ENBRIDGE INC
Form 6-K
May 12, 2016

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 May 12, 2016

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. 333-145236, 333-127265, 333-13456, 333-97305 AND 333-6436), FORM F-3 (FILE NO. 33-77022) AND FORM F-10 (FILE NO. 333-198566) 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 AND TO BE PART THEREOF FROM THE DATE ON WHICH THIS REPORT IS FURNISHED, TO THE EXTENT NOT SUPERSEDED BY DOCUMENTS OR REPORTS SUBSEQUENTLY FILED OR FURNISHED.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 three months ended March 31, 2016.

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: May 12, 2016

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

Vice President & Corporate Secretary

ENBRIDGE INC.

MANAGEMENT S DISCUSSION AND ANALYSIS

March 31, 2016

MANAGEMENT S DISCUSSION AND ANALYSIS

FOR THE THREE MONTHS ENDED MARCH 31, 2016

This Management s Discussion and Analysis (MD&A) dated May 12, 2016 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 months ended March 31, 2016, 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 audited amended consolidated financial statements and MD&A for the year ended December 31, 2015 and filed on May 12, 2016. 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.

Effective January 1, 2016, Enbridge revised its reportable segments to better reflect the underlying operations of the Company. The Company believes this new format more clearly describes the financial performance of its business segments, provides increased transparency with respect to operational results and aligns with business segment decision making and management.

Revisions to the segmented information presentation on a retrospective basis include:

- The replacement of the previous segments: Liquids Pipelines; Gas Distribution; Gas Pipelines, Processing and Energy Services; Sponsored Investments; and Corporate with new segments: Liquids Pipelines; Gas Distribution; Gas Pipelines and Processing; Green Power and Transmission; and Energy Services;

- Presenting the Earnings before interest and income taxes (EBIT) of each segment as opposed to Earnings attributable to Enbridge Inc. common shareholders. Amounts related to Interest expense, Income taxes, Earnings attributable to noncontrolling interests and redeemable noncontrolling interests and Preference share dividends are now reported on a consolidated basis.

These changes had no impact on reported consolidated earnings for the comparative three-month period ended March 31, 2015.

The Company s activities are carried out through five business segments: Liquids Pipelines; Gas Distribution; Gas Pipelines and Processing; Green Power and Transmission; and Energy Services, as discussed below.

LIQUIDS PIPELINES

Liquids Pipelines consists of common carrier and contract crude oil, natural gas liquids (NGL) and refined products pipelines and terminals in Canada and the United States, including Canadian Mainline, Lakehead Pipeline System (Lakehead System), Regional Oil Sands System, Mid-Continent and Gulf Coast, Southern Lights Pipeline, Bakken System and Feeder Pipelines and Other.

GAS DISTRIBUTION

Gas Distribution consists of the Company s natural gas utility operations, the core of which is Enbridge Gas Distribution Inc. (EGD), which serves residential, commercial and industrial customers, primarily in central and eastern Ontario as well as northern New York State. This business segment also includes natural gas distribution activities in Quebec and New Brunswick and the Company s investment in Noverco Inc. (Noverco).

GAS PIPELINES AND PROCESSING

Gas Pipelines and Processing consists of investments in natural gas pipelines and gathering and processing facilities. Investments in natural gas pipelines include the Company s interests in the Alliance Pipeline, the Vector Pipeline (Vector) and transmission and gathering pipelines in the Gulf of Mexico. Investments in natural gas processing include the Company s interest in Aux Sable, a natural gas extraction and fractionation business located near the terminus of the Alliance Pipeline, Canadian

Midstream assets located in northeast British Columbia and northwest Alberta and United States Midstream assets located primarily in Texas and Oklahoma.

GREEN POWER AND TRANSMISSION

Green Power and Transmission consists of the Company s investments in renewable energy assets and transmission facilities. Renewable energy assets consist of wind, solar, geothermal and waste heat recovery facilities and are located in Canada primarily in the provinces of Alberta, Ontario and Quebec and in the United States primarily in Colorado, Texas and Indiana.

