actually monetized our services business a few years ago at a very attractive price at the right time. And we also were able to generate higher returns under the previous consensus regulation regime. That worked well, but what's different going forward?

First, we're going to conserve capital by focusing on the highest return projects and maintaining the systems. This will naturally boost our return and leave more cash to reinvest in the rest of the business and you saw the liquids opportunities, it's our job, as Steve alluded to, to support that. Second, the focus is going to be on increasing productivity and enhancing revenue. We finally got the regulatory mechanism for us to maximize those returns.

Third, while we extract value from the core business, we're going to bring along the unregulated business, so we can have a new platform. And finally as we talked about, we have a strong balance sheet and good credit metrics, which come at a very critical time with all the capital spend we have in front of us. That concludes my summary of our business here in the Toronto area and I will now take questions. Yes, ma'am?

QUESTIONS AND ANSWERS

Unidentified Audience Member

Thank you. Al, you alluded to the first implementation of turbo expander (technical difficulty). And that was sort of in the context of your comments on IR. Can you elaborate some breadth and depth as to what you're doing with that?

Al Monaco - *Enbridge Inc. - President - Enbridge Gas Distribution*

Okay. Well essentially what the turbo expander does is capture the energy that's lost when pressure is brought down from high-pressure pipes to low-pressure pipes. Right now, that energy is lost. So it's a fairly easy way to generate some incremental power. We can sell that under the OP standard offer process and generate some revenues for the system, Sam.

And the big upside, I think though, and I'm not going to quantify this right now, but we've had one turbo expander project, which is actually at our office because we do have a pressure let down station there, but we can apply that to the rest of our system. There's probably another 30 or 40 megawatts system-wide that we could generate with that process. So we think it's innovative and it can be scalable with the rest of the system.

Unidentified Audience Member

And that's under the Ontario Standard Operating Program (inaudible)?

Al Monaco - *Enbridge Inc. - President - Enbridge Gas Distribution*

Well, that's yet to be determined in full. But it's our hope that we get that kind of pricing. Let's go over here.

Daniel Shteyn - *Desjardins Securities - Analyst*

Daniel Shteyn, Desjardins. I have a question with regards to weather normalization and what kind of, I guess, rate making that factor could be -- could see under your PBR or incentive regulation framework? Now if -- is it your expectation that in fact you're going to be wholly immune for weather, for the effect of weather on earnings under any sort of new potential IR? And if so, would that then effectively become a non-unusual item for the purposes of your earnings, adjusted earnings?

Al Monaco - *Enbridge Inc. - President - Enbridge Gas Distribution*

Okay. Well under incentive regulation, there's no plan at this point for the weather -- how weather is treated in our franchise changed. The important thing that we were able to establish is a new methodology and we feel very good about that because it established the degree day starting point at a rate where we feel very comfortable to represent a best forecast for weather. So at this point, there's no expectation that the way weather is treated is going to be any different under IR. Did I capture all, of your question [there]?

Daniel Shteyn - *Desjardins Securities - Analyst*

Yes you did. I do have a follow-up though. What is the scale of unregulated CapEx that you could see within this business segment in order to actually increase your returns from -- which is on slide five, returns in the range of, I guess, around 8% ROE to the 12% ROE as in 2011?

Al Monaco - *Enbridge Inc. - President - Enbridge Gas Distribution*

Okay. Right now what we have in the plan is under the storage scenario that you saw in the chart, we'll deal with that first, there's probably close to $85 million CAD to $100 million CAD to generate the $15 million CAD by 2011 that was in the chart. That's on the storage side. The distributed generation side capital is $60 million CAD over that same period, but obviously that will depend on two things, whether or not we actually win any projects under that standard offer program and whether or not we accept the embedded return on that. So I'd call that one discretionary depending on the outcome.

The other part of it is energy services. That is a very low capital intensive model. In fact there isn't any major capital associated with that. So the way we're treating the unregulated businesses, low capital at risk, generates top line growth based on the existing brand that we have in the province.

Daniel Shteyn - *Desjardins Securities - Analyst*

Perfect. And one last quick question, the laterals that were mentioned for gas-fired generation, $100 million CAD to $200 million CAD. Is that -- of that is in total for up to five gas-fired plants?

Al Monaco - *Enbridge Inc. - President - Enbridge Gas Distribution*

Correct. And two of those five plants are already underway. The Goreway station's capital costs of $25 million CAD, the Portland station is $65 million CAD, so that's $90 million CAD that would be embedded within the $200 million CAD maximum.

Daniel Shteyn - *Desjardins Securities - Analyst*

Thank you.

Al Monaco - *Enbridge Inc. - President - Enbridge Gas Distribution*

You're welcome. Yes. Andrew?

Unidentified Audience Member

As it relates to adequacy of returns, one of the generic regulatory tasks tends to be the attraction of capital. And so when we see certain utilities trade at multiples of equity book, which the return structures are based on, how can you effectively argue that you deserve a much higher rate of return than you already have? Because effectively, if someone's paying two times equity book, the state of return from a regulatory standpoint, you're really cutting it in half, from an effective basis.

Al Monaco - *Enbridge Inc. - President - Enbridge Gas Distribution*

Right.

Unidentified Audience Member

And not considering growth into the future. And so, just on that path, how can you effectively argue that your returns structure should be much higher versus those utilities in the U.S.?

Al Monaco - *Enbridge Inc. - President - Enbridge Gas Distribution*

Well I think the whole argument on -- that we will put forward to the regulator on allowed return is based on the fairness standards. And if you go back to the fairness standard, it really is based on three factors. Number one, the returns have to be comparable and as you saw on the chart, there's no sound reasoning why they shouldn't be with U.S. utilities.

Secondly, the second component of fairness is financial integrity. And you do need an adequate return in order to protect the financial integrity of the business. And we did make this argument very clearly in our 2007 application for a higher aimed equity component and basically that's all flat. We didn't understand the logic, but in essence, you need to have a substantial enough return and equity base to ensure you're protected in the covenants within your debt packages.

