

***Enhancing Value
In the Energy Delivery Industry:
The Enbridge Story***

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Thank you Etienne. I am very pleased to be here today to participate in this Utilities and Energy Conference.

I congratulate Accenture for bringing such a large and distinguished group together, and for organizing this timely discussion of innovation and sustainable growth for the energy industry.

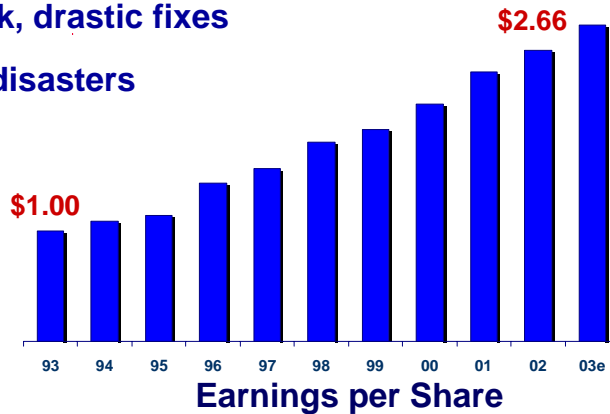
I am particularly pleased to be on the same podium as people such as Michael Porter, whom I have read and quoted frequently -- although I am not sure that I will quote him at our next Board meeting as saying we don't need a strategy.

Nor am I going to tell the Board that Mary Tolan said that oil is dead -- since Enbridge is operator of the world's longest crude oil pipeline.

But seriously, both have surely caused me to think -- and that's the purpose of this conference.

The Enbridge Story: Slow, Steady Growth

- Slow and sustainable
- No quick, drastic fixes
- But no disasters



I'd like to start today by saying that by most definitions, the Enbridge story is boring. Michael Porter must love us because he likes "boring" companies. But for everyone else in the audience, I apologize – although I would add that many investors thank us for being so boringly profitable -- as you can see, double digit earnings per share growth for over a decade.

But Enbridge generally doesn't make for exciting reading. Our story is more one of steady, reliable growth. We all find it interesting to read about wonderful short-term success stories – companies with swift, decisive strategies with "instant" financial reward.

But the Enbridge story is different. It's harder to pick out those defining moments. It's harder to do a case study and say "That's where they made a bold strategic move to propel them to success."

Our story is based on sustainable growth emanating from two very strong core businesses – crude oil pipelining and natural gas distribution. Those businesses have been in operation for 53 years and 152 years, respectively.

These are not overnight sensations.

There is no easy way to create a 50 or 150-year tradition. You must get there one day at a time.

And there is nothing that you will hear from me today that will enable you to rush out and create this kind of success story in two, three or five years.

I didn't create this one. All I can hope to do is sustain it. And to me, that is a far bigger challenge than creating an overnight sensation.

You won't often find those of us that generate sustainable success on the cover of *Fortune* or *Forbes* or *Business Week* (and that's probably most of us in this room). Usually those covers are saved for the overnight sensations. And yet we are the rarer breed – our job is the more mentally trying one, as evidenced by our scarcity.

Not only that, I can't think of many societal problems that have been created by companies that have taken this approach to sustainable growth. But I do know that the overnight sensations such as Worldcom and Enron created a lot of grief for business in general – although they would probably be amused by our relatively parochial, predictable story.

Outline

- **Enbridge's history**
- **Our keys to value creation**
- **Lessons learned**

I would now like to spend a few minutes giving you a brief history of Enbridge, and how we got to where we are.

Then I will describe a few key ways in which I think value is created in our business – and probably in most businesses.

And lastly I will wrap up with a few comments on “lessons learned” – what I think we have learned by what we are doing right, and what I think can be learned by things that have gone wrong.

History: Our crude oil system circa 1950



Enbridge began life as Interprovincial Pipe Line in 1949, shortly after Canada's first major oil discovery at Leduc, Alberta. Construction of the main pipeline from Edmonton, Alberta, began in November 1949, and the first oil reached Superior, Wisconsin on December 5, 1950. The product was to be distributed by tanker to cities along the Great Lakes (Chicago, Detroit, Buffalo, Toronto).

Crude Oil Pipeline History



Mainline expansion continued over the years, and continues today, as the Enbridge Pipelines and Lakehead Systems, as they are now known, deliver over 2 million barrels of crude oil and liquids per day to customers in Canada and the U.S.

