ENBRIDGE INC
Form 6-K
August 03, 2017

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 6-K

Report of Foreign Issuer

Pursuant to Rule 13a-16 or 15d-16 of

the Securities Exchange Act of 1934

Dated August 3, 2017

Commission file number 001-15254

ENBRIDGE INC.

(Exact name of Registrant as specified in its charter)

200, 425 1st Street S.W.

Calgary, Alberta, Canada T2P 3L8

(Address of principal executive offices and postal code)

Indicate by check mark whether the Registrant files or will file annual reports under cover of Form 20-F or Form 40-F.

Form 20-F		Form 40-F	P

Indicate by check mark if the Registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(1):

Yes		No	P

Indicate by check mark if the Registrant is submitting the Form 6-K in paper as permitted by regulation S-T Rule 101(b)(7):

Yes		No	P

THIS REPORT ON FORM 6-K SHALL BE DEEMED TO BE INCORPORATED BY REFERENCE IN THE REGISTRATION STATEMENTS ON FORM S-8 (FILE NO. 333-216272, 333-145236, 333-127265, 333-13456, 333-97305 AND 333-6436), FORM F-3 (FILE NO. 333-185591) AND FORM F-10 (FILE NO. 333-213234) OF ENBRIDGE INC. AND TO BE PART THEREOF FROM THE DATE ON WHICH THIS REPORT IS FURNISHED, TO THE EXTENT NOT SUPERSEDED BY DOCUMENTS OR REPORTS SUBSEQUENTLY FILED OR FURNISHED.

The following documents are being submitted herewith:

- Interim Report to Shareholders for the six months ended June 30, 2017

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

ENBRIDGE INC.
(Registrant)

Date: August 3, 2017

By: /s/ Tyler W. Robinson
Tyler W. Robinson

Vice President & Corporate Secretary

ENBRIDGE INC.

MANAGEMENT S DISCUSSION AND ANALYSIS

June 30, 2017

GLOSSARY

Algonquin	Algonquin Gas Transmission, L.L.C.
ALJ	Administrative Law Judge
ASU	Accounting Standards Update
Average Exchange Rate	United States to Canadian dollar average exchange rate
bcf/d	Billion cubic feet per day
bpd	Barrels per day
Canadian L3R Program	Canadian portion of the Line 3 Replacement Program
CTS	Competitive Toll Settlement
EBIT	Earnings before interest and income taxes
Eddystone Rail	Eddystone Rail Company, LLC
EEP	Enbridge Energy Partners, L.P.
EGD	Enbridge Gas Distribution Inc.
Enbridge or the Company	Enbridge Inc.
ENF	Enbridge Income Fund Holdings Inc.
EPA	United States Environmental Protection Agency
FCA	Federal Court of Appeal
FERC	Federal Energy Regulatory Commission
Flanagan South	Flanagan South Pipeline
GHG	Greenhouse gas
Gulfstream	Gulfstream Natural Gas System, L.L.C.
IJT	International Joint Tariff
L3R Program	Line 3 Replacement Program
Lakehead System	Lakehead Pipeline System
LNG	Liquefied natural gas
M&N U.S.	Maritimes & Northeast Pipeline, L.L.C.
MD&A	Management s Discussion and Analysis
MEP	Midcoast Energy Partners, L.P.
mmcf/d	Million cubic feet per day
MNPUC	Minnesota Public Utilities Commission
NEB	National Energy Board
NGL	Natural gas liquids
OEB	Ontario Energy Board
Offshore	Enbridge Offshore Pipelines
Seaway Pipeline	Seaway Crude Pipeline System
SEP	Spectra Energy Partners, LP
Spectra Energy	Spectra Energy Corp
Texas Eastern	Texas Eastern Transmission, L.P.
the Fund	Enbridge Income Fund
the Fund Group	Enbridge Income Fund, Enbridge Commercial Trust, Enbridge Income Partners LP and the subsidiaries and investees of Enbridge Income Partners LP
the Merger Transaction	The stock-for-stock merger transaction between Enbridge and Spectra Energy

the Tupper Plants	Tupper Main and Tupper West gas plants
Union Gas	Union Gas Limited
U.S. GAAP	Generally accepted accounting principles in the United States of America
U.S. L3R Program	United States portion of the Line 3 Replacement Program
Westcoast	Westcoast Energy Inc.

