ENBRIDGE GAS INC.

(a subsidiary of Enbridge Inc.)

MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2024

MANAGEMENT'S DISCUSSION AND ANALYSIS

This Management's Discussion and Analysis (MD&A) dated February 14, 2025 should be read in conjunction with the audited consolidated financial statements and notes thereto of Enbridge Gas Inc. as at and for the year ended December 31, 2024 (the audited consolidated financial statements), prepared in accordance with generally accepted accounting principles in the United States of America (US GAAP). All financial measures presented in this MD&A are expressed in Canadian dollars, unless otherwise indicated. Additional information related to Enbridge Gas Inc., including its Annual Information Form, is available on SEDAR+ at www.sedarplus.ca.

This MD&A contains forward-looking information or statements. Readers are cautioned from placing undue reliance on such statements and should review the cautionary information under *Forward-Looking Information.*

OVERVIEW

The terms "we", "our", "us" and "Enbridge Gas" as used in this MD&A refer to Enbridge Gas Inc. and its subsidiaries unless the context suggests otherwise. We are a wholly-owned indirect subsidiary of Enbridge Inc. (Enbridge), our ultimate parent. Enbridge provides administrative and general support services to us.

We are a rate-regulated natural gas distribution utility with storage and transmission services. There are three principal interrelated aspects of the natural gas distribution business in which we are directly involved: Distribution, Transportation and Storage.

Our distribution system, supported by our storage and compression assets, carries natural gas from the point of local supply to customers and serves residential, commercial and industrial customers across Ontario. The transmission system consists of high pressure pipelines and mainline compressor stations that have an effective peak daily demand capacity of 7.8 billion cubic feet (bcf) of natural gas. The distribution and transmission system consists of approximately 156,000 kilometers (km) of pipeline combined.

Our transmission system also links an extensive network of underground storage pools at the Tecumseh Gas Storage facility and Dawn Hub (collectively, Dawn) to major Canadian and United States (US) markets. Key pipeline interconnects in Canada and the US enabled us to deliver 1,946 bcf of gas through our distribution and transmission system in 2024. A substantial amount of our annual transportation and storage revenue is generated by fixed annual demand charges.

Our storage facility at Dawn is the largest integrated underground storage facility in Canada and one of the largest in North America. Dawn has a total working capacity of approximately 284 bcf in 33 underground facilities located in depleted gas fields. Dawn offers customers an important link in the movement of natural gas from supply basins in western Canada and the US to markets in central Canada and the northeast US. Approximately 180 bcf of the total working capacity is available to us for utility operations.

FORWARD-LOOKING INFORMATION

Forward-looking information, or forward-looking statements, have been included in this MD&A to provide information about Enbridge Gas and its subsidiaries, including management's assessment of our and our 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", "continue", "should", "could", "may", "predict", "will", "potential" 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: our objectives and strategies; expected performance of our businesses; expected supply of and demand for and prices of natural gas and other commodities and sources of energy; energy transition and lower-carbon energy, and our approach thereto; environment, social and governance (ESG) goals, practices and performance; industry and market conditions; expected costs, capacity and in-service dates related to announced projects and projects under construction, including additional community expansion projects and replacement projects; the anticipated amount of contractual obligations; expected future growth and expansion opportunities, including customer growth; expected future decisions and actions of regulators and courts, and the timing and impact thereof, including with respect to our 2024 rebasing application; expectations regarding competitive energy sources and the continued advantages of natural gas; financial strength and flexibility; anticipated sources of financing and liquidity and the sufficiency thereof; estimated future dividends and our pay-out target; the effect of any claims or potential claims and other legal proceedings; costs associated with remediation of discontinued manufactured gas plant sites; continued promotion of conservation and energy efficiency; operational, industry, climate change and other risks associated with our business; and our assessment of the potential impact of the various risk factors identified herein.

Although we believe that 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 and prices of natural gas and other commodities and sources of energy; exchange rates; inflation; interest rates; the availability of capital on satisfactory terms; the availability and price of labor and construction materials; the stability of our supply chain; operational reliability; maintenance of support and regulatory approvals for our projects; laws and regulations applicable to our business; anticipated in-service dates; weather; potential acquisitions, dispositions or other strategic transactions; expected earnings/(loss); expected earnings before interest, income taxes and depreciation and amortization (EBITDA); and estimated future dividends. Assumptions regarding the expected supply of and demand for natural gas and the prices of natural gas 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 our services. Similarly, exchange rates, inflation and interest rates impact the economies and business environments in which we operate, may impact levels of demand for our services and cost of inputs, and are therefore inherent in all forward-looking statements. The most relevant assumptions associated with forward-looking statements on expected capital expenditures include: the availability and price of labor and construction materials; the stability of our supply chain; the effects of inflation and foreign exchange rates on labor 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.

Our forward-looking statements are subject to risks, uncertainties and assumptions pertaining to the realization of anticipated benefits and synergies of projects and transactions, operating performance, regulatory parameters including with respect to our 2024 rebasing application, changes in laws and regulations applicable to our businesses, litigation, project approval and support, weather, economic and competitive conditions, public opinion, access to and cost of capital, operational dependence on third parties, changes in tax law and tax rates, exchange rates, interest rates, commodity prices, and supply of and demand for commodities and other alternative energy. These risks and uncertainties include, but are not limited to, those risks, uncertainties and assumptions discussed in this MD&A and in our other filings with Canadian securities regulators. The impact of any one assumption, risk, uncertainty or factor on a particular forward-looking statement is not determinable with certainty as these are interdependent and our 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, we assume 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 Gas or persons acting on our behalf, are expressly qualified in their entirety by these cautionary statements.

NON-GAAP MEASURES

This MD&A contains references to non-GAAP and other financial measures, including Gas distribution margin and EBITDA. Gas distribution margin represents Gas commodity and distribution revenues and Storage, transportation and other revenues less other revenues and Gas commodity and distribution costs. EBITDA is defined as earnings before interest, income taxes, depreciation and amortization. Management uses Gas distribution margin and EBITDA to assess the performance of Enbridge Gas and to set targets.

As non-GAAP financial measures, Gas distribution margin and EBITDA do not have any standardized meaning prescribed by US GAAP and are not US GAAP measures. Therefore, they may not be comparable with similar measures presented by other issuers. Management believes the presentation of these metrics gives useful information to investors as they provide increased transparency and insight into the performance of Enbridge Gas. See Results of Operations *in this MD&A for a reconciliation of Gas distribution margin and EBITDA to Earnings/(loss), the most directly comparable US GAAP measure.*

OBJECTIVES AND STRATEGY

Our objectives and strategy are aligned to support the corporate vision and strategies of Enbridge. Our vision is to be our customers' first choice for resilient, sustainable, and affordable energy solutions. We drive strong results by focusing on being the trusted supplier by our customers to provide the energy they need. Our strategic priorities are:

- Growing our gas utility business through the addition of residential, commercial and industrial sector customers, and making capital investments consistent with our regulatory construct (refer to *Regulatory Matters and Recent Developments* and *Growth Projects* for details);
- Expanding our storage and transmission business by investing in regional pipeline and storage expansions and local modernization projects that support economic growth and our customers' energy goals; and
- Executing low carbon growth by extending lower-carbon investments (renewable natural gas (RNG), hydrogen and carbon capture, utilization and storage) into our existing asset base and offering customers a broad suite of sustainable energy solutions.

Natural gas continues to be an affordable, reliable and resilient source of energy desired by Ontarians. We added approximately 36,000 customers in 2024 and each year we deploy capital in excess of $1 billion to maintain and grow our assets. With early-stage growth in hydrogen, RNG, compressed natural gas and other lower-carbon technology advancements, we are well-positioned to offer unique solutions to our customers. We will continue our focus on operating safely, building out the franchise, and maximizing our operational efficiencies, while delivering strong and stable financial results.

OUR OPERATIONS

COMPETITION

Our distribution system is regulated by the Ontario Energy Board (OEB). We are not generally subject to third-party distribution competition within our franchise areas.

We compete with other forms of energy available to our customers and end-users, including electricity, coal, propane and fuel oils. Factors that influence the demand for natural gas include weather, price changes, the availability of natural gas and other forms of energy, the level of business activity, conservation, legislation, including the federal carbon pricing laws in Canada, governmental regulations, the ability to convert to alternative fuels, and other factors.

CUSTOMERS AND CONTRACTS

Distribution

Our principal source of revenue arises from the distribution of natural gas to customers. The services provided to residential, small commercial and industrial heating customers are primarily on a general service basis, without a specific fixed term or fixed price contract. The services provided to larger commercial and industrial customers are usually on an annual contract basis under firm or interruptible service contracts. Under a firm contract, we are obligated to deliver natural gas to the customer up to a maximum daily volume. The service provided under an interruptible contract is similar to that of a firm contract, except that it allows for service interruption at our option primarily to meet seasonal or peak demands.

Customers have a choice with respect to natural gas supply. Customers may purchase and deliver their own natural gas to points upstream of the distribution system or directly into our distribution system or, alternatively, they may choose a system supply option, whereby customers purchase natural gas from our supply portfolio. To acquire the necessary volume of natural gas to serve our customers, we maintain a diversified natural gas supply portfolio, acquiring supplies on a delivered basis in Ontario, as well as acquiring supply from multiple supply basins across North America. In compliance with the directive of the OEB, fluctuations in natural gas prices are borne by our customers.