Finally, and the last part, which is the one you're referring to, is capital attraction. You need to be able to attract capital and it's very clear that in North America, our funds are easily transferrable between Canada and the U.S. and investors will go to the highest rate of return. So once again referring to the chart, if you believe in the regulators' role to ensure an adequate and fair return, then I think its incumbent on them to hear our arguments on that.

Unidentified Audience Member

Now, just from the standpoint of you're clearly conserving capital at EGD, which is the logical thing to do given the returns that you have versus other areas of your business. But in light of that environment, does it make the perfect asset from a pension fund standpoint to attract a partner and then make yourself much more capital efficient by essentially earning a sliver of ABD in total, say 10% or 20% and earning a management fee for the rest for effectively a spread on return?

Al Monaco - *Enbridge Inc. - President - Enbridge Gas Distribution*

Yes, that's a good point. As Steve alluded to, we're thinking about all of these things. I will say though that we've been waiting for IR for quite a long time and there is an opportunity here to capture it. So the issue is can we get paid for that opportunity today? Will the pension funds pay us for that in advance? If they are willing to pay us for that, then I would certainly say we'd entertain it.

So there is some value here that we're trying to service over the next little while that we do have control over. The other thing is that we do have free cash flow that does get reinvested at higher rates of return, that's another factor, that has to go into the equation as does credit accretiveness and the strategic value of the assets. So bottom line if we can get paid for that value up front, then it would make sense.

With the multiples that I've seen in the market recently in the fairly large transactions, I'm not convinced that that would replace the value that we could generate ourselves through IR.

Bob Rahn - *Enbridge, Inc. - Director - IR*

Al, I think maybe one more question.

Al Monaco - *Enbridge Inc. - President - Enbridge Gas Distribution*

Okay. I think Win was -- had his hand up here, so let's go there.

Unidentified Audience Member

Instead of passing around with degree days, why not just go to demand commodity rate?

Al Monaco - *Enbridge Inc. - President - Enbridge Gas Distribution*

Demand commodity rate, can you just specify for me?

Unidentified Audience Member

Yes.

Al Monaco - *Enbridge Inc. - President - Enbridge Gas Distribution*

What you mean?

Unidentified Audience Member

It means that you recover all of your fixed costs including return to fixed charge and all the variable costs and commodity charge. And you eliminate all weather sensitivity.

Al Monaco - *Enbridge Inc. - President - Enbridge Gas Distribution*

Great, great point. In fact, we have proposed such an arrangement. Right we recover fixed costs of around $11 CAD a month for our -- from our utility customers. We have requested a higher amount. So far, they have not seen fit to approve that request, but I do agree with you, a higher recovery in our rates with a fixed component would certainly reduce volatility. But once again, we are very comfortable with the new methodology in that at least over time, weather effects will balance out. I don't think that was the case in the past. Okay --

---

Unidentified Audience Member

And I have another part if I may. With respect to IR, why don't you -- why do you -- Steve talked about it, why don't you go to the regulator and end this (inaudible) with NAV, which may be more effective? Just saying we do need a higher premium above [long candidates], end of story.

Al Monaco - *Enbridge Inc. - President - Enbridge Gas Distribution*

Well, as you know, Win, back in 2004, that application was made. It went to the Supreme Court in fact and the OEB said basically that's not on. We went through a period where we thought IR needed to get on the table, and we got there on that one. Now, we're back into the realm of having to move forward on the higher allowed ROE. So, that's the sequence of events. I think it's probably maybe a little bit too clean and simple simply to say, why don't we just ask for a higher ROE? We've done that. We've been there. And so far, we haven't gotten very far. But, we will continue to press. Okay.

PRESENTATION

Steve Wuori - *Enbridge, Inc. - EVP, CFO & Corporate Development*

Okay. Well, thanks Al. My job now is to wrap up the morning is to talk about the financial condition of the Company and how we plan to fund a lot of the growth going forward.

The picture is, I hope, the prettiest one of the morning. Richard's tended to be kind of ugly, I thought, and so I thought I'd put one that had a touch of whimsy attached to it. This is an actual pipe yard photo in Edmonton of our Waupisoo pipe, unretouched I might add, so it really feeds into Pat's opening picture, which we hadn't even intended of pipes going on forever. And it's kind of an amazing picture of that pipe staging yard.

With me today are John Whelan and Wanda Opheim, if you'd just wave your hands, John of course, Senior Vice President of Corporate Development; and also Wanda Opheim, our VP of Treasury and Tax, both familiar I think to most of you.

And in the midst of the growth that you've been hearing about this morning, I think the message that I would like to leave you with today is that we continue to be really well positioned to fund this growth going forward. There's been a few kicks over the morning at ways of possibly funding the growth. But, I think that we are very well positioned to do it as we look at the attractive opportunity set in front of us. And we feel that it's a very manageable program going forward.

I thought what I would do is start with some first principles first of all in terms of what underlies the financial strategy of the Company. Starting with flexibility, very important that we have ready and ongoing access to capital markets and maintain sufficient liquidity at all times to meet our funding requirements.

Balance sheet management will always be a top priority. And my team and I spend a lot of time looking at the credit metrics of the Company, the balance sheet and the relative strength of the projects that are being brought in, primarily by the liquids pipelines area. Proactive risk management, Pat mentioned earlier the 5% earnings at risk limit. And even in spite of the growth that we're seeing, we intend to stick with the 5% limit on an earnings-at-risk basis. We've had it for five or six years now, and I think it has served us really well.

It's a discipline on management to look at the commodity and FX and interest rate risks that there are to make sure that we manage the entire forward earnings of the Company for 12 months within that 5% band and also look at other financial risks along the way. And Vern Yu of the enterprise risk group has led the initiatives to really coral that in one area so that we understand the financial risks very well.