MANAGEMENT S DISCUSSION AND ANALYSIS

FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2017

This Management s Discussion and Analysis (MD&A) dated August 3, 2017 should be read in conjunction with the unaudited interim consolidated financial statements and notes thereto of Enbridge Inc. (Enbridge or the Company) as at and for the three and six months ended June 30, 2017, prepared in accordance with generally accepted accounting principles in the United States of America (U.S. GAAP). It should also be read in conjunction with the Company s audited consolidated financial statements and MD&A for the year ended December 31, 2016 filed on February 17, 2017. For information relating to assets and operations acquired through the combination with Spectra Energy Corp (Spectra Energy), additional information is also available in Spectra Energy s audited consolidated financial statements and MD&A for the year ended December 31, 2016 filed on SEDAR on February 24, 2017. All financial measures presented in this MD&A are expressed in Canadian dollars, unless otherwise indicated. Additional information related to the Company, including its Annual Information Form, is available on SEDAR at www.sedar.com.

MERGER WITH SPECTRA ENERGY

On February 27, 2017, Enbridge announced the closing of the previously announced combination of Enbridge and Spectra Energy through a stock-for-stock merger transaction (the Merger Transaction).

Under the terms of the Merger Transaction, Spectra Energy shareholders received 0.984 shares of Enbridge for each share of Spectra Energy common stock they held. Upon closing of the Merger Transaction, Enbridge shareholders owned approximately 57% of the combined company and Spectra Energy shareholders owned approximately 43%.

Spectra Energy, now wholly-owned by Enbridge, is one of North America s leading natural gas delivery companies owning and operating a large, diversified and complementary portfolio of gas transmission, midstream gathering and processing and distribution assets. It also owns and operates a crude oil pipeline system that connects Canadian and United States producers to refineries in the United States Rocky Mountain and Midwest regions. The combination with Spectra Energy has created the largest energy infrastructure company in North America with an extensive portfolio of energy assets that are well positioned to serve key supply basins and end use markets and multiple business platforms through which to drive future growth. At the time of closing of the Merger Transaction, the Company s capital program included $27 billion of commercially secured growth projects, which are expected to come into service through 2019, and an additional portfolio of projects in earlier stages of development expected to come into service by 2024. These growth projects, together with Enbridge s existing businesses, are expected to generate dividend growth of 10% to 12% on average through 2024.

A more detailed description of each of the businesses and underlying assets acquired through the Merger Transaction is provided under *Financial Results* within this MD&A. The results of operations from assets acquired through the Merger Transaction are included in Enbridge s financial statements and in this MD&A on a prospective basis from the closing date of the Merger Transaction.

Post-combination, the Company s activities continue to be carried out through five business segments: Liquids Pipelines; Gas Pipelines and Processing; Gas Distribution; Green Power and Transmission; and Energy Services. Effective February 27, 2017, as a result of the Merger Transaction, and in addition to Enbridge assets previously held:

- Liquids Pipelines also includes results from the operation of the Express-Platte System.

- Gas Pipelines and Processing also includes Spectra Energy s United States Storage and Transmission Assets, Canadian British Columbia Pipeline & Field Services, Canadian Midstream and Maritimes & Northeast U.S. and Canada businesses, as well as the results of the Company s 50% interest in DCP Midstream, LLC (DCP Midstream).

- Gas Distribution also includes results from the operation of Union Gas Limited (Union Gas).

A number of the assets acquired through the Merger Transaction and included in the business segments discussed above are owned through the Company s investment in Spectra Energy Partners, LP (SEP). As a result of the combination, Enbridge now holds a 75% equity interest in SEP, a natural gas and crude oil infrastructure master limited partnership, which owns 100% of Texas Eastern Transmission, L.P. (Texas Eastern), 91% of Algonquin Gas Transmission, L.L.C. (Algonquin), 100% of East Tennessee Natural Gas, L.L.C. (East Tennessee), 100% of Express-Platte, 100% of Saltville Gas Storage Company L.L.C. (Saltville), 100% of Ozark Gas Gathering, L.L.C. and Ozark Gas Transmission, L.L.C., 100% of Big Sandy Pipeline, L.L.C., 100% of Market Hub Partners Holding, 100% of Bobcat Gas Storage, 78% of Maritimes & Northeast Pipeline, L.L.C. (M&N U.S.), 50% of Southeast Supply Header, L.L.C., 50% of Steckman Ridge, L.P. and 50% of Gulfstream Natural Gas System, L.L.C. (Gulfstream).