Transportation

We contract for firm transportation service, primarily with TransCanada Pipelines Limited (TransCanada), Vector Pipeline L.P., Vector Pipeline Limited Partnership and NEXUS Gas Transmission, LLC, to meet our annual natural gas supply requirements. The transportation service contracts are not directly linked with any particular source of natural gas supply. Separating transportation contracts from natural gas supply allows us flexibility in obtaining our own natural gas supply and accommodating the requests of our direct purchase customers for assignment of TransCanada capacity. We forecast the natural gas supply needs of our customers, including the associated transportation and storage requirements.

As the supply of natural gas in areas close to Ontario has continued to grow, there has been increased demand to access these diverse supplies at Dawn and transport them along the Dawn-Parkway pipeline system to markets in Ontario, eastern Canada and the northeastern US. We delivered 1,946 bcf of gas through our distribution and transmission system in 2024. A substantial amount of our transportation revenue is generated by fixed annual demand charges, with the average length of a long-term contract being approximately 16 years and the longest remaining contract term being 18 years.

Storage

Our business is highly seasonal as daily market demand for natural gas fluctuates with changes in weather, with peak consumption occurring in the winter months. Utilization of storage facilities permits us to take delivery of natural gas on favorable terms during off-peak summer periods for subsequent use during the winter heating season. This practice permits us to minimize the annual cost of transportation of natural gas from supply basins, assists in reducing our overall cost of natural gas supply and adds a measure of security in the event of any short-term interruption of transportation of natural gas to our franchise areas.

Dawn offers customers an important link in the movement of natural gas from western Canadian and US supply basins to markets in central Canada and the northeast US. Dawn's configuration provides flexibility for injections, withdrawals and cycling. Customers can purchase both firm and interruptible storage services at Dawn. Dawn offers customers a wide range of market choices and options with easy access to upstream and downstream markets. During 2024, Dawn provided services such as storage, balancing, gas loans, transport, exchange and peaking services to over 200 counterparties.

A substantial amount of our storage revenue is generated by fixed annual demand charges, with the average length of a long-term contract being approximately four years and the longest remaining contract term being 12 years.

ENERGY EFFICIENCY AND DEMAND SIDE MANAGEMENT

We promote the responsible use of natural gas and deliver a wide range of energy conservation programs seeking to enable customers to reduce their energy consumption and lower energy bills. Our conservation programs, sometimes referred to as demand side management, provide incentives to adopt higher efficiency space conditioning, water heating and commercial/industrial process equipment; undertake building envelope upgrades; or design and build new construction meaningfully above building code requirements. These programs collectively provide savings opportunities to all customers, including low income and Indigenous segments, and are funded through OEB-approved rates. We also invest in collaborative research, development, demonstration and implementation of natural gas and lower-carbon technologies.

INDUSTRY FUNDAMENTALS

SUPPLY AND DEMAND

We anticipate that demand for natural gas in North America will stabilize over the long term with potential growth in peak day demands; however, there are risks to the natural gas market that may challenge its growth prospects. Net-zero carbon policies, evolving customer preferences for lower-carbon fuels and more efficient technologies, combined with increasing opposition to natural gas development in certain parts of North America, may reduce the markets' ability to efficiently deploy capital to connect supply and demand. We monitor these factors closely in order to align our business strategy with shifts in customer preferences and public policy requirements.

Supply and demand is also impacted by the legislative environment that we operate in. For example, in 2024, Ontario passed Bill 165, the *Keeping Energy Costs Down Act* which reset the revenue horizon to 40 years for residential and small volume consumers and streamlined the regulatory process for pipelines between $2-$10 million. Ontario further demonstrated its support for gas in its vision paper for integrated energy planning where it confirmed its view that "Gas is a vital component of Ontario's energy mix".

We continue to focus on promoting conservation and energy efficiency by undertaking activities focused on reducing natural gas consumption through various demand side management programs offered across all markets and sourcing supply with a smaller carbon footprint. In addition to our existing and proposed RNG programs, we are also continuing our efforts to source other lower-carbon supplies, such as hydrogen gas.

Over the past decade, growth in the North American gas supply landscape, driven mainly by the development of unconventional gas resources in the Montney, Permian, Marcellus and Utica supply basins, has resulted in lower annual commodity prices and narrower seasonal price spreads. Natural gas prices have been impacted by lower weather-related demand and higher North American inventory levels resulting in more stable and lower prices. Unregulated storage values are primarily determined by the difference in value between winter and summer natural gas prices.

REGULATION

Our gas distribution and storage utility operations are regulated by the OEB. To the extent that the regulator's future actions are different from current expectations, the timing and amount of recovery or refund of amounts recorded in the Consolidated Statements of Financial Position, or amounts that would have been recorded in the Consolidated Statements of Financial Position in the absence of the effects of regulation, could be different from the amounts that are eventually recovered or refunded.

Our gas distribution and storage operations, facilities and workers are subject to municipal, provincial and federal legislation which regulate the protection of the environment and the health and safety of workers. Environmental legislation primarily includes regulation of spills and emissions to air, land and water; hazardous waste management; the assessment and management of excess soil contaminated sites; protection of environmentally sensitive areas, and species at risk and their habitats; and the reporting and reduction of greenhouse gas (GHG) emissions.

We continue to develop opportunities to support a lower-carbon future in Ontario. We are incorporating Integrated Resource Planning (IRP) principles into our forecasting and planning functions and our asset management processes. IRP requires us to assess opportunities for supply side and demand side solutions like delivered supplies, compressed natural gas and targeted energy efficiency programs to reduce demand in lieu of investments in gas carrying assets like pipelines and stations.

REGULATORY MATTERS AND RECENT DEVELOPMENTS

We are regulated by the OEB pursuant to the provisions of the *Ontario Energy Board Act*, (1998), which is part of a package of legislation known as the *Energy Competition Act*, (1998). This legislation provides for different forms of regulation and competition in the energy (electricity and natural gas) industry in Ontario.

ENBRIDGE GAS 2024 REBASING AND INCENTIVE RATE SETTING MECHANISM APPLICATION

In October 2022, we filed our application with the OEB to establish a 2024 through 2028 Incentive Regulation (IR) rate setting framework. The application initially sought approval in two phases to establish 2024 base rates (Phase 1) on a cost-of-service basis and to establish a price cap rate setting mechanism (Phase 2) to be used for the remainder of the IR term (2025-2028). A third phase (Phase 3) has been established with the OEB as part of the Phase 1 Partial Settlement Proposal (Phase 1 Settlement). Phase 3 will address cost allocation and the harmonization of rates and rate classes between legacy rate zones, and is anticipated to be completed in 2025.

In August 2023, the OEB approved the Phase 1 Settlement and in December 2023, the OEB issued its Decision and Order on the remaining unsettled items in Phase 1 (Phase 1 Decision). These decisions include the following findings or orders:

- energy transition risk requires us to carry out a risk assessment to consider further risk mitigation measures in three areas: system access and expansion capital spending, system renewal capital spending and depreciation policy;
- all new small volume customers wishing to connect to natural gas are to pay their full connection costs as an upfront charge (the revenue horizon was set to zero years), rather than through rates over time effective January 2025;
- approval of a harmonized depreciation methodology that reduced the amount of depreciation sought and adjusted asset lives including extensions of service life for certain asset classes;
- the removal of $84 million of undepreciated integration capital costs from 2024 rate base; and
- an increase in equity thickness from 36% to 38% effective 2024.

We filed a Notice of Appeal with the Ontario Divisional Court in January 2024 regarding various aspects of the Phase 1 Decision and subsequently filed an amended Notice of Appeal in December 2024 (Amended Appeal). The Amended Appeal focused on two aspects of the Phase 1 Decision: asset class average useful lives for depreciation purposes, and equity thickness. In January 2024, we also filed a Notice of Motion with the OEB requesting the OEB to review and vary the Phase 1 Decision which was subsequently amended in May 2024 (Amended Motion). The Amended Motion focused on two aspects of the Phase 1 Decision: asset class average useful lives for depreciation purposes, and the recoverability of integration capital. In October 2024, the OEB issued a decision on the Amended Motion and determined that only the issue of integration capital met the threshold to warrant a review. We are currently awaiting an OEB decision on the issue of integration capital.

In May 2024, Bill 165, the *Keeping Energy Costs Down Act,* received royal assent, giving the Government of Ontario time-limited authority to set the revenue horizon for small volume customers, effectively reversing that aspect of the OEB's Phase 1 Decision. Regulations are now in place setting the revenue horizon for new customer connections to 40 years.

In November 2024, the OEB issued its Decision approving the Phase 2 Partial Settlement Proposal (Phase 2 Settlement). The Phase 2 Settlement establishes a price cap IR rate setting mechanism to be used for establishing rates for 2025 – 2028. The price cap mechanism will establish new rates each year through an annual base rate adjustment to migrate an incremental $50 million in capitalized overheads to operating and maintenance costs, annual base rate escalation at inflation less a 0.28% productivity factor, annual updates for certain costs to be passed through to customers, and where applicable, it will provide for the recovery of material unexpected events and discrete incremental capital investments beyond those that can be funded through base rates. The price cap mechanism includes the continuation and establishment of certain deferral and variance accounts, as well as an earnings sharing mechanism that requires Enbridge Gas to share equally with customers any earnings in excess of 100 basis points over the allowed return on equity (ROE), and 90% of any earnings in excess of 300 basis points over the allowed ROE. Issues not addressed as part of the Phase 2 Settlement proceeded to hearing in December 2024 and a decision is expected in the second quarter of 2025.