ENERGY SERVICES

The Energy Services businesses in Canada and the United States undertake physical commodity marketing activity and logistical services, oversee refinery supply services and manage the Company s volume commitments on Alliance Pipeline, Vector and other pipeline systems.

ELIMINATIONS AND OTHER

In addition, Eliminations and Other includes operating and administrative costs and foreign exchange costs which are not allocated to business segments. Also included in Eliminations and Other are new business development activities, general corporate investments and elimination of transactions between segments required to present financial performance and financial position on a consolidated basis.

CONSOLIDATED EARNINGS

	Three months ended March 31,	
	2016	2015
(millions of Canadian dollars, except per share amounts)		
Liquids Pipelines	**1,612**	(145)
Gas Distribution	**239**	239
Gas Pipelines and Processing	**61**	36
Green Power and Transmission	**49**	59
Energy Services	**(6)**	(3)
Eliminations and Other	**221**	(441)
Earnings/(loss) before interest and income taxes	**2,176**	(255)
Interest expense	**(412)**	(251)
Income taxes recovery/(expense)	**(417)**	285
Earnings attributable to noncontrolling interests and redeemable noncontrolling interests	**(61)**	(90)
Preference share dividends	**(73)**	(72)
Earnings/(loss) attributable to common shareholders	**1,213**	(383)
Earnings/(loss) per common share	**1.38**	(0.46)
Diluted earnings/(loss) per common share	**1.38**	(0.46)

EARNINGS/(LOSS) BEFORE INTEREST AND INCOME TAXES

For the three months ended March 31, 2016, EBIT was $2,176 million compared with a loss before interest and income taxes of $255 million for the three months ended March 31, 2015. As discussed below in *Adjusted EBIT*, the Company has continued to deliver strong earnings growth from a majority of its businesses. However, the positive impact of this growth and the comparability of the Company s earnings are impacted by a number of unusual, non-recurring or non-operating factors that are enumerated in the Non-GAAP Reconciliation tables and discussed in the results for each reporting segment, the most significant of which are changes in unrealized derivative fair value gains and losses. For the three months ended March 31, 2016, the Company s EBIT reflected a $932 million unrealized derivative fair value gain compared with $1,408 million of unrealized derivative fair value loss in the corresponding 2015 period. The Company has a comprehensive long-term economic hedging program to mitigate interest rate, foreign exchange and commodity price risks which create 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.

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EARNINGS/(LOSS) ATTRIBUTABLE TO COMMON SHAREHOLDERS

Earnings attributable to common shareholders were $1,213 million for the three months ended March 31, 2016, or earnings of $1.38 per common share, compared with a loss of $383 million, or loss of $0.46 per common share, for the three months ended March 31, 2015. As discussed below in *Adjusted Earnings*, the comparability of Earnings/(Loss) Attributable to Common Shareholders is impacted by period-over-period variation in interest and income tax expenses, as well as the variation in earnings attributable to noncontrolling interests and redeemable noncontrolling interests. Also impacting the comparability of the Company s period-over-period operating results was an out-of-period adjustment of $71 million recognized in the first quarter of 2015 in respect of an overstatement of deferred income taxes expense in 2013 and 2014.

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 , l 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 available cash flow from operations (ACFFO); expected future cash flows; expected costs related to projects under construction; expected in-service dates for projects under construction; expected capital expenditures; expected equity funding requirements for the Company s commercially secured growth program; estimated future dividends; 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 transfer of Enbridge s Canadian Liquids Pipelines business and certain Canadian renewable energy assets to Enbridge Income Partners LP in which the Fund has an indirect interest (the Canadian Restructuring Plan), dividend payout policy and dividend payout expectation; and strategic alternatives currently being evaluated in connection with the United States sponsored vehicles strategy.

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, 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; impact of the Canadian Restructuring Plan and 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 expected future ACFFO; 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. These factors are relevant to 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 expected EBIT, adjusted EBIT, earnings/(loss), adjusted earnings/(loss) and associated per share amounts,

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ACFFO or estimated future dividends. The most relevant assumptions associated with forward-looking statements on 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 and regulatory approvals on construction and in-service schedules.