Gas Distribution History Photos circa 1920



From these pipeline roots, we evolved into an energy delivery success story with the acquisition in 1994 of The Consumers Gas Company in Ontario. Consumers Gas offered Enbridge growth on a second platform – a natural gas platform.

When Consumers Gas was incorporated in 1848, it was to distribute coal gas to street lamps in Toronto.

Gas Distribution System

- 1.6 million homes and businesses



Today, Consumers Gas is known as Enbridge Gas Distribution, and distributes natural gas to 1.6 million customers in parts of Ontario, Quebec and New York State.

Although it took time to integrate cultures and harmonize policies, that acquisition significantly increased our size and scope, and perpetuated the proud histories of both companies.

Enbridge Today



Since 1994, Enbridge has focused on a combination of internally generated growth projects, acquisitions, joint ventures and strategic alliances, such as our alliance with Accenture in outsourcing our customer care business.

Today we are a Calgary-based energy delivery company with assets throughout North America and in several other countries.

Our core businesses still include the world's longest crude oil pipeline system and Canada's largest natural gas distribution company.

In the 1990s we also added natural gas transmission as a core business, by investing in the Alliance and Vector systems.

We acquired crude oil feeder pipelines; invested in the midstream natural gas business; and are currently developing additional natural gas distribution networks.

We also built the Athabasca pipeline and related terminal and storage facilities to tap into the growing production from Alberta's oil sands.

Through Enbridge Energy Partners, we are engaged in a variety of energy delivery businesses, including liquids pipelines, natural gas gathering, processing and transmission in the U.S. The natural gas assets were the result of our second large acquisition made in 2001. We acquired Houston-based Midcoast Energy Resources, which gave us a base in the key Gulf Coast and Midcontinent regions.

Enbridge Today



We are also active internationally, with liquids transportation interests in Colombia and Spain, and consulting in several other countries.

And we've invested in emerging and renewable energy technologies, including wind power, because part of our vision is to be a long-term energy delivery company.

Obviously we have grown significantly in the past decade – and always with a firm focus on energy delivery assets.

One result has been wonderfully reliable, consistent growth in earnings per share of over 10 per cent a year, along with a steadily increasing dividend for shareholders. And by the way, I think dividend return has played second fiddle to capital appreciation in the minds of investors over the past few decades -- that should reverse itself going forward.

But how have we created value over the years? The answer is part of that “boring” story I promised you, but also includes some fairly innovative actions.

Value Creation

- **Operational Excellence**

First of all, we focus on operational excellence.

Enbridge has a global reputation for being a leader in managing energy delivery assets. We're proud of that, because we've earned it with our constant focus on the hum-drum of improving our operations daily, and meeting our customers' needs in a safe, cost-efficient manner.

Most of us at Enbridge find it as exciting to see improved pipeline throughput associated with introducing drag reducing agent at the bottlenecks in our system, for instance, as we would sitting at a trader's elbow as he bought and sold gas during a period of price volatility.

You may consider this a serious character flaw, but we do get our kicks a little differently!

Operational Excellence



- Enbridge Gas Distribution
 - Lowest operating cost per unit of throughput in North America
- Enbridge Pipelines
 - One of lowest per-barrel-mile costs in world
 - World leader in pipeline integrity
 - Spill response expertise
- Enbridge Technology
 - Operator training, consulting
 - Operations audits

Our gas distribution company has the lowest operating cost per unit of throughput of any in North America, and our crude oil pipeline is among the very lowest in the world in terms of tolls per barrel mile.

Value Creation

- **Technological Innovation**
 - “not rocket science”

A second key to our success, although we're not flashy about it, is innovation.

It's essential to continue to be innovative if we are to remain a leader at what we do, and I believe it's more difficult to continually be innovative when it has to be applied to existing systems.

It was easier to put a man on the moon using newly designed rockets than it would have been if we'd had to adapt automobiles for space travel. Similarly it's a lot harder to be innovative with decades old pipelines than it is to design brand new transmission systems.

And, by that measure, I think probably every company represented here today has been putting innovation into action since their inception.

Enbridge long ago recognized that innovation doesn't need to be revolutionary. Rather, it can be evolutionary (and often is more sustainable if it is).

We've been developing and applying numerous new technologies to support our business strategies, including:

Innovation



- North American control centre
- Batching and scheduling -- world leader



Centralized control centre operations that remotely operate oil and gas pipelines and gas distribution systems in Canada and the U.S., from a single centre in Edmonton, Alberta.

Innovative batching and scheduling techniques that enable us to ship over 75 light, medium and heavy crude oil and liquids products on the same pipeline system.