FINANCING UPDATE

In July 2024, we extended the maturity date of our 364-day extendible credit facility to July 2026, which includes a one-year term out provision from July 2025.

These financing activities are intended to ensure that we have sufficient liquidity to fund our current portfolio of capital projects, in the event that market access becomes restricted or pricing is unattractive. Refer to *Liquidity and Capital Resources*.

As at December 31, 2024, less than 5% of our total debt is exposed to floating rates. A portion of the cost of short-term debt is recovered through our rates. Refer to *Note 13 - Risk Management and Financial Instruments* to the audited consolidated financial statements for more information on our interest rate hedging program.

OPERATIONAL HIGHLIGHTS

	Three months ended December 31,		Year ended December 31,	
	2024	2023	**2024**	2023
Number of active customers[1] *(millions)*	**3.9**	3.9	**3.9**	3.9
Heating degree days[2]				
Actual	**927**	1,152	**2,546**	3,418
Forecast based on normal weather[3]	**1,008**	1,286	**2,958**	3,781
Actual heating degree days below forecast	**(81)**	(134)	**(412)**	(363)
Volumetric statistics *(billions of cubic feet)*				
Distribution volumes	**131**	129	**413**	427
Transportation volumes	**401**	491	**1,533**	1,791
Total throughput volumes	**532**	620	**1,946**	2,218

1 Number of active customers is the number of natural gas consuming customers at the end of the period.

2 Heating degree days is a measure of coldness that is indicative of volumetric requirements for natural gas utilized for heating purposes in our distribution franchise areas.

3 Normal weather refers to the expected weather conditions produced based on the forecasting methodologies applicable for each specific year.

EFFECT OF WEATHER

The effect of weather is measured by heating degree days and is calculated by accumulating, for the fiscal period, the total number of degrees each day by which the daily mean temperature falls below 15 degrees Celsius. We made a change in 2024 to use 15 degrees Celsius as the base temperature to determine heating degree days as it is more reflective of the temperature at which heating starts. On any day, a daily mean temperature of zero degrees Celsius equals 15 heating degree days for that day. Heating degree days is a key measure used by us to isolate the impact of weather, a factor beyond our control. This measure enables a meaningful analysis of our operational performance over different periods.

Normal weather is a measure that is unique to us and does not have any standardized meaning. In addition, due to differing franchise areas, it is unlikely to be directly comparable to the impact of weather-normalized earnings that may be reported by other entities. Moreover, normal weather may not be comparable from year to year given that the forecasting models are updated annually to reflect the most recent weather data.

RESULTS OF OPERATIONS

	Three months ended December 31,		Twelve months ended December 31,	
	2024	2023	**2024**	2023
(millions of Canadian dollars)				
Gas commodity and distribution revenues	**1,347**	1,399	**4,702**	5,400
Storage and transportation revenues	**110**	86	**414**	361
Gas commodity and distribution costs	**(634)**	(697)	**(2,101)**	(2,873)
Gas distribution margin[1]	**823**	788	**3,015**	2,888
Other revenues	**29**	22	**81**	81
Operating and administrative	**(366)**	(324)	**(1,327)**	(1,198)
Other income	**17**	9	**61**	48
Impairment of long-lived assets	**—**	(281)	**—**	(281)
EBITDA[1]	**503**	214	**1,830**	1,538
Depreciation and amortization	**(195)**	(183)	**(784)**	(757)
Interest expense, net	**(117)**	(111)	**(452)**	(439)
Income tax (expense)/recovery	**(48)**	28	**(91)**	(1)
Earnings/(loss)	**143**	(52)	**503**	341

1 *Non-GAAP financial measure. Please refer to* Non-GAAP Measures*.*

Three months ended December 31, 2024 compared with the three months ended December 31, 2023

EBITDA

EBITDA was positively impacted by $289 million, which is primarily explained by the following business factors:

- the absence of an impairment to long-lived assets in 2024 compared to an impairment of $281 million in the fourth quarter of 2023 as a result of the OEB's Phase 1 Decision; and
- higher distribution margin resulting from increases in rates; partially offset by
- an increase in Operating and administrative expenses primarily due to timing of deferred costs for line locates.

EARNINGS
After taking into consideration the factors impacting EBITDA, the remaining $94 million decrease in earnings is primarily explained by the following business factors:

- an Income tax expense in the fourth quarter of 2024 compared to an income tax recovery in the same period of 2023 primarily due to higher pre-tax earnings in the fourth quarter of 2024; and
- an increase in Depreciation and amortization resulting from a change in depreciation rates due to rate rebasing and higher overall assets in 2024.

Year ended December 31, 2024 compared with the year ended December 31, 2023

EBITDA
EBITDA was positively impacted by $292 million, which is primarily explained by the following business factors:

- the absence of an impairment to long-lived assets in 2024 compared to an impairment of $281 million in the fourth quarter of 2023 as a result of the OEB's Phase 1 Decision;
- an increase in storage pricing for long term contracts due to favourable market conditions;
- higher distribution margin resulting from increases in rates and customer base;
- higher contract market demand; and
- an increase in Other income due to higher expected return on pension assets; partially offset by
- higher Operating and administrative expenses, primarily due to increased severance costs of $48 million as a result of a workforce reduction in February 2024; and
- warmer than normal weather in 2024, when compared with the normal weather forecast embedded in rates, which negatively impacted 2024 EBITDA by approximately $58 million year-over-year.

EARNINGS
After taking into consideration the factors impacting EBITDA, the remaining $130 million decrease in earnings is primarily explained by the following business factors:

- an increase in Income tax expense primarily resulting from higher pre-tax earnings and lower tax deductible overhead costs in 2024;
- an increase in Depreciation and amortization expense resulting from higher overall assets in 2024, and change in depreciation rates as a result of rate rebasing; and
- an increase in Interest expense, net mainly due to higher average outstanding principal balances on medium-term notes and increased interest on regulatory deferrals.

GROWTH PROJECTS

The following table summarizes the status of our significant commercially secured projects, which are in various stages of regulatory approval by the OEB. We have 100% interest in all of our projects noted below:

		Estimated Capital Cost[1]	Expenditures to Date[2]	Status[2]	Expected In-Service Date
(Canadian dollars, unless stated otherwise)					
1.	Natural Gas Expansion Program[3]	$121 million	$26 million	Various stages	2025 - 2027
2.	Panhandle Regional Expansion[4]	$359 million	$276 million	Under construction	2025
3.	St. Laurent Replacement[5]	$209 million	$13 million	Pre-construction	2025 - 2026

1 These amounts are estimates and are subject to upward or downward adjustment based on various factors.

2 Expenditures to date and status of the project are determined as at December 31, 2024.

3 Represents Phase 2 of the Natural Gas Expansion Program and the estimated capital cost is presented net of the maximum funding assistance we expect to receive from the Government of Ontario. The expected in-service dates represent the expected completion dates of the leave to construct requirements; the program is comprised of many projects at different stages of execution which are expected to be placed into service over the remaining 2025-2027 program term.

4 Leave to Construct Application was approved by the OEB on May 14, 2024. The Panhandle Loop portion of the project is in-service as of December 15, 2024 while the Dawn facilities Station is expected to go in-service in November 2025.

5 Leave to Construct Application was submitted to the OEB on June 17, 2024.

The following commercially secured growth project programs are in various stages of regulatory approval by the OEB, and include projects expected to be placed into service between 2025 and 2027:

- **Natural Gas Expansion Program** - The program was created under the *Access to Natural Gas Act*, (2018) to help expand access to natural gas in areas of Ontario that currently do not have access to the natural gas distribution system. Under Phase 2 of the program, we will be provided up to $214 million in funding assistance by the Government of Ontario to deliver 25 community expansion and two economic development projects throughout Ontario. The program is comprised of many projects at different stages of execution which are expected to be placed into service over the 2025-2027 program term.

- **Panhandle Regional Expansion Project** - Expansion of the Panhandle Transmission System, which supplies natural gas from Dawn to customers in southern Ontario west of Dawn. The project consists of construction on the Panhandle Loop which will receive a full cost-of-service regulated return and the Dawn Facilities Station. The project was approved by the OEB in May 2024. The Panhandle Loop portion of the project is in-service as of December 15, 2024. The Dawn Facilities Station is expected to go in-service in November 2025.

- **St. Laurent Pipeline Replacement** - The replacement of the St. Laurent Pipeline is required to address the operational reliability of the St. Laurent Pipeline system. The project consists of replacing approximately 14.4 km of existing extra high-pressure steel pipeline segments in the City of Ottawa, Ontario. Subject to the receipt of regulatory approvals, construction is expected to commence in the spring or summer of 2025, with portions of the new pipeline placed in service in 2025 and 2026. A Leave to Construct Application was submitted to the OEB on June 17, 2024. An OEB decision is expected in the spring of 2025.

LIQUIDITY AND CAPITAL RESOURCES

We expect to utilize cash from operations and the issuance of debt, commercial paper and/or credit facility draws to fund liabilities as they become due, finance capital expenditures, fund debt retirements and pay common share dividends. We maintain a current medium-term note shelf prospectus with securities regulators, which enables ready access to the Canadian public capital markets, subject to market conditions. We also maintain a committed credit facility with a diversified group of banks and institutions. If necessary, additional liquidity is available through intercompany transactions with our ultimate parent company, Enbridge, and other related entities. We were in compliance with all terms and conditions of our committed credit facility agreement and our Trust Indenture as at December 31, 2024. As a result, the credit facility is available to us and the banks are obligated to fund us under the terms of the facility.