UNITED STATES SPONSORED VEHICLE STRATEGY

On April 28, 2017, Enbridge announced the completion of the strategic review of Enbridge Energy Partners, L.P. (EEP). The following actions, together with the measures announced in January 2017 and disclosed in the Company s 2016 annual MD&A, were taken to enhance EEP s value proposition to its unitholders and to Enbridge:

Acquisition of Midcoast Assets and Privatization of Midcoast Energy Partners, L.P.

On April 27, 2017, Enbridge completed its previously-announced merger through a wholly-owned subsidiary, through which it privatized Midcoast Energy Partners, L.P. (MEP) by acquiring all of the outstanding publicly-held common units of MEP for total consideration of approximately US$170 million.

On June 28, 2017, Enbridge, through a wholly-owned subsidiary, acquired all of EEP s interest in the Midcoast gas gathering and processing business for cash consideration of US$1.3 billion plus existing indebtedness of MEP of US$953 million.

As a result of the above transactions, 100% of the Midcoast gas gathering and processing business is now owned by Enbridge.

Finalization of Bakken Pipeline System Joint Funding Agreement

On February 15, 2017, EEP acquired an effective 27.6% interest in the Dakota Access and Energy Transfer Crude Oil Pipelines (collectively, the Bakken Pipeline System). On April 27, 2017, Enbridge entered into a joint funding arrangement with EEP whereby Enbridge owns 75% and EEP owns 25% of the combined 27.6% effective interest in the Bakken Pipeline System. Under this arrangement, EEP has retained a five-year option to acquire an additional 20% interest. On finalization of this joint funding arrangement, EEP repaid the outstanding balance on its US$1.5 billion credit agreement with Enbridge, which it had drawn upon to fund the initial purchase.

EEP Strategic Restructuring Actions

On April 27, 2017, EEP redeemed all of its outstanding Series 1 Preferred Units held by Enbridge at face value of US$1.2 billion through the issuance of 64.3 million Class A common units to Enbridge. Further, Enbridge irrevocably waived all of its rights associated with its 66.1 million Class D units and 1,000 Incentive Distribution Units (IDUs), in exchange for the issuance of 1,000

Class F units. The Class F units are entitled to (i) 13% of all distributions in excess of US$0.295 per EEP unit, but equal to or less than US$0.35 per EEP unit, and (ii) 23% of all distributions in excess of US$0.35 per EEP unit. The irrevocable waiver is effective with respect to distributions declared with a record date after April 27, 2017. In connection with these strategic restructuring actions, EEP reduced its quarterly distribution from US$0.583 per unit to US$0.35 per unit.

The irrevocable waiver of the Class D units and IDUs, the redemption of the Series 1 Preferred Units and the reduction in the quarterly distributions will result in a lower contribution of earnings from EEP. This lower contribution will be partially offset by an increased contribution of earnings as a result of Enbridge s increased ownership in the Class A common units post restructuring.

ASSET MONETIZATION

In conjunction with the announcement of the Merger Transaction in September 2016, the Company announced its intention to divest $2 billion of assets over the ensuing 12 months in order to further strengthen its post-combination balance sheet and enhance the financial flexibility of the combined entity. With the completion of the secondary offering noted below, the Ozark pipeline system sale, the Olympic refined products pipeline sale and other divestitures completed in 2016, the Company has exceeded the $2 billion monetization target.