Enbridge s forward-looking statements are subject to risks and uncertainties pertaining to operating performance, regulatory parameters, dividend policy, project approval and support, weather, economic and competitive conditions, public opinion, changes in tax law and tax rate increases, exchange rates, interest rates, impact of the Canadian Restructuring Plan, commodity prices 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/(loss) and ACFFO. Adjusted EBIT represents EBIT adjusted for unusual, non-recurring or non-operating factors on both a consolidated and segmented basis. Adjusted earnings/(loss) represent earnings or loss 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.

ACFFO is defined as cash flow provided by operating activities before changes in operating assets and liabilities (including changes in environmental liabilities) less distributions to noncontrolling interests and redeemable noncontrolling interests, preference share dividends and maintenance capital expenditures, and further adjusted for unusual, non-recurring or non-operating factors.

Management believes the presentation of adjusted EBIT, adjusted earnings/(loss) and ACFFO provide 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/(loss) to set targets and to assess the performance of the Company. Management also uses ACFFO to assess the performance of the Company and to set its dividend payout target. Adjusted EBIT, adjusted EBIT for each segment, adjusted earnings/(loss) and ACFFO 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 summarize the reconciliation of the GAAP and non-GAAP measures.

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NON-GAAP RECONCILIATION EBIT TO ADJUSTED EARNINGS

	Three months ended March 31,	
	2016	2015
(millions of Canadian dollars)		
Earnings/(loss) before interest and income taxes	**2,176**	(255)
Adjusting items[1]:		
Changes in unrealized derivative fair value (gains)/loss[2]	**(932)**	1,408
Unrealized intercompany foreign exchange (gains)/loss	**60**	(71)
Hydrostatic testing	**(12)**	-
Make-up rights adjustments	**67**	2
Leak remediation costs, net of leak insurance recoveries	**15**	(12)
Warmer/(colder) than normal weather	**17**	(45)
Project development and transaction costs	**-**	3
Other	**(17)**	1
Adjusted earnings before interest and income taxes	**1,374**	1,031
Interest expense	**(412)**	(251)
Income taxes recovery/(expense)	**(417)**	285
Earnings attributable to noncontrolling interests and redeemable noncontrolling interests	**(61)**	(90)
Preference share dividends	**(73)**	(72)
Adjusting items in respect of:		
Interest expense	**18**	(42)
Income taxes	**241**	(399)
Noncontrolling interests and redeemable noncontrolling interests	**(7)**	6
Adjusted earnings	**663**	468

1 The above table summarizes adjusting items by nature. For a detailed listing of adjusting items by segment, refer to individual segment discussions.

2 Changes in unrealized derivative fair value gains and losses are presented net of amounts realized on the settlement of derivative contracts during the applicable period.

NON-GAAP RECONCILIATION ADJUSTED EBIT TO ADJUSTED EARNINGS

	Three months ended March 31,	
	2016	2015
(millions of Canadian dollars, except per share amounts)		
Liquids Pipelines	**1,084**	731
Gas Distribution	**240**	198
Gas Pipelines and Processing	**87**	90
Green Power and Transmission	**48**	57
Energy Services	**1**	28
Eliminations and Other	**(86)**	(73)
Adjusted earnings before interest and income taxes	**1,374**	1,031
Interest expense[1]	**(394)**	(293)
Income taxes[1]	**(176)**	(114)
Noncontrolling interests and redeemable noncontrolling interests[1]	**(68)**	(84)
Preference share dividends	**(73)**	(72)
Adjusted earnings	**663**	468