BANK CREDIT AND LIQUIDITY

We actively manage our bank funding sources to ensure adequate liquidity and to optimize pricing and other terms. Our long-term debt primarily consists of medium-term notes.

The following table provides details of our external credit facility as at December 31, 2024:

	Maturity	Total Facility	Draws[2]	Available
(millions of Canadian dollars)				
364-day extendible credit facility	2026[1]	**2,500**	**530**	**1,970**

1 Maturity date is inclusive of the one-year term out provision.
2 Includes facility draws and commercial paper issuances, net of discount, that are back-stopped by the credit facility.

In July 2024, we extended the maturity date of our 364-day extendible credit facility to July 2026, which includes a one-year term out provision from July 2025.

In addition to this committed credit facility, we had access to Enbridge's demand letter of credit facilities totaling $825 million as at December 31, 2024 and 2023. As at December 31, 2024 and 2023, $6 million of letters of credit were issued by us.

Our credit facility is intended to be used primarily to manage the significant changes in working capital experienced as a result of volumes and prices associated with natural gas purchases and sales. These factors impact Accounts receivable and other, Gas inventory and Accounts payable and other, which may result in our working capital being negative on a temporary basis.

LONG-TERM DEBT REPAYMENTS

During the year ended December 31, 2024, we completed the following long-term debt repayments totaling $300 million:

Repayment Date	Description	Principal Amount
(millions of Canadian dollars)		
August 2024	3.15% medium-term notes	$215
December 2024	9.85% debentures	$85

As at December 31, 2024, our net available liquidity totaled $2.0 billion (2023 - $2.1 billion), consisting of available credit facility of $2.0 billion (2023 - $2.1 billion) and unrestricted cash of $9 million (2023 - $9 million) as reported in the Consolidated Statements of Financial Position. The net available liquidity, together with cash from operations, proceeds from debt capital market transactions and intercompany funding, is expected to be sufficient to finance capital expenditure requirements, and fund liabilities as they become due.

Excluding current maturities of long-term debt, as at December 31, 2024 and December 31, 2023, we had negative and positive working capital positions of $760 million and $77 million, respectively. We maintain significant liquidity in the form of committed credit facilities and other sources, as previously discussed, which are expected to enable the funding of liabilities as they become due. In addition, it is anticipated that any current maturities of long-term debt will be financed with intercompany funding, commercial paper issuance and/or credit facility draws or refinanced upon maturity.

SOURCES AND USES OF CASH

Year ended December 31,	**2024**	2023
(millions of Canadian dollars)		
Operating activities	**1,707**	2,923
Investing activities	**(1,311)**	(1,456)
Financing activities	**(396)**	(1,468)
Net change in cash	**—**	(1)

Significant sources and uses of cash for the years ended December 31, 2024 and 2023 are summarized below:

Operating Activities

Typically, the primary factors impacting cash flow from operating activities are collections of accounts receivable balances, changes to inventory balances and payments made for gas purchases and amounts owing to suppliers and marketers. Our heating season extends from approximately November through March. We begin the heating season with near-capacity natural gas inventory levels, which are drawn from during this period. Inventory levels decrease from December and contribute to a positive cash flow from operating activities during the first quarter. After the heating season ends, inventory is replenished for the next heating season. During the second and third quarters, gas inventory injections typically exceed withdrawals, negatively affecting cash flows. During the first and fourth quarters, inventory decreases as withdrawals exceed injections.

Cash provided by operating activities decreased by $1,216 million primarily due to lower comparative gas inventory balances, the timing of natural gas recovery through rates, as well as the timing of working capital settlements. Cash provided by operating activities is also impacted by changes in earnings, resulting from factors discussed in *Results of Operations*.

Investing Activities

Cash used in investing activities primarily relates to capital expenditures to execute our capital program. The timing of capital expenditures is impacted by project approval, construction and in-service dates. The $145 million decrease in cash used in investing activities year-over-year was primarily due to the timing of capital payments. Refer to *Growth Projects* for additional information on commercially secured projects.

Financing Activities

Sources and uses of cash in financing activities relate to issuances and repayments of external debt and loans with affiliates, as well as transactions with our common shareholders relating to dividends, returns of capital and capital contributions. Factors impacting the $1,072 million increase in cash provided by financing activities year-over-year primarily include:

- short-term borrowing draws of $129 million compared to prior year repayments of $1,596 million;
- an absence of repayment of the Demand loan from affiliate in 2024 that occurred in 2023;
- a decrease of $50 million in repayment of term notes in 2024 compared to 2023; and
- capital contributions in 2024 of $1,000 million, which were absent in 2023.

These factors were partially offset by the following:

- return of capital transactions that accounted for $1,000 million of cash outflows in 2024;
- higher common share dividends payments of $225 million in 2024 when compared to $200 million in 2023; and
- the absence of $996 million in net issuances of medium-term notes that occurred in 2023.

Dividends and Return of Capital

December 31,	**2024**	2023
(millions of Canadian dollars)		
Enbridge Gas Inc.		
Common share dividends declared - Class A	**122**	108
Common share dividends declared - Class B	**103**	92
Return of capital - Class A[1]	**540**	—
Return of capital - Class B[1]	**460**	—

1 These transactions reduced the stated capital of Class A and Class B common shares with no impact on total shares outstanding.

The declaration of dividends on our common shares is at the discretion of the Board of Directors and is considered for approval quarterly. We may target a dividend payout of up to 100% of operating cash flow; however, this is subject to our liquidity needs and our obligation to maintain average common equity in line with the deemed regulatory level, which may lead to a payout ratio that differs from target.

CONTRACTUAL OBLIGATIONS

Payments due under contractual obligations over the next five years and thereafter are as follows:

December 31, 2024	Total	Less than 1 year	1-3 years	4-5 years	After 5 years
(millions of Canadian dollars)					
Annual debt maturities[1]	10,095	745	1,000	750	7,600
Purchase obligations[2]	4,460	1,564	1,124	908	864
Operating leases	42	10	17	10	5
Right-of-way commitments[3]	304	13	26	25	240
Capital commitments	398	138	145	115	—
Total	15,299	2,470	2,312	1,808	8,709

1 Includes debentures and term notes, and excludes short-term borrowings, debt discounts, debt issuance costs and the fair value adjustment from push-down accounting. Therefore, the actual timing of future cash repayments could be materially different than presented above due to future funding requirements.

2 Consists primarily of firm capacity payments that provide us with uninterrupted firm access to natural gas transportation and storage; contractual obligations to purchase physical quantities of natural gas; and customer care services.

3 Our right-of-way obligations primarily consist of non-lease agreements that existed at the time of adopting Topic 842 Leases, at which time we elected a practical expedient that allowed us to continue our historical treatment.

We are unable to estimate deferred income taxes and investment tax credits since cash payments for income taxes are determined primarily by taxable income for each discrete fiscal year. We are also unable to estimate hedges payable and reserves for litigation, environmental remediation and regulatory liabilities due to uncertainty as to the amount and/or timing of when cash payments will be required.

OFF-BALANCE SHEET ARRANGEMENTS

We enter into guarantee arrangements in the normal course of business to facilitate commercial transactions with third parties. These arrangements include financial guarantees, stand-by letters of credit, debt guarantees, surety bonds and indemnifications. Please see *Note 20 - Guarantees* to the audited consolidated financial statements for discussion on our guarantee arrangements.

We do not have material off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on our financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources.

LEGAL AND OTHER UPDATES

We are occasionally named as a party in various legal and regulatory actions and proceedings which arise in the normal course of business. We review each of these claims, including the nature of the claim, the amount in dispute or claimed and the availability of insurance coverage. Although there can be no assurance that any particular claim will be resolved in our favor, we do not believe that the outcome of any claims or potential claims of which we are currently aware will have a material adverse effect on us, taken as a whole.

FORMER MANUFACTURED COAL GAS PLANT SITES

The remediation of discontinued manufactured gas plant (MGP) sites may result in future costs. We were named as a defendant in ten lawsuits issued in 1991 and 1993 in the Ontario Court of Justice (General Division), commenced by the Corporation of the City of Toronto (the City). Two additional actions were commenced by the Toronto Board of Education (the School Board) in 1991. In these actions, the City and the School Board claimed damages totaling approximately $79 million for alleged contamination of lands acquired by the City for the purposes of its Ataratiri housing project. The City alleges that these lands are contaminated by coal tar deposited on the properties during a time when all or a portion of such lands were utilized by us for the operation of our MGP.

While these Statements of Claim were filed by the City and the School Board, they were never formally served on us. It was and remains our understanding that these lawsuits were initiated, at least in part, because of concerns that the passage of time might give rise to limitation period defences. Rather than litigate, we entered into an agreement with the City (known as a Tolling Agreement) pursuant to which the City and the School Board agreed to forbear from serving the Statements of Claim pending further discussions with us. To our knowledge, neither the City nor the School Board has taken any steps to advance the lawsuits.

Given the novel nature of such environmental claims, the law as it relates to such claims is not settled. Should remediation of former MGP sites be required, it may result in future costs, the quantum of which cannot be determined at this time, as there are a number of potential alternative remediation, isolation and containment approaches which could vary widely in cost.