Innovation - in-line inspection



State-of-the-art pipeline integrity tools and programs, including “smart pigs” for in-line inspection. We are a world leader in in-line inspection.

Innovation - permafrost construction and operations



A “geo-pig” for use in northern pipelines, and specialized trenching and slope stability techniques for pipeline construction in northern permafrost, and particularly discontinuous permafrost.

Innovation - robotic system



And robotic systems to repair underground gas distribution systems without digging up streets and front yards.

These are just a few examples of our ongoing innovation.

Value Creation

- **Innovative Relationships**
 - “be humble”

These technical innovations add value. But it has been relationship innovations that differentiate us from many of our peers.

Relationships with our customers, for example, is one area where innovative thinking has certainly added value.

Relationships

- Incentive tolling - upstream customers
- Demand side management
- International affiliations
- Landowners - visit everyone



In both our liquids pipelines and natural gas distribution companies, we incorporate incentive provisions in rate-setting mechanisms and then manage operational performance to maximize the benefits to customers and shareholders.

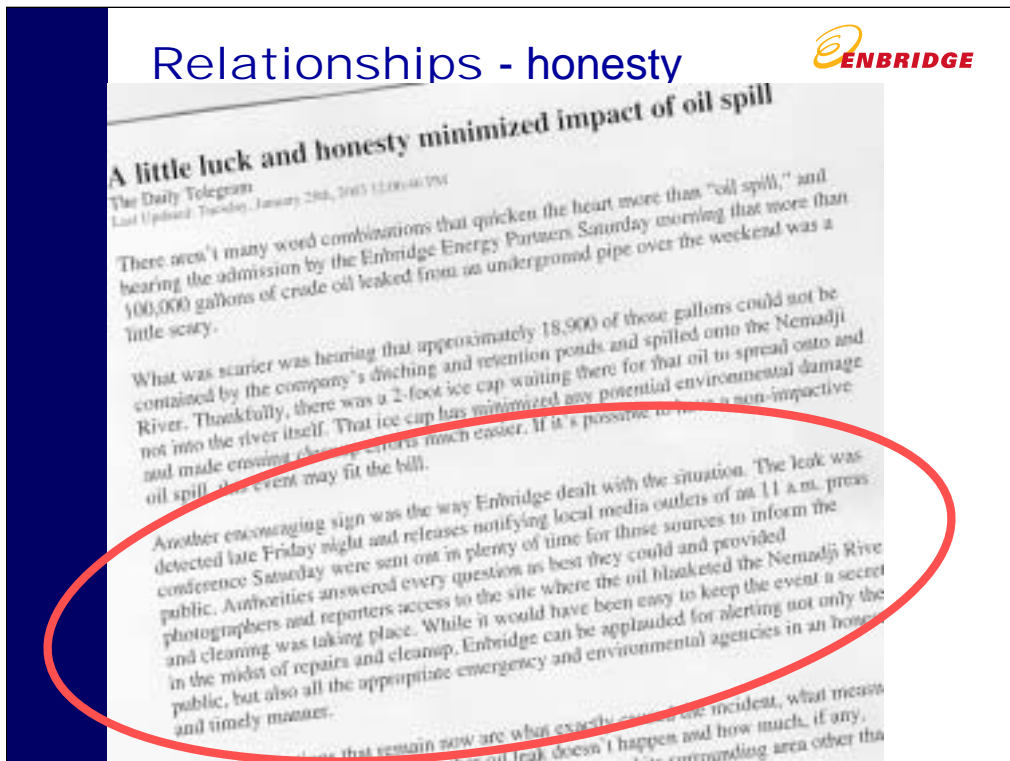
We were the first Canadian pipeline company to negotiate an incentive-tolling agreement with our customers, enabling both parties to share in pre-tax savings of \$117 million in the first five years of the agreement.

Our gas distribution franchise has also developed leading-edge approaches for efficient use of resources by implementing a Demand Side Management program to help customers use less gas, and to use it more efficiently, which we believe is actually good for business in the long haul. That would make for an interesting new course on the MBA curriculum -- "How to teach your customers to use less of your product."

A key part of our international strategy is to develop strong affiliate relationships, and partner with global leaders. The results to date have been very successful. Another relationship success!

We maintain ongoing relationships with landowners along our pipeline rights-of-way, to ensure they know what we are doing. Even though we operate a very extensive system, we visit all of our landowners once a year.