Disciplined growth, we'll talk a little bit later about the way that we analyze projects and screen them out as to be -- being acceptable or unacceptable. And also predictable and transparent earnings growth, I think Richard has been very transparent in terms of the liquids pipelines project build-up and how those projects are structured by virtue of capital cost risk, rate of return, overall capital costs and so on. So, we'll try to be very transparent in that regard.

I do want to return very quickly though to the earlier question about simplification. And there was a promise that I'd come back and talk about it. And so, I've had an hour or so to think about it, Karen. And I guess what I've come to is that we will simplify if it makes economic sense to do so. We won't simplify for the sake of becoming more simple. Because a lot of the ways that we hold assets or have control on assets are quite efficient from a financial perspective. And so, it is a goal of ours. We wish that we were simpler, but in the complexity also lies financial efficiency.

I'd also note that our life will get a little bit simpler in 2008 or thereabouts, maybe 2009, when this proportionate consolidation goes away, which has kind of been our bugaboo ever since it came in a few years a go and blew numbers all over the financial statements. That's going to go away in 2008, and so I think that will help a little bit.

But, we certainly will try to simplify. And we also will make it a fixed focus to communicate clearly. In the midst of what is undeniably somewhat complex, we have to communicate clearly where the earnings are coming from, how the businesses are performing. I know that's what you all are interested in knowing. And certainly as we look at the liquids pipelines projects driving the growth, we will do that as much as we possibly can.

In terms of just a quick snapshot of how the Company's positioned for growth, we have debt capitalization of 61% estimated at the end of the year within the 60% to 64% adjusted band that we target. And I think that the 10% plus EPS growth that we've achieved over the last ten years has not been at the expense of the balance sheet. And this will also be the case going forward. We won't be compromising the balance sheet in order to prosecute this growth.

Cash flow from the existing business is very strong. You'll notice that it's hovering right now, free cash flow at about $500 million CAD per year. And we also expect that this is going to grow, and I'll come to that in a little while when I have a chart on future cash flow growth. But, in the midst of the markets as they have been in the last two months, I think the first thing I'd like to talk about is liquidity. And this chart is intended to convey what we've been doing in terms of committed bank facilities since the end of 2006. At that time, we had about $1.5 billion CAD of unutilized capacity.

Since then, we've basically doubled all of our 364-day facilities. We've added other facilities. And so we now at the end of September sit with about $3 billion CAD of unutilized capacity. And our goal heading into this high-growth period of 2008 to 2011 is that we will have about $4 billion CAD of unencumbered liquidity at all times. And one of the goals that we have, the stress test that we put ourselves through, is to theoretically deny ourselves access to the capital markets for a one-year period and look at what the outcome of that is going to be. And it essentially looks for adequate liquidity through an entire period of market outage, which is not realistic, I recognize.

And even in the disruption that we saw in August and September, we were able to fund. We were out of the commercial paper market for about three weeks, not because we had no bids, but because the bids were not attractive relative to our bank lines. And now, we're well inside bank lines again, and we're back in the commercial paper market. So, just be aware that one of the tests we will continually apply is the one-year liquidity test if we couldn't access either equity debt capital -- debt capital markets.

But beyond liquidity, looking at the funding objectives that we have, certainly diversifying the funding sources is important beyond the traditional Canadian sources. Our non-domestic, non-Canadian shareholder base has grown from a very small, single-digit number five years ago to nearly 25% today. We maintain shelf financing programs in both Canada and the U.S. so that we have ready access when needed.

And I would note that in the last 12 months, Enbridge, Inc., as an issuer, has raised $1 billion U.S. in term debt in the U.S., a significant portion of which we've swapped back to Canadian funds on attractive terms. So, we're able to access the U.S. market as needed, the Canadian market. We would also consider the European market at the right time. We have not found it sufficiently compelling to go there, but we would also consider it as we go forward.

In terms of maintaining financial strength, Pat talked about the credit profile, the credit ratings. And it's fair to say that the financial plans target the maintenance of the existing credit ratings and we do, with the rating agencies, review all large initiatives in advance. We tend to be very proactive in terms of reviewing what those plans are and -- because the rating is very important to us. So, we're committed to managing the ratings.

We will also, as we've talked quite a bit this morning, consider monetizing selected assets. That's something that we wanted to convey this morning. We've beat up quite a bit as to which assets might be in on that list and which might not be. And I won't really try to go any further because I think the philosophy is that we will look at asset monetization as a means of raising the equity capital that's needed. And I'll demonstrate that a little bit later as well.

Also, non-recourse project debt, there are some of our projects that are very much applicable or amenable to the use of project debt, Southern Lights that was talked about Richard's section, being one of those. Gateway, if it goes forward when it goes forward, will be another one that very likely on a highly contracted basis would be funded with non-recourse funding.

And optimizing funding costs, the use of hybrid instruments, we look at that. We did issue a hybrid a week ago at Enbridge Energy Partners. We will consider hybrid instruments as an alternative to equity in the future at Enbridge, Inc. as well and just look for whether that is the optimal solution compared to an asset monetization focus or common equity. Also, some of this planned growth will take place at Enbridge Energy Partners, and it has a robust funding plan that we manage as well.

I would note though that in terms of the markets as they have been, they tend to normalize fairly quickly after a disruption for high-quality credit. We're seeing that right now? There was a time for a week or so there where nobody wanted anything but Treasury bills because nobody ever got fired for buying a Treasury bill. But now, we're seeing a lot of activity and inbound interest, actually, in Enbridge paper, and I'm sure other quality issuers are seeing the same thing. So, the markets do tend to normalize.

Our debt spreads have widened somewhat in the current environment, but at the same time, the underlying treasuries have tended to fall off. And so, the coupon outlook does not look really all that bad. And I'd also note that, as I mentioned, our commercial paper spreads are now close to what they were prior to August, not quite as tight as they were at that time but fairly close to it. And so, we're happy to be back in that market.