Although there are no known regulatory precedents in Canada, there are precedents in the US for the recovery in rates of costs relating to the remediation of former MGP sites. From 2006 to 2018, the OEB approved the establishment of deferral accounts to record the costs of investigating, defending and dealing with ongoing MGP-related claims. We expect that if it is found that we must contribute to any remediation costs, either as a result of a lawsuit or government order, we may be generally allowed to recover in rates those substantial costs not recovered through insurance or by other means. Accordingly, we believe that the ultimate outcome of these matters will not have a significant impact on our financial position.

QUARTERLY FINANCIAL INFORMATION

	2024				2023			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
(millions of Canadian dollars)								
Total operating revenues	**1,486**	781	939	1,991	1,507	724	1,021	2,590
Earnings/(loss)[1]	**143**	2	46	312	(52)	(53)	85	361
Warmer than normal weather (after-tax impact)	**17**	—	22	56	21	1	2	28

1 Earnings per share not provided as we are a wholly-owned indirect subsidiary of Enbridge.

Revenues include amounts billed to customers for natural gas, which vary with fluctuations in natural gas prices. Higher natural gas prices would increase revenues, but would not similarly impact earnings, given that the cost of natural gas flows through to customers.

In addition, we operate in a seasonal industry. Earnings for interim periods viewed in isolation are not indicative of results for the fiscal period since volumes delivered during the peak winter months are significantly higher.

Operating revenues and earnings from a given quarter in two successive years may vary significantly, primarily due to varying weather patterns. Specifically, periods of colder than normal weather would typically result in higher operating revenues and earnings compared to periods of warmer than normal weather.

SELECTED ANNUAL INFORMATION

Refer to *Results of Operations*, *Liquidity and Capital Resources* and *Quarterly Financial Information* for discussion on factors impacting the comparability of our selected annual information below.

Year ended December 31,	**2024**	2023	2022
(millions of Canadian dollars)			
Operating revenues	**5,197**	5,842	6,608
Earnings[1]	**503**	341	599
Total assets	**29,230**	28,538	29,527
Total long-term liabilities	**13,751**	14,311	13,639

1 Earnings per share not provided as we are a wholly-owned indirect subsidiary of Enbridge.

OPERATING REVENUES

The decrease in revenues is primarily due to warmer than normal weather in 2024 compared to 2023 and lower natural gas prices, partially offset by higher distribution margin resulting from increases in rates, an increase in storage pricing for long-term contracts due to favourable market conditions and higher demand in the contract market.

RELATED PARTY TRANSACTIONS

All related party transactions are provided in the normal course of business and, unless otherwise noted, are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties. Affiliates refer to Enbridge and companies that are either directly or indirectly owned by Enbridge.

Enbridge and its affiliates perform centralized corporate functions for us pursuant to applicable agreements, including legal, accounting, compliance, treasury, employee benefits, information technology and other areas, as well as certain engineering and other services. We reimburse Enbridge for the expenses incurred to provide these services as well as for other expenses incurred on our behalf. In addition, we perform services and incur expenses on behalf of our affiliates, which are subsequently reimbursed. Our expenses and recoveries for these services are recorded in Operating and administrative expense in the Consolidated Statements of Earnings, and are based on the cost of actual services provided or using various allocation methodologies. As part of the centralized corporate treasury functions performed on our behalf, we participate in Enbridge's enterprise cash pooling arrangement. A surplus or a deficit of funds in our accounts are subject to the enterprise cash pooling arrangement and are offset by cash positions in other Enbridge accounts. We may incur charges due to our participation in this enterprise arrangement and are reimbursed by Enbridge for these incremental charges. The reimbursement of these expenses is recorded in Interest expense, net in the Consolidated Statements of Earnings.

Our transactions with entities related through common or joint control and significantly influenced investees are as follows:

Years ended December 31,	**2024**	2023
(millions of Canadian dollars)		
Operating revenues[1]	**42**	44
Gas commodity and distribution costs[2, 3]	**165**	174
Operating and administrative expenses[4]	**378**	405
Interest expense, net[5]	**(77)**	(36)

1 Includes wholesale gas procurement and transportation services provided to Gazifère Inc. of $26 million (2023 - $37 million), pursuant to a contract negotiated between us and approved by the OEB and Régie de l'énergie.
2 Includes the purchase of gas transportation services of $123 million (2023 - $116 million) from NEXUS Gas Transmission, LLC.
3 Includes the purchase of natural gas, storage, and transportation services of $14 million (2023 - $29 million) from Tidal Energy Marketing Inc. and Tidal Energy Marketing (U.S.) LLC.
4 Includes centralized corporate function transaction costs of $347 million (2023 - $368 million) from Enbridge and its affiliates.
5 Represents reimbursement from Enbridge Inc. due to participation in Enbridge's enterprise cash pooling arrangement. Cash interest paid was $526 million (2023 - $442 million) reduced by cash received from Enbridge Inc. for this reimbursement of $71 million (2023 - $32 million).

Amounts due from/(to) related parties are as follows:

December 31,	**2024**	2023
(millions of Canadian dollars)		
Enbridge Inc.[1]	**(248)**	(260)
Enbridge Employee Services Canada Inc.	**(47)**	(50)
Enbridge Pipelines Inc.	**(16)**	33
Gazifère Inc.	**7**	9
Tidal Energy Marketing Inc.[2]	**18**	13
Enbridge Sustain Inc.	**8**	—
Other affiliates, net[3]	**8**	12
	(270)	(243)

1 Includes net derivative receivable balances from affiliate.
2 Includes affiliate gas imbalance receivable. As at December 31, 2024 total affiliate gas imbalance receivable was $13 million (2023 - $15 million).
3 Includes current portion of operating lease liabilities to affiliates.

SHARE CAPITAL

During the year ended December 31, 2024, common share dividends declared on our Class A and Class B common shares were $122 million (2023 - $108 million) and $103 million (2023 - $92 million), respectively. Refer to *Note 11 - Share Capital* to the audited consolidated financial statements for discussion of the return of capital and capital contributions transactions.

CAPITALIZED SERVICE COSTS

We purchase gas meter services from Lakeside Performance Gas Services Ltd. (Lakeside), such as ongoing meter exchanges and inspections for customers in our franchise area. We also purchase hydro excavation services from OE Utility Services (OE). We purchased gas meter services from Lakeside totaling $73 million for the year ended December 31, 2024 (2023 - $73 million) and hydro excavation and specialty gas work from OE totaling $31 million for the year ended December 31, 2024 (2023 - $26 million). A portion of these costs was expensed to Operating and administrative expense and the remainder capitalized in Property, plant and equipment, net. We will continue purchasing these services at prevailing market prices under normal trade terms.

LEASES
We incur operating lease payments related to natural gas transportation and storage services from various affiliates. As at December 31, 2024 and 2023, affiliate right-of-use assets and lease liabilities were $34 million and $36 million, respectively. See *Note 14 - Leases* to the audited consolidated financial statements for further discussion.

CONTRACTUAL OBLIGATIONS
We contracted for the purchase of natural gas, natural gas transportation and storage and gas meter services from various affiliates at prevailing market prices under normal trade terms. Contractual obligations under our related party contracts are as follows:

December 31, 2024	Total	Less than 1 year	1-3 years	4-5 years	After 5 years
(millions of Canadian dollars)					
Purchase obligations[1]	1,198	160	288	261	489
Capital commitments[2]	89	17	35	37	—
Total	1,287	177	323	298	489

1 Relates to the purchase of natural gas and natural gas transportation and storage services.
2 Relates to the purchase of gas meter services.

RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

MARKET RISK
Our earnings, cash flows and other comprehensive income (OCI) are subject to movements in natural gas prices, foreign exchange rates and interest rates (collectively, market risk). Portions of these risks are borne by customers through certain regulatory mechanisms. Formal risk management policies, processes and systems have been designed to mitigate these risks.

The following summarizes the types of market risks to which we are exposed and the risk management instruments used to mitigate them. We use a combination of qualifying and non-qualifying derivative instruments to manage the risks noted below.

Natural Gas Price Risk
Natural gas price risk is the risk of gain or loss due to changes in the market price of natural gas. In compliance with the directive of the OEB, fluctuations in natural gas prices are borne by our customers.

Foreign Exchange Risk
Foreign exchange risk is the risk of gain or loss due to the volatility of currency exchange rates. We generate certain revenues, incur expenses and hold cash balances that are denominated in US dollars. As a result, our earnings and cash flows are exposed to fluctuations resulting from US dollar exchange rate variability.

Qualifying derivative instruments may be used to hedge anticipated US dollar-denominated revenues and to manage variability in cash flows. As at December 31, 2024, we do not have any foreign exchange hedges outstanding.

A portion of our natural gas purchases are denominated in US dollars and, as a result, there is exposure to fluctuations in the exchange rate of the US dollar against the Canadian dollar. Realized foreign exchange gains or losses relating to natural gas purchases are passed on to customers, therefore, we have no net exposure to movements in the foreign exchange rate on natural gas purchases.

Interest Rate Risk
Our earnings and cash flows are exposed to short-term interest rate variability due to the regular repricing of our variable rate debt, primarily commercial paper. Pay fixed-receive floating interest rate swaps may be used to hedge against the effect of future interest rate movements. As at December 31, 2024, we do not have any floating-to-fixed interest rate swaps outstanding for short-term debt.

Our earnings and cash flows are also exposed to variability in longer term interest rates ahead of anticipated fixed rate term debt issuances. Forward starting interest rate swaps are used to hedge against the effect of future interest rate movements. We have established a program to partially mitigate our exposure to long-term interest rate variability on select forecast term debt issuances via execution of floating-to-fixed interest rate swaps with an average swap rate of 2.8%.