Adjusted earnings per common share	**0.76**	0.56

1 These balances are presented net of adjusting items.

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Adjusted EBIT

For the three months ended March 31, 2016, adjusted EBIT was $1,374 million, an increase of $343 million over the comparable period in 2015. Growth in consolidated adjusted EBIT was largely driven by stronger contributions from the Liquids Pipelines segment which benefitted from a number of new assets that were placed into service in 2015, the most prominent being the expansion of the Company s mainline system in the third quarter of 2015, as well as the reversal and expansion of Line 9B and completion of the Southern Access Extension Project (Southern Access Extension) in the fourth quarter of 2015, which have provided access to the Eastern Canada and Patoka markets, respectively. The Canadian Mainline contribution increased primarily due to higher throughput that resulted from strong oil sands production in western Canada combined with contributions from the new assets placed into service in 2015, as well as a higher quarter-over-quarter average Canadian Mainline International Joint Tariff (IJT) Residual Benchmark Toll. The Lakehead System also experienced quarter-over-quarter growth in adjusted EBIT, mainly due to higher throughput and contributions from new assets placed into service in 2015. In the first quarter of 2016, the Company also benefitted from stronger adjusted EBIT contributions from the United States Mid-Continent and Gulf Coast, mainly attributed to increased transportation revenues resulting from an increase in the level of committed take-or-pay volumes on Flanagan South Pipeline (Flanagan South) and higher tariffs on Flanagan South and Seaway Pipeline.

Within the Gas Distribution segment, EGD generated higher adjusted EBIT in the first quarter of 2016 compared with the corresponding 2015 period, primarily attributable to higher distribution charges arising from growth in its rate base and the impact of operating under interim rates for the first three months of 2015, and lower storage and transportation costs.

The Gas Pipelines and Processing segment benefitted from strong contributions from Alliance Pipeline under its new services framework that came into effect in the fourth quarter of 2015, and from higher throughput on certain Enbridge Offshore Pipelines (Offshore). However, these positive effects were offset by weaker contributions from Aux Sable due to lower fractionation margins, and lower volumes on US Midstream pipelines due to reduced drilling by producers.

The Green Power and Transmission segment s adjusted EBIT was lower as a result of disruptions at certain eastern Canadian wind farms due to winter weather conditions which caused icing of wind turbines, as well as weaker wind and solar resources at certain facilities.

Adjusted EBIT from Energy Services decreased when compared with the first quarter of 2015 as lower oil prices compressed crude oil location and quality differentials and lower seasonal volatility of natural gas prices resulted in fewer arbitrage opportunities and weaker margin revenue through which to recover demand charges on certain facilities where the Company holds committed transportation capacity.

Adjusted Earnings

Adjusted earnings were $663 million, or $0.76 per common share, for the three months ended March 31, 2016 compared with $468 million, or $0.56 per common share, for the three months ended March 31, 2015.

Partially offsetting the quarter-over-quarter adjusted EBIT growth discussed above was higher interest expense resulting from the incurrence of incremental debt to fund asset growth and the impact of refinancing construction debt with longer-term debt financing. The amount of interest capitalized period-over-period also decreased as a result of projects coming into service.

Income taxes increased in the first quarter of 2016 largely due to the quarter-over-quarter increase in earnings.

The above noted negative impacts were offset slightly by a decrease in the adjusted earnings attributable to noncontrolling interests in Enbridge Energy Partners, L.P. (EEP). Although EEP reflected higher quarter-over-quarter contributions from its liquids pipelines businesses, there was a decrease in EEP s overall quarter-over-quarter contribution to adjusted earnings primarily due to higher interest expense.

Finally, interest expense, income taxes and noncontrolling interests and redeemable noncontrolling interests were also impacted by adjustments for unusual, non-recurring and non-operating factors.

NON-GAAP RECONCILIATION   ADJUSTED EBIT TO ACFFO

To facilitate understanding of the relationship between adjusted EBIT and ACFFO, the following table provides a reconciliation of these two key non-GAAP measures.

	Three months ended March 31,	
	2016	2015
(millions of Canadian dollars)		
Adjusted earnings before interest and income taxes	**1,374**	1,031
Depreciation and amortization[1]	**559**	474
Maintenance capital[2]	**(151)**	(152)
	1,782	1,353
Interest expense[3]	**(394)**	(293)
Current income taxes[3]	**(47)**	(26)
Preference share dividends	**(73)**	(71)
Distributions to noncontrolling interests	**(184)**	(158)
Distributions to redeemable noncontrolling interests	**(42)**	(27)
Cash distributions in excess of/(less than) equity earnings[3]	**(22)**	46
Other non-cash adjustments	**94**	(22)
Available cash flow from operations (ACFFO)	**1,114**	802