In looking at the five-year capital forecast, and I'll do my best to tie back to everything that Richard was saying and Steve Letwin were saying, this is the five-year base plan for all entities of Enbridge. So, it would Enbridge, Enbridge Energy Partners, and the Enbridge Income Fund. It would include Gas Distribution and so on.

The table on the right helps to identify the question, will the real $9 billion CAD please stand up, because there's a couple of ways that you can come at it. If you look at the secured projects in oil, $9.8 billion CAD less roughly $500 million CAD in maintenance capital over the 2007 to 2011 timeframe, you come to around the $9.3 billion CAD number of secured liquids pipelines projects. Another way of getting at that number is by going vertically under Enbridge, Inc., gas and liquids combined, secured projects are about $9.2 billion CAD. So, there's two $9.2 billion CAD, $9.3 billion CAD numbers that compare to each other.

So, the $9.8 billion CAD in liquids pipelines includes the maintenance capital; $9.2 billion CAD at Enbridge, Inc. includes gas and international. And I would note that the secured projects mean that all commercial agreements are in place, and the projects are either under construction or expected to be, pending final regulatory approvals. The in-development projects are under discussion or in negotiation with shippers. And they are probability-weighted in the current plan.

Now, there will be an interplay when we talk further about the Wave 2 growth that Richard was talking about between the gray bars there, or the gray portions of the bars, and Wave 2, because some of those could morph over into Wave 2. But, what we've tried to do for the sake of the base capital plan is say, the secured projects are in blue, but we have also added a risk-weighted assessment of what we believe we will secure in regional infrastructure development or other projects so that we have a capture on the total quantum on what we're going to fund. And I will come back to this number with a bit of a breakdown on how we plan to do it a little bit later on.

This also includes sustaining and maintenance capital for all of the businesses of the Company. So, we really have tried to capture it. It adds up to about $12 billion CAD of spend at Enbridge, Inc. in total and $4 billion CAD at Enbridge Energy Partners. You'll also notice that almost 80% of the combined spend is on projects that are secured, so a high degree of certainty of growth coming from those projects. Secondly, capital spending is of course highly skewed toward crude oil or liquids pipelines and the opportunities that we have there to invest in low-risk infrastructure with attractive returns.

Everybody's been putting up an earnings slide. And I'll do the same thing. This is a consolidated picture with the 8% to 10% outlook for the next five years. It really is tempting to go beyond five, isn't it? When you look at that chart, you have to wonder what's happening beyond five. I can tell you that we are doing that and that good things happen beyond the five-year mark, beyond 2011. For the sake of good order though, we're going to cut it off at 2011 and forecast that the 8% to 10% annual EPS growth, CAGR rate is what we would expect over that time, a little bit back-end weighted, as Pat has already described.

I also should, at this point, go back to the currency question that I think Winfried Fruehauf asked, and I'll give you two points of data around the par dollar. First of all, the annual impact from a $0.01 change in the Canadian dollar versus the U.S. dollar is $1.8 million CAD earnings after tax impact to the Company in either direction.

The second is out to 2011, if we were to have a par dollar from now through that entire period, we would probably guide you to the lower end of the 8% to 10% EPS growth range from the way we look at it. And how we've assessed the impact of a par dollar, so just to give you a couple of sensitivities around the currency.

The growth is, of course, dominated by the liquids business with absolute earnings growth in the 16% range. However, as Steve Letwin described, the Gas and International business is expected to continue to provide steady growth over that period with absolute earnings in the 4% to 5% range and will be a source of capital for the higher return opportunities, at least at this point of the business cycle that we're seeing in the liquids business.

There also is a lot of earnings growth and cash flow coming from projects that are going to start contributing in 2008. Waupisoo Pipeline, I think it was mentioned, will be in service by mid 2008. The Athabasca Laterals to EnCana and Surmont, those are -- or sorry, Opti-Nexen and Surmont, those are now in service or ready to go.

The Ontario wind project, the large project we're building at Kincardine, is under construction. The foundations and roads should be finished by the end of this month, and we expect to have it fully in service by mid-2008 and of course, Southern Access expansion in 2008 and 2009. So they're -- these large projects are coming on to the very much nearer-term horizon.

A quick look -- I thought would be good and interesting to see what's happening in Enbridge Energy Partners also in terms of its contribution to Enbridge, Inc. And I haven't put a date on the projected side. I don't think it would be appropriate to try to give distribution guidance to a specific year. But roughly, five years out is the intention here between what's now and what will be.

It shows basically that the distributions -- total distributions will grow by 2.5-times at Enbridge Energy Partners, which is very good for the unit holder. At the same time, the contribution to Enbridge, Inc. will quadruple. And so, that shows you the impact of the high splits incentive going to the 50% splits incentive level at EEP and the affect that it has on Enbridge, Inc. And that is baked into our forecast. So, total earnings from EEP should increase by about 20% to Enbridge, Inc. over the next five years in total.

This is a slide that John Whelen showed last year, or a very similar one, and it's kind of, what is the analytic machine that we use at Enbridge to analyze projects and their attractiveness. And it's a busy slide, so I'll walk through it fairly quickly. But essentially on the left-hand side of the risks -- or risk screen, or all of the things that Richard was talking about in terms of volume, capital cost risk and other types of risks that a project may entail. We then go to a mitigation strategy that, of course, is specific to each project but generally guided by what you see in the mitigation strategy column.

And from that, we come out with a post mitigation assessment of the project. If it's not acceptable on any or enough of those dimensions, it doesn't go any further. If it is deemed to be acceptable, we then look at the overall project risk ranking relative to other projects that we are analyzing at the same time.

We also look at the appropriate capital structure for a given project, generally something like 45% equity, 65% debt, except in the case of heavily contracted pipes where we may go as we are with Southern Lights to more the 70%-30% structure. And from that, we generate at the bottom a project-specific hurdle rate. We don't have a corporate hurdle rate. But, these are each individually assessed and assigned by project.