The Effect of Derivative Instruments on the Consolidated Statements of Earnings and Comprehensive Income
The following table presents the effect of cash flow hedges on our consolidated earnings and comprehensive income, before the effect of income taxes. There were no outstanding derivative instruments relating to fair value or net investment hedges as at December 31, 2024 and 2023.

Year ended December 31,	**2024**	2023
(millions of Canadian dollars)		
Amount of unrealized gain recognized in OCI		
Cash flow hedges		
Interest rate contracts	**1**	73
	1	73
Amount of (income)/loss reclassified from accumulated OCI to earnings		
Interest rate contracts[1]	**(5)**	5
	(5)	5

1 Reported within Interest expense, net in the Consolidated Statements of Earnings.

LIQUIDITY RISK
Liquidity risk is the risk that we will not be able to meet our financial obligations, including commitments and guarantees, as they become due. In order to mitigate this risk, we forecast cash requirements over a 12-month rolling time period to determine whether sufficient funds will be available. Our primary sources of liquidity and capital resources are funds generated from operations, the issuance of commercial paper, draws under our committed credit facility and long-term debt, which includes debentures and medium-term notes. These sources are expected to be sufficient to enable us to fund all anticipated requirements. We also maintain a current medium-term note shelf prospectus with securities regulators, which enables ready access to the Canadian public capital markets, subject to market conditions. We also maintain a committed credit facility with a diversified group of banks and institutions. We were in compliance with all the terms and conditions of our committed credit facility agreement as at December 31, 2024. As a result, the credit facility is available to us and the banks are obligated to fund us, and have been funding us, under the terms of the facility. Additional liquidity, if necessary, is expected to be available through access to the capital markets and through a capital injection from our affiliates or our ultimate parent, Enbridge.

CREDIT RISK
Credit risk arises from the possibility that a counterparty will default on its contractual obligations. We are primarily exposed to credit risk from accounts receivable and derivative financial instruments. Exposure to credit risk is mitigated by our large and diversified customer base and the ability to recover an estimate for expected credit losses for utility operations through the ratemaking process. We actively monitor the financial strength of large industrial customers and, in select cases, have obtained additional security to minimize the risk of default of receivables. Generally, we classify receivables older than 20 days as past due. The maximum exposure to credit risk related to non-derivative financial assets is their carrying value.

Our policy requires that customers settle their billings in accordance with the payment terms listed on their bill, which generally require payment in full within 20 days. A provision for credit and recovery risk associated with accounts receivable has been made through the expected credit loss, which totaled $95 million and $79 million as at December 31, 2024 and 2023, respectively.

Our expected credit loss is determined based on historical credit losses by age of receivables, adjusted for any forward-looking information and management expectations, using a loss allowance matrix. This estimate is revised each reporting period to reflect current expectations. When we have determined that collection efforts are unlikely to be successful, amounts charged to the expected credit loss account are applied against the impaired accounts receivable.

Entering into derivative instruments may also result in exposure to credit risk. We enter into risk management transactions primarily with institutions that possess investment grade credit ratings. Credit risk relating to derivative counterparties is mitigated through the maintenance and monitoring of credit exposure limits, contractual requirements and netting arrangements. We also review counterparty credit exposure using external credit rating services and other analytical tools to manage credit risk. As at December 31, 2024, we have $9 million in credit concentrations and credit exposure with Enbridge and its affiliates.

Derivative assets are adjusted for non-performance risk of our counterparties using their credit default swap spread rates and are reflected at fair value. For derivative liabilities, our non-performance risk is considered in the valuation.

FAIR VALUE MEASUREMENTS

Our financial assets and liabilities measured at fair value on a recurring basis include derivative instruments. We also disclose the fair value of other financial instruments not measured at fair value. The fair value of financial instruments reflects our best estimates of market value based on generally accepted valuation techniques or models and is supported by observable market prices and rates. When such values are not available, we use discounted cash flow analysis from applicable yield curves based on observable market inputs to estimate fair value.

RISK FACTORS

The following risk factors could materially and adversely affect our business, operations and financial results. This list is not exhaustive, and we place no priority or likelihood based on order of presentation or grouping under sub-captions.

RISKS RELATED TO CLIMATE CHANGE

Climate change risks could adversely affect our reputation, strategic plan, business, operations and financial results, and these effects could be material.

Climate change is a systemic risk that presents both physical and transition risks to our organization. A summary of these risks is outlined below. Given the interconnected nature of climate change-related impacts, we also discuss these risks within the context of other risks impacting Enbridge Gas throughout this section. Climate change and its associated impacts may also increase our exposure to, and magnitude of, other risks identified below. Our business, financial condition, results of operations, cash flows, reputation, access to and cost of capital or insurance, business plans or strategy may all be materially adversely impacted as a result of climate change and its associated impacts.

PHYSICAL RISKS

Climate-related physical risks, resulting from changing and more extreme weather, can damage our assets and affect the safety and reliability of our operations. Climate-related physical risks may be acute or chronic. Acute physical risks are those that are event-driven, including increased frequency and severity of extreme weather events, such as heavy snowfall, heavy rainfall, floods, landslides, fires, hurricanes, cyclones, tornados, tropical storms, ice storms, and extreme temperatures. Chronic physical risks are longer-term shifts in climate patterns, such as long-term changes in precipitation patterns, or sustained higher temperatures, which may cause sea level rises or chronic heat waves.

Our assets and operations are exposed to potential damage or other negative impacts from these kinds of events, which could result in reduced revenue from business disruption or reduced capacity and may also lead to increased costs due to repairs and required adaptation measures. We have experienced operational interruptions and damage to our assets from such weather events in the past, and we expect to continue to experience climate-related physical risks in the future, potentially with increasing frequency or severity. Such events may also result in personal injury, loss of life or damage to property and the environment.

TRANSITION RISKS

The transition to a lower-carbon economy involves policy, legal, technology and market changes which may, in turn, increase our cost of operations and influence stakeholder sentiment and decisions about Enbridge Gas, including potentially reducing the demand for some of our services, which could result in a decrease in profitability or reduction in the value of our assets. Transition risks include the following categories:

- ***Policy and legal risks***

  Policy and legal risks may result from evolving government policy, legislation, regulations and regulatory decisions focused on climate change, as well as changing political and public opinion, stakeholder opposition, legal challenges, litigation and regulatory proceedings. Foreign and domestic governments and regulators continue to evaluate and implement policy, legislation, regulations and decisions aimed at mitigating the impacts of and adapting to climate change, including measures to reduce GHG emissions and shift to lower-carbon sources of energy. Such policies, laws and regulations vary at the federal, provincial and municipal levels in which Enbridge Gas operates and are continually evolving. Rules, standards, and methodologies for setting climate-related goals and for measuring and reporting climate-related information are still developing. At the same time, we have seen the rise of anti-ESG activism, creating competing stakeholder priorities and increasing uncertainty. As a result, our climate-related goals and disclosures are based on assumptions that are subject to change. Collectively, these measures have resulted and are expected to continue to result in increased costs to us. In recent years, there has also been changing political and public opinion and stakeholder opposition in relation to parts of our business and industry, as well as an increase in climate-related litigation and regulatory action against companies, all of which could impact our reputation, strategy and financial results.

- ***Technology risks***

  Executing our strategic priorities, including participating in the energy transition over time and attaining Enbridge's GHG emissions reduction goals, depends, in part, on technological improvements and innovation. This includes the development and use of emerging technologies, such as renewable power and other lower-carbon energy infrastructure. Such technological developments could require significant capital expenditures and resources and may impact our competitiveness. GHG emissions reduction technology may not materialize as expected, which could make it more difficult to reduce emissions and meet our ESG goals.

- ***Market risks***
  Concerns about climate change, increased demand for lower-carbon forms of energy and new energy sources and technologies, changing customer behavior, and reduced energy consumption, could impact the demand for our services. Uncertainty in market signals, such as abrupt and unexpected shifts in energy costs and demands, including due to climate change concerns, can impact revenue through reduced throughput volumes on our pipeline distribution and transportation systems.

- ***Reputational risks***
  Companies across all sectors and industries are facing changing expectations and increased scrutiny from stakeholders related to their approach to climate change and GHG emissions. Companies in the energy industry are experiencing stakeholder opposition to their operations and infrastructure projects. Enbridge's ESG goals, sustainability-related activities, commitments, and plans, including climate-related information and data, are based on various assumptions, estimates, judgments, risks, and uncertainties. Achieving these ESG goals and commitments will require collective efforts and actions from a wide range of stakeholders, much of which is beyond our control, and there can be no assurance that the impact of these efforts and actions will be realized. Enbridge's ESG goals and pathways for reducing operational emissions will continue to evolve and may need to be restated, modified, or recalibrated as data improves, standards, methodologies, metrics and measurements mature, and as legislation, regulations, policies, and stakeholder sentiment evolve. If we experience challenges, or perceived challenges in achieving Enbridge's climate-related goals, are not able to meet future climate-related, emissions, or other regulatory or reporting requirements, or are not able to meet or manage stakeholder expectations regarding climate change or disclosure of climate-change information (including potential allegations of greenwashing), it could negatively impact our reputation or investor sentiment and could expose us to government enforcement actions or litigation, which may, in turn, impact our business, operations or financial results.

RISKS RELATED TO OPERATIONAL DISRUPTION OR CATASTROPHIC EVENTS

Operation of complex energy infrastructure involves many hazards and risks that may adversely affect our business, financial results and the environment, relationships with stakeholders and our reputation.
These operational risks include adverse weather conditions, natural disasters, accidents, the breakdown or failure of equipment, processes or human error, and lower than expected levels of operating capacity and efficiency. These operational risks could be catastrophic in nature.