Relationships - honesty



And last but not least is our openness and honesty with all our stakeholders. Let me give you just one example. In January we had an oil spill at our Superior, Wisconsin terminal, and some of the oil got onto the ice on the Nemadji River. No one – least of all us – likes oil spills. But when they happen, we communicate quickly to let all affected parties know what is happening. We try to be the opposite of those airlines that never seem to want to tell the truth about why they are delayed. No matter how painful the story, we tell it.

This is an excerpt from a Superior, Wisconsin, Daily Telegram article complimenting us for our communications, in an article entitled “A little luck and honesty minimized impact of oil spill.” I realize most of you probably read the Wall Street Journal, not the Superior Daily Telegram, but this was important to us.

Value Creation

- **Organic Growth**
 - “use your assets”

We also add value through organic growth and supplement that with strategic acquisitions.

I believe that organic growth is tougher than growth by acquisition. It's done “in the trenches” and requires constant vision and hard work.

Organic Growth - pipelines



In terms of organic growth, oil sands development creates new and large sources of supply for our liquids transportation systems to meet growing U.S. demand . . .

Organic Growth - gas distribution

- **+50,000 customers per year**



. . . . while population growth and housing starts should continue adding 40,000 to 50,000 customers per year in our major gas distribution franchise.

These fundamentals provide Enbridge with visible and continuous embedded growth, which lies at the heart of our investment proposition.

Today, over 95% of our operating income comes from our energy delivery assets, which provide low-risk investments with consistent returns.

Value Creation

■ Keep it simple

- We're asset managers
- We deliver energy
- We do it very well



Finally, we add value by keeping it simple.

We follow a simple strategy that involves adding value wherever we can along the energy delivery value chain.

We are focused on what we do best – we're asset managers. We deliver energy. We do it very well. And we're proud of it.

Lessons Learned

- **Stick to your knitting - do what you do BEST**
- **Accountability and close relationships between management and the Board**

So what lessons have we learned, from our experiences and from those of our peers?

The key lesson is to stick to your knitting. And don't try to put a round peg in a square hole.

Let me give you an example of trying to do that. A few years ago, the flavor of the month in the energy delivery and utilities business was convergence. But there was never any real consumer pull for convergence in our industry, like there was in the telecommunications industry, so it hasn't happened. Many companies imploded as they tried to fit this round peg in the square hole.

Similarly, even if a business opportunity is already real and valid, don't pursue it just to be trendy. Not unless you really know the business and what you are getting into.

I'm not going to suggest that there isn't money to be made in areas such as energy trading and marketing. It's a legitimate and necessary business. But we knew it wasn't for us, and it certainly turned out to be unfavourable for a number of our peers. It requires a different employee and management skill-set, and, in fact, cries out for a different investor base – so I ask why were pipeline companies trying to do it!

We preferred to avoid the herd mentality and focus on our core strengths and expertise. And to me, not following the herd was an example of Enbridge innovation.

Lessons Learned

■ People are the key

- hard working
- talented
- embody core values
- know how to deliver growth strategies / tactics



There is another lesson to be learned now, as business today is being overwhelmed by new corporate governance rules, regulations and laws.

The key will always be people – you can't count on rules to make you successful. You need hard-working, talented and ethical people, who embody your core values, and know how to implement your strategies and tactics for growth. That lesson is painfully obvious today.

Looking to the Future

- **Enbridge will continue building on our strategies for growth and our focus on shareholder value**
- **Post-Enron success in energy delivery world: utilities will need size, scale and efficiency of operations**
- **and must be good at developing core assets**

Enbridge plans to continue its approach in the years ahead, as we build on our strategies for growth and our focus on adding shareholder value. It has kept us strong during a time of unprecedented turmoil in our industry.

To succeed in the post-Enron energy delivery world, utilities will need size, scope and efficiency of operations, and they will have to be very good at developing their core assets.

Conclusion

Stick to what you know, do it well, *and you WILL...*

Add value for your shareholders

So let me conclude by saying that I hope I haven't come across as a know-it-all – I am fully aware that one is most likely to be harpooned when one is spouting!

We only know that we're pretty "boring", but at a time when "boring" is in vogue.

We're not so naïve as to think this will always be the case, and we do like to think we are innovative enough to do whatever has to be done to stay well ahead of the curve.

Our challenge – and the challenge for all businesses – is to live through the storm of the day and not give in to the trend of the day.

A disciplined, low-risk approach to capital investment is not terribly exciting to watch, but, for Enbridge, it has delivered steady, predictable growth. And, in times like these, that's something worth sustaining.

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Thank you.