



TO: KYLE SHEPHERD
ADVISOR, CORPORATE FINANCE - ENBRIDGE INC.

FROM: JAMIE WETMORE – DIRECTOR, RBC CAPITAL MARKETS
ADAM EGBERTS – ASSOCIATE, RBC CAPITAL MARKETS
JENNY KLETINICH – ANALYST, RBC CAPITAL MARKETS

DATE: JULY 13, 2016

SUBJECT: GAZIFÈRE INC. – INDICATIVE CREDIT SPREAD

Dear Kyle:

In response to your request for an indication on financing costs for Gazifère Inc. (“Gazifère”), this letter outlines the assumptions and methodology that RBC Capital Markets (“RBC CM”) employed in deriving our pricing indication. RBC CM’s views are based on our debt capital markets expertise, our experience in financing corporations from the energy utility sector in Canada and our ongoing knowledge of the Enbridge group of companies.

Based on the following assumptions, the estimated coupon for a CAD\$10.0 million Gazifère private placement offering is 3.67 – 4.22% for the 5 year term and 5.00 – 5.60% for the 10 year term.

- (i) Principal amount of CAD\$10.0 million;
- (ii) Term to maturity of 5 or 10 years;
- (iii) Senior unsecured debentures;
- (iv) Negotiated private placement offering to Canadian institutional investors;
- (v) Assumed investment grade rating of BBB/BBB(low);
- (vi) Pre-payable at any time at par at the option of the issuer.

The following table outlines comparable public spreads in the energy utility industry:

Company	Credit Rating			Indicative Spreads	
	DBRS	Moody's	S&P	5yr	10yr
Enbridge Gas Distribution Inc	A		BBB+	+120	+150
Union Gas Limited	A		BBB+	+116	+145
Westcoast Energy Inc.	A(low)		BBB	+186	+220
EPCOR Utilities Inc.	A(low)		A-	+108	+137
Nova Scotia Power Incorporated	A(low)		BBB+	+117	+146
FortisBC Energy Inc.	A	A3		+104	+133
TransCanada Pipelines Limited	A	A3	A-	+145	+190
Gaz Metropolitan Inc.	A		A+	+102	+132

Indicative spreads as at July 13, 2016.

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The following table summarizes how RBC derived the indicative credit spread for Gazifère:

Gazifère		
	5yr	10yr
Enbridge Gas Distribution Inc. new issue spread	120 bps	150 bps
BBB-/BBB corporate rating category adjustment	75 bps - 100bps	100 bps - 125bps
Negotiated private placement (liquidity premium)	25 bps - 50bps	25 bps - 50bps
Prepayment premium ⁽¹⁾	35 bps - 40bps	40 bps - 50bps
Indicative Spread	255 bps - 310 bps	315 bps - 375 bps
GoC Yield	1.12%	1.85%
Approx. Indicative Coupon	3.67% - 4.22%	5.00% - 5.60%

As at July 13, 2016

(1) Indicative premium for a cancellable pay fixed swap used as a proxy for the option value associated with a par call fixed rate instrument at each tenor taking into consideration forward rates.

At the time of issuance, pricing may be affected by other competing transactions and / or general market tone. There can be no assurance that our pricing indication will in fact result in a successfully placed offering until the terms of the transaction, validation of investment grade quality and the indicative coupon have been analyzed and accepted by fixed income investors.

We hope this clarifies the pricing methodology that was applied in arriving at an indicative coupon for Gazifère. Should you have any questions or require further clarification on any matter don't hesitate contacting me. We are pleased to have assisted you in this matter.

Best Regards,

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