On April 18, 2017, the Company and Enbridge Income Fund Holdings Inc. (ENF) completed the secondary offering of 17,347,750 ENF common shares to the public at a price of $33.15 per share, for gross proceeds to Enbridge of approximately $0.6 billion (the Secondary Offering). To effect the Secondary Offering, Enbridge exchanged 21,657,617 Enbridge Income Fund (Fund) units it owned for an equivalent amount of ENF common shares. In order to maintain its 19.9% ownership interest in ENF, Enbridge retained 4,309,867 of the common shares it received in the exchange, and sold the balance under the Secondary Offering. Enbridge used the proceeds from the Secondary Offering to pay down short-term debt, pending reinvestment by the Company in its growing portfolio of secured projects. Upon closing of the Secondary Offering, the Company s total economic interest in ENF decreased from 86.9% to 84.6%.

CONSOLIDATED EARNINGS

	Three months ended June 30,		Six months ended June 30,	
	2017	2016	**2017**	2016
(millions of Canadian dollars, except per share amounts)				
Liquids Pipelines	**1,272**	643	**2,396**	2,255
Gas Pipelines and Processing	**682**	19	**1,021**	80
Gas Distribution	**153**	83	**428**	322
Green Power and Transmission	**51**	41	**101**	90
Energy Services	**(18)**	(7)	**138**	(13)
Eliminations and Other	**(41)**	(48)	**(356)**	173
Earnings before interest and income taxes	**2,099**	731	**3,728**	2,907
Interest expense	**(565)**	(369)	**(1,051)**	(781)
Income tax expense	**(293)**	(10)	**(491)**	(427)
(Earnings)/loss attributable to noncontrolling interests and redeemable noncontrolling interests	**(241)**	20	**(465)**	(41)
Preference share dividends	**(81)**	(71)	**(164)**	(144)
Earnings attributable to common shareholders	**919**	301	**1,557**	1,514
Earnings per common share	**0.56**	0.33	**1.11**	1.69
Diluted earnings per common share	**0.56**	0.33	**1.10**	1.67

EARNINGS BEFORE INTEREST AND INCOME TAXES

For the three and six months ended June 30, 2017, earnings before interest and income taxes (EBIT) were $2,099 million and $3,728 million, respectively, compared with $731 million and $2,907 million for the three and six months ended June 30, 2016. Earnings for the three and six months ended June 30, 2017 were positively impacted by contributions from new assets following the completion of the Merger Transaction on February 27, 2017.

The positive impact to EBIT resulting from the Merger Transaction s new assets was partially offset by lower results in Energy Services and the Liquids Pipelines segment as discussed below.

The comparability of the Company s earnings period-over-period is also impacted by a number of unusual, non-recurring or non-operating factors that are enumerated in the Non-GAAP Reconciliation tables, the most significant of which are changes in unrealized derivative fair value gains and losses. For the three months ended June 30, 2017, the Company s EBIT reflected $461 million of unrealized derivative fair value gains, compared with losses of $98 million in the corresponding 2016 period. For the six months ended June 30, 2017, the Company s EBIT reflected $877 million of unrealized derivative fair value gains, compared with gains of $834 million in the corresponding 2016 period. The Company has a comprehensive long-term economic hedging program to mitigate interest rate, foreign exchange and commodity price risks which creates volatility in short-term earnings. Over the long term, Enbridge believes its hedging program supports the reliable cash flows and dividend growth upon which the Company s investor value proposition is based.

In addition, the comparability of period-over-period EBIT was impacted by the recognition of an impairment of $176 million ($103 million after-tax attributable to Enbridge) in the second quarter of 2016 related to Enbridge s 75% joint venture interest in Eddystone Rail Company, LLC (Eddystone Rail), a rail-to-barge transloading facility located in Greater Philadelphia, Pennsylvania.

EBIT for the six months ended June 30, 2017 also reflected charges of $178 million ($130 million after-tax) with respect to costs incurred in conjunction with the Merger Transaction, as well as $208 million ($146 million after-tax) of employee severance costs in relation to the Company s enterprise-wide reduction of workforce in March 2017 and restructuring costs in connection with the completion of the Merger Transaction.

EARNINGS ATTRIBUTABLE TO COMMON SHAREHOLDERS

Earnings attributable to common shareholders for the three months ended June 30, 2017 were $919 million, or $0.56 per common share, compared with $301 million, or $0.33 per common share, for the three months ended June 30, 2016. Earnings attributable to common shareholders for the six months ended June 30, 2017 were $1,557 million, or $1.11 per common share, compared with $1,514 million, or $1.69 per common share, for the six months ended June 30, 2016.