Operational risk is also intensified by exposure to severe weather conditions and natural disasters, including those related to climate change, which may affect the safety and reliability of our operations, including, but not limited to heavy snowfall, heavy rainfall, floods, landslides, fires, hurricanes, cyclones, tornados, tropical storms, ice storms, and extreme temperatures, and chronic physical risks, such as long-term changes in precipitation patterns, or sustained higher temperatures.

Our assets and operations are exposed to potential damage or other negative impacts from these operational risks, which could result in reduced revenue from business disruption or reduced capacity and may also lead to increased costs due to repairs and required adaptation measures. Such events have led to, and could in the future lead to, rupture or release of product from our pipeline systems and facilities, resulting in damage to property and the environment, personal injury or loss of life. Such an incident could result in substantial losses for which insurance may not be sufficient or available and for which we may bear part or all of the cost, thereby negatively impacting earnings. Such incidents could also have lasting reputational impacts and could impair our relationships with various stakeholders. For pipeline and storage assets located near populated areas, including residential communities, commercial business centers, industrial sites and other public gathering locations, the level of damage resulting from these events could be greater.

We have experienced such events in the past and expect to continue to incur significant costs in preparing for or responding to operational risks and events. We expect to continue to experience climate-related physical risks, potentially with increasing frequency and severity, and we cannot guarantee that we will not experience catastrophic or other events in the future. In addition, we could be subject to litigation and significant fines and penalties from regulators in connection with any such events.

A service interruption could have a significant impact on our operations, and negatively impact financial results, relationships with stakeholders and our reputation.
A service interruption due to a major power disruption, curtailment of commodity supply, operational incident, security incident (cyber or physical), availability of gas supply or distribution or other reasons could have a significant impact on our operations and negatively impact financial results, relationships with stakeholders, our reputation or the safety of our end-use customers. Our ability to deliver natural gas to customers on demand is dependent on adequate supply being transported on third party transmission pipelines to our franchise and a strong distribution system. While we have received reliable service from our upstream service providers, a large supply or pipeline disruption on a very cold day has the potential to cause service interruption. We have experienced, and may again experience, service interruptions, restrictions or other operational constraints, including in connection with the kinds of operational incidents referred to in the previous risk factor.

Our operations involve safety risks to the public and to our workers and contractors.
Several of our pipelines and distribution systems are operated near populated areas. A major incident involving these assets has resulted in and may again result in injury or loss of life to members of the public. In addition, given the natural hazards inherent in our operations, our workers and contractors are subject to personal safety risks. A public safety incident or an injury or loss of life to our workers or contractors, which we have experienced in the past and, despite the precautions we take, may experience in the future, could result in reputational damage to us, legal claims, material repair costs or increased operating and insurance costs.

Cyber attacks and other cybersecurity incidents pose threats to our technology systems and could materially adversely affect our business, operations, reputation or financial results.
Our business is dependent upon information systems and other digital technologies for controlling our plants, pipelines and other assets, processing transactions and summarizing and reporting results of operations. With the evolution of artificial intelligence (AI), our business has incorporated AI into our operations in order to gain efficiencies and productivity in our day to day operations, which has the potential to increase technology and cybersecurity risks. The secure processing, maintenance and transmission of information is critical to our operations.

Cybersecurity risks have increased in recent years as a result of the proliferation of new technologies and the increased sophistication of cyber attacks and financially-motivated cybercrime, as well as international and domestic political factors, including geopolitical tensions, armed hostilities, war, civil unrest, sabotage, terrorism and state-sponsored or other cyber espionage. Human error or malfeasance can also contribute to a cyber incident, and cyber attacks can be internal as well as external and occur at any point in our supply chain. Because of the critical nature of our infrastructure and our use of information systems and other digital technologies to control our assets, we face a heightened risk of cybersecurity incidents, such as ransomware, theft, misplaced or lost data, programming errors, phishing attacks, denial of service attacks, acts of vandalism, computer viruses, malware, hacking, malicious attacks, software vulnerabilities, employee errors and/or malfeasance, or other attacks, security or data breaches or other cybersecurity incidents. Cyber threat actors have attacked and continue to threaten to attack energy infrastructure, including our assets, and various government agencies have increasingly stressed that these attacks are targeting critical infrastructure, and are increasing in sophistication, magnitude, and frequency. Additionally, these risks may escalate during periods of heightened geopolitical tensions. In addition, new cybersecurity legislation, regulations and orders have been recently implemented or proposed resulting in additional actual and anticipated regulatory oversight and compliance requirements, which will require significant internal and external resources. We cannot predict the potential impact to our business of potential future legislation, regulations or orders relating to cybersecurity.

We have experienced an increase in the number of attempts by external parties to access our systems or our company data without authorization, and we expect this trend to continue. Although we devote significant resources and security measures to prevent unwanted intrusions and to protect our systems and data, whether such data is housed internally or by external third parties, we and our third-party vendors have experienced, and expect to continue to experience, cyber attacks of varying degrees in the conduct of our business. To date, these prior cyber attacks have not, to our knowledge, had a material adverse effect on our business, operations or financial results. However, we have experienced an increasing number of cybersecurity threats in recent years and there is a risk that any such incidents could have a material adverse effect on us in the future.

Our technology systems or those of our vendors or other service providers are expected to become the target of further cyber attacks or security breaches which could compromise our data and systems or our access thereto by us, our customers or others, affect our ability to correctly record, process and report transactions, result in the loss of information, or cause operational disruption, or incidents. There can be no assurance that our business continuity plans will be completely effective in avoiding disruption and business impacts. Furthermore, we and some of our third-party service providers (who may in turn also use third-party service providers) collect, process or store sensitive data in the ordinary course of our business, including personal information of our employees, residential gas distribution customers, and land owners, as well as intellectual property or other proprietary business information of ours or our customers or suppliers.

As a result of the foregoing, we could experience loss of revenues, repair, remediation or restoration costs, regulatory action, fines and penalties, litigation, breach of contract or indemnity claims, cyber extortion, ransomware, implementation costs for additional security measures, loss of customers, customer dissatisfaction, reputational harm, liability under laws that protect the privacy of personal information, other adverse consequences, or other costs or financial loss. Regardless of the method or form of cyber attack or incident, any or all of the above could materially adversely affect our reputation, business, operations or financial results.

In addition, a cyber attack could occur and persist for an extended period without detection. Any investigation of a cyber attack or other security incident may be inherently unpredictable, and it would take time before the completion of any investigation and availability of full and reliable information. During such time, we may not know the extent of the harm or how best to remediate it, and certain errors or actions could be repeated or compounded before they are discovered and remediated, all or any of which could further increase the costs and consequences of a cyber attack or other security incident, and our remediation efforts may not be successful. The inability to implement, maintain and upgrade adequate safeguards could materially and adversely affect our results of operations, cash flows, and financial condition. Moreover, recent rulemakings may require us to disclose information about a cybersecurity incident before it has been completely investigated or remediated in full or even in part. As cyber attacks continue to evolve, we may be required to expend significant additional resources to continue to modify or enhance our protective measures or to investigate and remediate any information security vulnerabilities.

Furthermore, media reports about a cyber attack or other significant security incident affecting Enbridge Gas, whether accurate or not, or, under certain circumstances, our failure to make adequate or timely disclosures to the public, law enforcement, other regulatory agencies or affected individuals following any such event, whether due to delayed discovery or otherwise, could negatively impact our operating results and result in other adverse consequences, including damage to our reputation or competitiveness, harm to our relationships with customers, partners, suppliers and other third parties, interruption to our management, remediation or increased protection costs, significant litigation or regulatory action, fines or penalties, all of which could materially adversely affect our business, operations, reputation, or financial results.

Terrorist attacks and threats, escalation of military activity in response to these attacks or acts of war, and other civil unrest or activism could adversely affect our business, operations or financial results.
Terrorist attacks and threats (which may take the form of cyber attacks, as outlined above), escalation of military activity, armed hostilities, war, sabotage, or civil unrest or activism may have significant effects on general economic conditions and may cause fluctuations in consumer confidence and spending and market liquidity, each of which could adversely affect our business. Future terrorist attacks, rumors or threats of war, actual conflicts involving Canada, or military or trade disruptions may significantly affect our operations and those of our customers. Strategic critical infrastructure targets, such as energy-related assets, are at greater risk of cyber attack and may be at greater risk of other future attacks than other targets in Canada. Our infrastructure and projects under construction could be direct targets or indirect casualties of a cyber or physical attack. In addition, increased environmental activism against construction and operation of energy infrastructure could potentially result in work delays, reduced demand for our products and services, new legislation or public policy or increased stringency thereof, or denial or delay of permits and rights-of-way.

Pandemics, epidemics or infectious disease outbreaks may adversely affect local and global economies and our business, operations or financial results.
Disruptions caused by pandemics, epidemics or infectious disease outbreaks could materially adversely affect our business, operations, financial results and forward-looking expectations. Governments' emergency measures to combat the spread could include restrictions on business activity and travel, as well as requirements to isolate or quarantine. The duration and magnitude of such impacts will depend on many factors that we may not be able to accurately predict. COVID-19 and government responses interrupted business activities and supply chains, disrupted travel, and contributed to significant volatility in the financial and commodity markets.