We also look at what the target returns should be if we are in a position where we are negotiating a targeted return. And then, we compare the two. And the difference for the hurdle rate for that project and the return generated by the project, or expected to be, is that spread that Pat was talking about on his last slide that creates value for investors. So, we look a lot at what the spread attractiveness is between the actual cost of equity capital and the return on equity the project will generate.

So, that's a quick snapshot of what the machine looks like or how it works. There's a lot more blood and guts within it, but that certainly is the way that we flow across and assign hurdle rates for projects and then decide whether they're going to go forward or not. From that then comes a change in the business profile. And what we've done here is looked at 2006, the existing split of the business in terms of the tolling structure, whether it's under cost and service or long-term contract or light-handed regulation and so on. And what you'll notice in the growth that we have between '06 and 2011 is that the two most desirable from a low-risk perspective are increasing.

The regulated utility cost of service, a lot of that even in the liquids pipelines area and also the long-term contracts area are both increasing, the purple and the blue, quite healthily. So, it results in an improved or lower-risk business profile going forward. And that's what gives us confidence with regard to the strength of the Company and the balance sheet is that the risk profile of the Company is actually decreasing a lot by virtue of the crude projects that we are undertaking right now.

There's another little exercise that went through, because one of the issues that our Board is very curious about, you would be curious about and management is very curious about is what about cost overruns? So, what we've done here is taken the roughly $6 billion CAD of projects that are in the liquids pipelines area for Enbridge, Inc. We have assessed what we have spent and what we have yet to spend, and everything that is yet to spend, we have stress-tested with what we think is an extreme case of a 50% overrun on all of those projects in the yet-to-spend category.

And the effect of that is shown, and it's actually reasonably minimal. It takes the return from about 12%, and by the way that is the overall rate of return on these projects when you aggregate them together, it takes it from 12% to about 10%, which is still certainly well clear of the cost of equity capital.

So, we thought it would be useful as a broad exercise to do that. There's always the questions about specific projects on cost overrun, performance and so on. But, we thought it would really be useful to say, what if all the projects over-spent by 50%, recognizing that the economics of the projects actually improve, the earnings do, by over-spending. And we will never be cavalier about that, but that's the structural fact.

And so, this is the aggregation of all of those deals, all of those agreements together, and it shows about a 2% reduction in DCF returns, so I think a good stress test and one that at least helps to capture in our minds exactly what could happen if cost pressures became extreme. We wouldn't expect to see anything like a 50% increase in capital costs, but at least this shows you the effect of it.

Now, what I'd like to do is take you through the base plan, the earlier base plan with the blue and the gray-colored columns. We have distilled that down into a little bit of a flow chart that talks about how we would plan to fund this. Starting with the $12.2 billion CAD from the earlier page, you can see that through that period, we expect free cash flow of about $5.6 billion CAD to be available for funding. So, we subtract that off, leaving a net requirement of $6.6 billion CAD. That's divided then into the average capital structure of debt and equity, total requirement of $4.8 billion CAD of debt and $1.8 billion CAD of equity.

Just going down the debt column, we had raised $1.2 billion CAD in 2007. This is 2007 inclusive, by the way, the entire chart, leaves $3.6 billion CAD of debt yet to be funded over that total five-year, now four-year period. Some of that will come project financing, and the rest will come from debt issuances by Enbridge, Inc. and its operating subsidiary, so a very manageable number when we look at the context of a four-year span of time.

Moving over to the equity column, our dividend reinvestment and stock option plans will generate about $300 million CAD of new equity over that period of time. We raised, in round numbers, just about $600 million CAD in 2007 already. And that leaves about $900 million CAD of equity requirement for the next four years. And that is before such things such as asset monetization. And so down in the last box, I've shown that we have asset monetizations. We have common equity. We have hybrid securities as the three key areas that we would look to for funding that requirement.

But, I guess the reason we wanted to do this, and I did this for our Board in July, was that when you hear big numbers like $12 billion CAD, it sounds daunting, it sounds frightening. But, the closer you get, the less frightening it is and the more it looks like very much a doable plan, $900 million CAD in equity over this period of time is -- should not be difficult in whichever way we attack it, either the monetization of assets or through other issuances.

And I thought it would be useful to leave you with that as a little bit of a road map for how we plan to fund. We also have potential partners on some of the projects. I think we've always been quite open about projects like Gateway that we are likely to have equity partners in those projects. And so, that's to be factored in as well. And so finally next to last slide, what about the next wave? Richard finished his presentation, and Pat had alluded to it about this next wave of potential growth. And Richard had the columns that -- of potential that could come to us in terms of growth projects.

And what I've tried to demonstrate here is the free cash flow through 2016 being generated by the existing businesses and the Wave 1 growth capital projects that are included in the base plan. And you can see that the free cash flow generation, this is basically FFO. And what we've done is, we've taken FFO less dividends and defined that as free cash. We haven't tried to encumber it with capital expenditures just for the sake of showing the cash flow generation.

But, it really demonstrates the rapid ramp-up in cash flow generation over that period of time. And I think the area under the -- or the colored area represents about $13 billion CAD in cash flow over that period of time. And of course, the projects in the next wave would be generating cash flows during this period also, but we really can't predict exactly when those could come on. And I haven't even tried to model what the cash flows from those projects would look like. But, they would -- they'd be additive to this. And so, I think it's really strong picture as I look forward and look at what the Wave 1 projects are going to be generating in terms of our capability to look at expanding even more through the opportunities in wave two.

So just in summary, investment discipline is really core to our strategy. I think if there's anything I really want to leave you with, we are highly disciplined when we look at project economics, look at the spread to the cost of capital, look at the risk of the projects. We really analyze those things to death nearly. We'll continue to manage the balance sheet to be sure that our growth strategies are not constrained by liquidity or funding capacity at any time. We continue to monitor financial risk very closely and make sure that we hedge any risks that we deem to be beyond what is acceptable.