In addition to the factors discussed in *Earnings Before Interest and Income Taxes* above, interest expense for the three and six months ended June 30, 2017 was higher, compared with the corresponding 2016 periods, as a result of debt assumed in the Merger Transaction. Preference share dividends were also higher reflecting additional preference shares issued in the fourth quarter of 2016 to partially fund the Company s growth capital program.

Income tax expense increased for the three and six months ended June 30, 2017, compared with the corresponding 2016 periods, largely due to the increase in earnings.

Earnings attributable to noncontrolling interests and redeemable noncontrolling interests increased in the second quarter and the first half of 2017, compared with the corresponding 2016 periods. The increase was driven by additional noncontrolling interests associated with the assets acquired in the Merger Transaction and lower earnings attributable to noncontrolling interests in EEP during 2016.

Lower earnings per common share for the six months ended June 30, 2017, compared with the corresponding 2016 period, reflected the issuance of approximately 691 million common shares in February 2017 as part of the consideration for the Merger Transaction, the issuance of approximately 75 million common shares in 2016 through a 56 million follow-on common share offering in the first quarter of 2016, and ongoing issuances under the Company s Dividend Reinvestment Program.

FORWARD-LOOKING INFORMATION

Forward-looking information, or forward-looking statements, have been included in this MD&A to provide information about the Company and its subsidiaries and affiliates, including management s assessment of Enbridge and its subsidiaries future plans and operations. This information may not be appropriate for other purposes. Forward-looking statements are typically identified by words such as anticipate , expect , project , estimate , forecast , plan , intend , target , believe , likely and similar words suggesting future outcomes or statements regarding an outlook. Forward-looking information or statements included or incorporated by reference in this document include, but are not limited to, statements with respect to the following: expected EBIT or expected adjusted EBIT; expected earnings/(loss) or adjusted earnings/(loss); expected earnings/(loss) or adjusted earnings/(loss) per share; expected future cash flows; expected performance of the Liquids Pipelines business; financial strength and flexibility; expectations on sources of liquidity and sufficiency of financial resources; expected costs related to announced projects and projects under construction; expected in-service dates for announced projects and projects under construction; expected capital expenditures; expected equity funding requirements for the Company s commercially secured growth program; expected future growth and expansion opportunities; expectations about the Company s joint venture partners ability to complete and finance projects under construction; expected closing of acquisitions and dispositions; estimated future dividends; recovery of the costs of the Canadian portion of the Line 3 Replacement Program (Canadian L3R Program); expected expansion of the T-South System; expected capacity of the Hohe See Expansion Offshore Wind Project; expected costs in connection with Line 6A and Line 6B crude oil releases; expected effect of Aux Sable Consent Decree; expected future actions of regulators; expected costs related to leak remediation and potential insurance recoveries; expectations regarding commodity prices; supply forecasts; expectations regarding the impact of the Merger Transaction including the combined Company s scale, financial flexibility, growth program, future business prospects and performance; impact of the Canadian L3R Program on existing integrity programs; dividend payout policy; dividend growth and dividend payout expectation; and expectations on impact of hedging program.