And finally, and this is something that we do all the time. The finance organization will work very closely with Richard and Steve's group to ensure that we have the management tools in place so that we have the best possible information flow available for project costing, real-time information as much as is possible, information that has to flow in to the major project steering committee that Richard mentioned. Those are critically important in a high-build period like we have. And so we're going to be in their face all the time, working very closely with them to ensure that we understand exactly what the spend profile is going to look like of each of these projects going forward. So in summary we are prepared and very well positioned to fund the opportunity set that is in front of us.

Before I take questions I do have one task that gives me mixed feelings. We sent a notice out yesterday morning that Bob Rahn is going to retire after 30 years with the Company, Bob's standing humbly enough at the back there. And I just want to say, Bob, in this forum, thank you for your years of service, for the years more recently in the Investor Relations function. Bob and I have traveled a lot together. We've walked some pretty mean streets around the world together. He has imparted to me his father's rule about washrooms that I have adopted for road shows and that is, he told me on the first one, don't ever pass one by, and on a road show that can really mean a lot. And so, Bob, for all the help that you have given us in the IR role, I want to thank you very sincerely.

The notice also reflected on Vern Yu, who is familiar to many of you, coming into the IR role. He'll be coming in as Vice President of Investor Relations and Enterprise Risk. He is retaining his Enterprise Risk portfolio, although he's restructuring a bit to ensure that he can pull back from it. Vern is very seasoned in the capital markets. He's been with Enbridge for 12 years in the Treasure and the Credit and the Risk groups of the Company. He's the Treasurer of Enbridge Energy Partners and has been the Assistant Treasurer of Enbridge Inc. And so we do look forward to getting him around to meet many of you that haven't met Vern before.

So with that I'm certainly prepared to take questions.

QUESTIONS AND ANSWERS

Unidentified Audience Member

I have a long list of questions. I hope you'll be patient, four in particular. The first one is, in the fixed income community, the Band of Brothers in Canada, Europe, a lot less so in the United States, have been pushing for change of control clauses in covenant packages. What is your firm's position on change of control? Is it something that is adamantly off the table? Or is it something that you would consider if there was some kind of price concession for that reduced flexibility? That is the first question.

The second one is withholding tax, is that eliminated? Is that like we alter your funding strategy? The third one is, your leverage band is a conservative one but the timing of projects, the timing of asset monetizations, the timing of equity infusions could result in some intermittent spike. What do you think is likely the worst case scenario? Are we likely to see another 70% level for leverage as we saw through the Midcoast transaction? And finally can you give us a little bit of color with respect to your cost of debt capital assumption?

Steve Wuori - *Enbridge, Inc. - EVP, CFO & Corporate Development*

That's a heck of a list. First of all change of control, I think our feeling, and we're certainly well aware of the ground swell in Canada particularly about change of control provisions, people trying to assess LBO risk and so on. And one of the things that's bothered us is that all companies are not equal and their situation is not equal and we don't think that they should be treated equally.

And I think what concern I will park with you is that we get a sense that everybody just wants the change of control no matter, who the issuer is and I think our track record of having never been disadvantageous to our debt investors speaks for itself. So, we are resistant to it from that perspective. We just don't think that the risks that are being ascribed to corporate Canada generally, particularly in the last two months I might add, with the LBO risk undeniably falling off pretty precipitously with the amount of equity that's going to have to be injected into LBO deal going forward, we're not eager to see that happen.

The other thing that's interesting is that, and I was fascinated by your point that there be some concession, we really haven't seen evidence of anybody being willing to pay for a change of control provision. And I'm not talking maybe five basis points. I'm talking maybe 25 or so. And we really haven't seen a lot of evidence of that. And so I think what our dialog with the Canadian debt capital market in particular needs to be is recognize who the issuer is and our track record and what our circumstance is. And also, if there is to be a change of control dialog, there has to be something that makes it worthwhile to put that in.

I think the other issue being that we can go to the U.S. market and we have and other issuers can and have as well. I see that TransCanada went for $1.3 billion here yesterday into the U.S. And so that's also available and we'll be weighing that against change of control provisions in Canada. But I think that for the moment we are very resistant to being treated as though we were just like any other Company that is under some threat of an LBO, because we just don't think that that's true.

In terms of withholding tax, I think, Wanda, it's a good thing. But I just don't know that we've quantified how good that change is going to be. In fact maybe, Kay, if you could just drop Wanda a mic for a second. Wanda is not only our treasurer but also our tax expert.

Wanda Opheim - *Enbridge, Inc. - VP - Treasury & Tax*

Yes if the withhold tax does go away that could important our funding, I think it would provide more opportunities to access this U.S. market if it was economic to do funding at turns less than five years. But that's probably the biggest change. And then for some of our inter-Company financing it would be helpful for us as well because obviously we're having a lot of projects in the U.S. and we do loan from Enbridge Inc. down to the companies, so that would be helpful as well.

Steve Wuori - *Enbridge, Inc. - EVP, CFO & Corporate Development*

I think your third question related to the timing of the spend and the credit metrics during the period of build, I don't think you'll see consolidated leverage move beyond the 60% to 64% range, at least certainly not very far. The metrics that are of probably greater concern are the FFO debt and FFO interest coverage ratios, and those we'll be watching very closely as will the agencies. And naturally, when you have no FFO from a large capital project it's very difficult to sustain through the build period the specific FFO metrics.

And I guess what we are really doing is looking through that period of weaker cash coverage metrics to exactly what's coming from those projects after that. So there is a timing issue and you've put your finger on it, and that timing is really in the 2008 time frame primarily, a little bit in 2009. Your last question related to the cost of debt, you wanted some indications as to the cost of debt.

Unidentified Audience Member

(inaudible questions - microphone inaccessible) the assumptions that you're working with and your --?