Although Enbridge believes these forward-looking statements are reasonable based on the information available on the date such statements are made and processes used to prepare the information, such statements are not guarantees of future performance and readers are cautioned against placing undue reliance on forward-looking statements. By their nature, these statements involve a variety of assumptions, known and unknown risks and uncertainties and other factors, which may cause actual results, levels of activity and achievements to differ materially from those expressed or implied by such statements. Material assumptions include assumptions about the following: the expected supply of and demand for crude oil, natural gas, natural gas liquids (NGL) and renewable energy; prices of crude oil, natural gas, NGL and renewable energy; exchange rates; inflation; interest rates; availability and price of labour and construction materials; operational reliability; customer and regulatory approvals; maintenance of support and regulatory approvals for the Company s projects; anticipated in-service dates; weather; the realization of anticipated benefits and synergies of the Merger Transaction; governmental legislation; acquisitions and the timing thereof; the success of integration plans; impact of the dividend policy on the Company s future cash flows; credit ratings; capital project funding; expected EBIT or expected adjusted EBIT; expected earnings/(loss) or adjusted earnings/(loss); expected earnings/(loss) or adjusted earnings/(loss) per share; expected future cash flows and estimated future dividends. Assumptions regarding the expected supply of and demand for crude oil, natural gas, NGL and renewable energy, and the prices of these commodities, are material to and underlie all forward-looking statements, as they may impact current and future levels of demand for the Company s services. Similarly, exchange rates, inflation and interest rates impact the economies and business environments in which the Company operates and may impact levels of demand for the Company s services and cost of inputs, and are therefore inherent in all forward-looking statements. Due to the interdependencies and correlation of these macroeconomic factors, the impact of any one assumption on a forward-looking statement cannot be determined with certainty, particularly with respect to the impact of the Merger Transaction on the Company, expected EBIT, adjusted EBIT, earnings/(loss), adjusted earnings/(loss) and associated per share amounts, or estimated future dividends. The most relevant assumptions associated with forward-looking statements on announced projects and projects under construction, including estimated completion dates and expected capital expenditures, include the following: the availability and price of labour and construction materials; the effects of inflation and foreign exchange rates on labour and material costs; the effects of interest rates on borrowing costs; the impact of weather and customer, government and regulatory approvals on construction and in-service schedules and cost recovery regimes.

Enbridge s forward-looking statements are subject to risks and uncertainties pertaining to the impact of the Merger Transaction, operating performance, regulatory parameters, dividend policy, project approval and support, renewals of rights of way, weather, economic and competitive conditions, public opinion, changes in tax laws and tax rates, changes in trade agreements, exchange rates, interest rates, commodity prices, political decisions and supply of and demand for commodities, including but not limited to those risks and uncertainties discussed in this MD&A and in the Company s other filings with Canadian and United States securities regulators. The impact of any one risk, uncertainty or factor on a particular forward-looking statement is not determinable with certainty as these are interdependent and Enbridge s future course of action depends on management s assessment of all information available at the relevant time. Except to the extent required by applicable law, Enbridge assumes no obligation to publicly update or revise any forward-looking statements made in this MD&A or otherwise, whether as a result of new information, future events or otherwise. All subsequent forward-looking statements, whether written or oral, attributable to Enbridge or persons acting on the Company s behalf, are expressly qualified in their entirety by these cautionary statements.

NON-GAAP MEASURES

This MD&A contains references to adjusted EBIT, adjusted earnings and adjusted earnings per common share. Adjusted EBIT represents EBIT adjusted for unusual, non-recurring or non-operating factors on both a consolidated and segmented basis. Adjusted earnings represent earnings attributable to common shareholders adjusted for unusual, non-recurring or non-operating factors included in adjusted EBIT, as well as adjustments for unusual, non-recurring or non-operating factors in respect of interest expense, income taxes, noncontrolling interests and redeemable noncontrolling interests on a consolidated basis. These factors, referred to as adjusting items, are reconciled and discussed in the financial results sections for the affected business segments.

Management believes the presentation of adjusted EBIT, adjusted earnings and adjusted earnings per share gives useful information to investors and shareholders as they provide increased transparency and insight into the performance of the Company. Management uses adjusted EBIT and adjusted earnings to set targets and to assess the performance of the Company. Adjusted EBIT, adjusted EBIT for each segment, adjusted earnings and adjusted earnings per common share are not measures that have standardized meaning prescribed by U.S. GAAP and are not U.S. GAAP measures. Therefore, these measures may not be comparable with similar measures presented by other issuers.

The tables below provide a reconciliation of the GAAP and non-GAAP measures.

NON-GAAP RECONCILIATION   EBIT TO ADJUSTED EARNINGS

	Three months ended June 30,		Six months ended June 30,	
	2017	2016	**2017**	2016
(millions of Canadian dollars)				
Earnings before interest and income taxes	**2,099**	731	**3,728**	2,907
Adjusting items[1]:				
Change in unrealized derivative fair value (gain)/loss[2]	**(461)**	98	**(877)**	(834)
Assets and investment impairment loss	**-**	187	**-**	187
Unrealized intercompany foreign exchange (gain)/loss	**7**	(5)	**14**	