Steve Wuori - *Enbridge, Inc. - EVP, CFO & Corporate Development*

Yes I think that's part of the secret sauce. I don't think I'm going to stand here and tell you what our assumed cost of debt is, nor would I say our assumed cost of equity. But if you look at an assumed say, in a 30-year piece of paper, if we issued at 170 over that's probably not a bad assumption right now -- 170, 180 over, we hope to see that tighten in. But I really would rather not try to assign exactly what our assumed cost of debt is. Andrew?

Unidentified Audience Member

If we just set aside your capital program and disregard that for now and looked in the current environment today whereas the Canadian dollar is roughly at parity with the U.S. dollar, credit spreads from A credits through B credits are more normalizing, the spreads are really coming out for lesser quality credits in the U.S.

In light of that environment, do you see any assets that become interesting from an acquisition standpoint that, that when we're at a $0.63 dollar and the credit spread differentials weren't as good, weren't really that interesting because they weren't financially viable whereas now really all that drops and it becomes a lot more interesting? But to the fact that you've got a large capital program, do you see asset acquisitions that could be interesting?

Steve Wuori - *Enbridge, Inc. - EVP, CFO & Corporate Development*

Yes well certainly and it kind of goes back to the question about the offshore assets. And one of the things that didn't get illuminated in that discussion was the fact that the Canadian dollar has moved from probably $0.75 at the time of the acquisition to parity, and so certainly looking at an asset like that now would look somewhat different. I guess the way I would answer that, Andrew, is that the movement of the dollar alone does not create excitement around the potential acquisition of assets.

There has to be a compelling case and there has to be evidence that the acquisition multiples have moved down into what we consider to be a more realistic range. Although your point is well taken that with a strong C dollar arguably you could pay more for the same economic results, and we'll be thinking about that. But not a lot of acquisitions on our radar screen right at the moment. Okay I think Bob and then Winifred and then I'm getting a real high sign from our retiring IR Director.

Unidentified Audience Member

Just following on, on your talking about monetization of assets and now we have a higher Canadian dollar, what would be the ramifications of selling some of your international and U.S. assets, given that the dollar has changed so much? Would that precipitate a write down? And would that hurt your balance sheet?

Steve Wuori - *Enbridge, Inc. - EVP, CFO & Corporate Development*

Yes it's a good question and there's a few fulcrums that we balance decisions on. One of the things we're fairly allergic to is write downs, but when we look at a potential monetization that has to be one of the factors is where are we in relation to the invested capital or book at that time. But it's a fair point when you look at the net-net contribution in Canadian dollars of the exercise. So we'll be absolutely factoring that into anything that we would consider.

Unidentified Audience Member

You're probably not going to give us your book cost in Canadian dollar terms today.

Steve Wuori - *Enbridge, Inc. - EVP, CFO & Corporate Development*

Yes probably won't. That's a good guess.

Pat Daniel - *Enbridge, Inc. - President, CEO*

I think, Bob, we'll kind of let our track record stand there and the dispositions that we've done over the years. Sometimes, at various points in time, those assets have not been the most attractive. We've never disposed of them at that time, we have worked them to the point where we're comfortable that we have maximized value and have not suffered any write downs as a result of those dispositions. So I think you can count on us maintaining our track record.

Unidentified Audience Member

Thank you.

Unidentified Audience Member

Regarding exchange rates, is it impetus intense and does it expect to have the ability to totally shield its cash flow from currency fluctuations?

Steve Wuori - *Enbridge, Inc. - EVP, CFO & Corporate Development*

Our cash flows are largely hedged and you always see coming through our quarterlies the note that I've insisted be there where we complain that we can't bring those positive cash hedge settlements into earnings. But yes our policy is that we are 50% to 70% hedged on all of foreign currency cash flows so we will continue to do that.

Unidentified Audience Member

And the other question, you touched upon it, will there be arrive at the point say 2008 or 2009 when you might have to ask credit rating agencies to give you forbearance because you might be just heavily stressed as far as financing is concerned?

Steve Wuori - *Enbridge, Inc. - EVP, CFO & Corporate Development*

I think that dialog is under way already, Winfried. We certainly are projecting out for the rating agencies what the cash metrics are going to look like in those periods and trying to illuminate exactly what's happening through that whole piece. So yes we are. And again, it's on the strength of what's coming and the reducing risk of the Company and the strengthening of the balance sheet, those things are all very much in our mind. Robert? And then I'm getting a cut sign.

Unidentified Audience Member

Thank you. It seems like there's been a change in terms of your articulated strategy with respect to at least some of the assets in the gas business and certainly on the international side with respect to asset dispositions. You said in the past that at least the base case is for about $600 million CAD of common equity in '08, has your change in strategy on the asset disposition, has that moved now to the base case and pushed common equity back? Or are there other considerations with respect to the balance sheet?

Steve Wuori - *Enbridge, Inc. - EVP, CFO & Corporate Development*

Yes, certainly one of the considerations in looking at asset monetizations is can we eliminate the need for an '08 equity issuance entirely. That's certainly is very much in our minds. And what I've said on the calls in Q1 and Q2 wasn't exactly $600 million CAD, but that's not a horrible inference for 2008. And looking at asset monetizations would be with the intention that that would not be required.

Unidentified Audience Member

Just with the change that we've seen today on the asset disposition, is that now the base-case or -

---

Steve Wuori - *Enbridge, Inc. - EVP, CFO & Corporate Development*

I wouldn't project it that was just yet. I think there's enough uncertainty around asset monetization that I wouldn't want to drive too far down the path to make that into the base-case for funding. I think that for today I would just stand with what we have out there right now, which is an equity issuance of roughly the size of the '07, is in the plan. But at the same time you are aware from today that we are looking at other way of attacking that very much. Okay thanks very much, I'll turn it back to Pat.

PRESENTATION

Pat Daniel - *Enbridge, Inc. - President, CEO*

Great thanks, Steve. It's amazing what you can do with an (inaudible) mind. When I start hearing all this stuff about the debt and so on coming out of Steve's mouth, I'm still a little bit amazed. However, I mentioned last night that one of the objectives of this session is to display to all of you the depth of the Enbridge management team. And I might point out that the three individuals that went through the operating summaries, Mr. Bird, Mr. Letwin and Mr. Monaco, are all financial guys that now run the operations of the Company and the engineer runs the finance. So that goes to show you the depth of the team and you never know where you're going to end up next in Enbridge so it keeps everybody on their toes.

So to summarize very quickly, we feel that we're very well positioned to continue to provide top-rung shareholder returns in Enbridge, and in fact to accelerate the growth of shareholder value in the organization. There's no doubt about that in our mind. I mentioned earlier a survey that was done of our investors that labeled us as having a vision of basically building pipes and I said that's probably not too far from the truth.

We are also described in that survey as being aggressive but conservative. And at first I thought those two words don't really go together all that well, but if you look at the investment proposition that we offer at Enbridge of growth, safety and income, I think that fits very well. We've got to be very, very aggressive to provide the growth profile and I doubt that there's a utility in North America that's going to be able to provide better growth over the next decades than this one. We've also got to be contributive to provide the safety and the income. So I think the two do go together in this business and they go together very well.

We've introduced two newer concepts today. I think you will agree the second wave of crude oil development projects that could add up to close to $14 billion CAD is one that we haven't really been able to express to you in much detail before today. Hopefully we've provided you with good background there to show that this growth story is sustainable well beyond the five-year period in Enbridge.

The second new concept really is around the idea that we're going to look much more broadly at the way in which we finance it and, Robert, that really is in answer to your question at the end. I think that in the past we have felt that we probably would go to the equity markets for the financing, that was very, very doable with wave one. With wave two we will look much more broadly at ways in which we finance monetization opportunities and ways to redeploy capital.

The key focus in the Company right now though is on execution and building out the crude oil system. We're very pleased with the early stages. We are looking forward to some significant progress in bringing these projects on stream to stay ahead of the curve in terms of providing pipeline capacity out of Western Canada. So really that sums up where we are and where we're going. I'll maybe pause very briefly to see were there any final wrap up questions and then we, I believe, have got lunch set up next door, that way Bob, for those of you who are able to join us. But any final questions for anyone of the presenters? Maria?

QUESTIONS AND ANSWERS

Unidentified Audience Member

Just a follow up to that question on withholding and the inter-Company debt, is it likely that there will be more emphasis put on raising debt capital at the holding Company level in the context of the illumination of withholding tax?

Pat Daniel - *Enbridge, Inc. - President, CEO*

And I'm going to turn to Wanda on this because I wasn't one of those engineers who was fortunate enough to go through finance before I got here. So Wanda, could you respond to that?

Wanda Opheim - *Enbridge, Inc. - VP - Treasury & Tax*

Your question was whether we would raise more debt at Enbridge Inc.? I think it's fair to say we will focus on raising the debt at Enbridge Inc. to fund some of the U.S. projects, that ones that aren't in EEP. And that's been our normal practice to date, we've usually used equity when we've put it down but if the withhold tax goes away we could just use loans across the border. So we will still focus on having Enbridge increase that debt, other than for projects like Southern Lights where we are getting the [non-recourse] project financing.

Unidentified Audience Member

Correct me if I'm wrong but originally with the $9 billion CAD of CapEx spending for the Liquids business, was it not anticipated that half of it would go at Inc. and half at Enbridge Pipeline originally? Was there not some discussion around that?

Wanda Opheim - *Enbridge, Inc. - VP - Treasury & Tax*

Alberta Clipper will be funded within Enbridge Pipelines Inc, so you're correct, that entity will be funding Alberta Clipper directly. And that won't change, that will not change.

Pat Daniel - *Enbridge, Inc. - President, CEO*

Win?

Unidentified Audience Member

(inaudible question - microphone inaccessible) at the service to the petroleum industry Canada and to tap the absolute earnings source, what are your thoughts or plans on CO2 capture and sequestration?

Pat Daniel - *Enbridge, Inc. - President, CEO*

Well, it's a very good and timely question, Win, because one thing we didn't address today, and I'm going to back up a little bit before I answer your question directly. Is our wind power business where, as you know, we've invested in four wind farms and are in a position now, because of the competition for capital within the organization, you probably won't see us investing in another wind project over the next five years. What we're going to do in this whole area of greenhouse gas emission and kind of corporate social responsibility investment opportunities is to look at CO2 capture and sequestration.

And I think that if there's any place in the world where it makes sense it's in Alberta where we've got some large emitters of CO2 in the oil sands. We've got a very good pipeline infrastructure within the province and we've got the ideal application in West Central Alberta primarily, the Pembina field, which should respond very well to CO2 injection. So we've started to realign our Pathfinder group within the Company from looking at further wind projects to look very closely at this whole issue of CO2 capture, pipelining and sequestration.

We think there should be a very good opportunity and the funding of that would fit very well with the plan of this Company. In other words it would come a little bit further down the road than the wind opportunity. So we intend to accelerate our work on CO2 capture and sequestration. Sam?

Unidentified Audience Member

Just to close that thought, you did not therefore bid into the Manitoba requests with your partner in Manitoba?

Pat Daniel - *Enbridge, Inc. - President, CEO*

No we have a very strong wind/land position in Manitoba and we are looking at joint venturing with someone else so that we don't have a big capital spend requirement there. But we've got a very, very attractive position.

Well if there are no further questions I would like to thank you all very much for your attendance, thank those on the webcast, and I believe we're now adjourned to next door for lunch. And if there are any follow ups at all, please feel free to contact any of us. We're ready and available at any time to answer your questions. So thank you very much for your time and attention.