Disruptions related to pandemics, epidemics or infectious disease outbreaks could have the effect of heightening many of the other risks described in this *Risk Factors* section.

RISKS RELATED TO OUR BUSINESS AND INDUSTRY

There are utilization risks with respect to our assets.
Customers are billed on both a fixed charge and volumetric basis and our ability to collect the total revenue requirement (the cost of providing service, including a reasonable return to the utility) depends on achieving the forecast distribution volume established in the rate-making process. The probability of realizing such volume is contingent upon four key forecast variables: weather, economic conditions, pricing of competitive energy sources and growth in the number of customers. Weather is a significant driver of delivery volumes, given that a significant portion of our customer base uses natural gas for space heating. Our ability to add new customers could be impacted by market conditions affecting housing activity such as interest rates, affordability levels, and energy transition. Sales and transportation service to large volume commercial and industrial customers is more susceptible to prevailing economic conditions. As well, the pricing of competitive energy sources affects volume distributed to these sectors, as some customers have the ability to switch to an alternate fuel. Even in those circumstances where we attain our respective total forecast distribution volume, our business may not earn its expected return on equity due to other forecast variables, such as fluctuations in the mix between higher- and lower- margin customers. Our business remains at risk for the actual versus forecast large volume contract commercial and industrial volumes.

Our assets vary in age and were constructed over many decades, which causes our inspection, maintenance or repair costs to increase.
Our pipelines vary in age and were constructed over many decades. Pipelines are generally long-lived assets, and pipeline construction, including coating techniques have changed over time. Depending on the era of construction and construction techniques, some assets require more frequent inspections, which have resulted in and are expected to continue to result in increased maintenance or repair costs in the future. Any significant increase in these expenditures could adversely affect our business, operations or financial results.

Completion of our secured projects and maintenance programs are subject to various regulatory, operational and market risks, which may affect our ability to drive long-term growth.
Our project execution continues to face challenges with intense scrutiny on regulatory and environmental permit applications, politicized permitting, public opposition including protests, action to repeal permits, and resistance to land access.

Continued challenges with global supply chains have created unpredictability in materials cost and availability. Labor shortages and inflationary pressures have increased the costs of engineering and construction services. Governments in Canada have enacted or proposed legislation and policies relating to forced labor and child labor in supply chains which require us to, among other things, report on the steps taken in the previous year to mitigate the risk of forced labor or child labor in our supply chain, and these requirements continue to evolve and may impact our supply chain.

Other events that can delay, and have in the past delayed project completion and increased anticipated costs include contractor or supplier non-performance, extreme weather events or geological factors beyond our control.

Changing expectations of stakeholders and government policies regarding sustainability, ESG, climate change, and environmental protection practices continue to evolve and diverge, and an inability to meet these requirements and expectations could erode stakeholder trust and confidence, damage our reputation, influence actions or decisions about Enbridge Gas and industry, and have negative impacts on our business, operations or financial results.
Companies across all sectors and industries are facing changing expectations and increasing scrutiny from a wide range of stakeholders related to their approach to sustainability and ESG matters of greatest relevance to their business and to their stakeholders. Our and other energy companies' customers, shareholders, employees and other stakeholders have diverse expectations, demands and perspective on these topics, which are continuing to evolve. For example, companies in the energy industry, including Enbridge Gas, have experienced stakeholder opposition to their operations and infrastructure projects, as well as organized opposition to the fossil fuel industry in general. Changing expectations of our practices and performance across these areas may result in or create exposure to new or heightened risks, which may include higher costs, project delays or cancellations, loss of ability to secure new growth opportunities or permits, restrictions on or the cessation of operations due to increasing pressure on governments and regulators, public opposition including protests, activism and legal action. We may not be able to meet the diverse expectations and demands of all of our stakeholders, which could result in adverse publicity, harm our reputation, lead to claims against us and affect our relationships with our customers and employees, and subject us to legal and operational risks, any of which could have a material adverse effect on our business.

Our operations, projects and growth opportunities require us to have strong relationships with key stakeholders, including local communities, Indigenous groups and others directly impacted by our activities, as well as governments, regulatory agencies, financial institutions, insurers and others, some of whom are increasingly focused on sustainability and ESG practices and performance. Enhanced public awareness of climate change has driven an increase in demand for lower-carbon forms of energy. In recent years, certain investors have been increasing investments in lower-carbon assets and businesses while decreasing the carbon intensity of their portfolios through, among other measures, divestment of companies with higher exposure to GHG-intensive operations and products. Commercial and investment banks and insurers have been pressured to reduce or cease providing financing and insurance coverage to the fossil fuel industry. Managing these risks requires significant effort and resources. Potential impacts could also include changing investor sentiment, impaired access to and increased cost of capital, and adverse impacts to the demand for, or value of, our services or our securities.

In recent years, geopolitical uncertainty, slowing Canadian economy and continuing inflationary pressures have underscored the critical need for access to secure, affordable energy. The pace and scale of the transition to a lower-emission economy may pose a risk if Enbridge diversifies either too quickly or too slowly. Similarly, unexpected shifts in energy demands, including due to climate change concerns, can impact revenue through, for example, reduced throughput volumes on our pipeline distribution and transportation systems.

The costs associated with meeting Enbridge's ESG goals, including GHG emissions reduction goals, could be significant. There is also a risk that some or all of the expected benefits and opportunities of achieving Enbridge's ESG goals may fail to materialize, may cost more than anticipated to achieve, may not occur within the anticipated time periods, may fail to meet changing stakeholder expectations or may be challenged. Similarly, there is a risk that emissions reduction technologies do not materialize as expected, making it more difficult to reduce emissions. If we experience challenges, or perceived challenges, in achieving Enbridge's ESG goals, meeting climate-related regulatory or reporting requirements, or meeting or managing stakeholder expectations regarding sustainability and ESG issues, it could have a negative impact on our reputation or investor sentiment or expose us to government enforcement actions or litigation, which may, in turn, impact our business, operations or financial results.

Our forecasted assumptions may not materialize as expected, including on our expansion projects, acquisitions and divestitures.
We evaluate expansion projects, acquisitions and divestitures on an ongoing basis. Planning and investment analysis is highly dependent on accurate forecasting and the use of appropriate assumptions and to the extent that these assumptions do not materialize, financial performance may be lower or more volatile than expected. Volatility and unpredictability in the economy, both locally and globally, and changes in cost estimates, project scoping and risk assessment could result in a loss of profits. Similarly, uncertainty in market signals, such as abrupt and unexpected shifts in energy costs and demands, have impacted and may in the future impact revenue, for example, from reduced throughput volumes on our pipeline distribution and transportation systems.

Our insurance coverage may not fully cover our losses in the event of an accident, natural disaster or other event.
Our operations are subject to many hazards inherent in our industry as described in this *Risk Factors* section.

We participate in Enbridge's comprehensive insurance program which covers Enbridge subsidiaries and certain affiliates to mitigate a certain portion of our risks. However, not all potential risks arising from our operations are insurable or are insured by Enbridge as a result of lack of availability, high premiums or other reasons. Insurance coverage under this program is subject to terms and conditions, exclusions and large deductibles or self-insured retentions which may reduce or eliminate coverage in certain circumstances.

Insurance policies under this program are generally renewed on an annual basis and, depending on factors such as market conditions, premiums, terms, policy limits and/or deductibles, can vary substantially. We can give no assurance that our participation in this program means we will be able to maintain adequate insurance in the future at rates or on other terms that Enbridge or we would consider commercially reasonable. In such a case, Enbridge may decide to self-insure additional risks.

A significant self-insured loss, uninsured loss, a loss significantly exceeding the limits of our insurance policies, a significant delay in the payment of a major insurance claim, or the failure to renew insurance policies on similar or favorable terms, could materially and adversely affect our business, financial condition and results of operations.

Our business is exposed to changes in market prices, including interest rates. Our risk management policies cannot eliminate all risks and may result in material financial losses. In addition, any non-compliance with our risk management policies could adversely affect our business, operations or financial results.
Our use of debt financing exposes us to changes in interest rates on both future fixed rate debt issuances and floating rate debt. Changes in interest rates could materially impact our financial results.

We use financial derivatives to manage risks associated with changes in interest rates to reduce volatility of our cash flows. Based on our risk management policies, substantially all of our financial derivatives are associated with an underlying asset, liability and/or forecasted transaction and are not intended for speculative purposes.

These policies cannot, however, eliminate all risk, including unauthorized trading. Although this activity is monitored independently by our risk management function, we can provide no assurance that we will detect and prevent all unauthorized trading and other violations, particularly if deception, collusion or other intentional misconduct is involved, and any such violations could adversely affect our business, operations or financial results.

To the extent that we hedge our exposure to market prices, we will forego the benefits we would otherwise experience if these were to change in our favor. In addition, hedging activities can result in losses that might be material to our financial condition, results of operations and cash flows. Such losses have occurred in the past and could occur in the future.

We rely on access to short-term and long-term capital markets to finance capital requirements and support liquidity needs. Cost effective access to those markets can be affected, particularly if we are unable to maintain an investment-grade credit rating.

A portion of our consolidated asset base is financed with debt. The maturity and repayment profile of debt used to finance investments often does not correlate to cash flows from assets. Accordingly, we rely on access to both short-term and long-term capital markets as a source of liquidity for capital requirements not satisfied by cash flows from operations and to refinance investments originally financed with debt. Our senior unsecured long-term debt is currently rated investment-grade by various rating agencies. If the rating agencies were to rate us below investment-grade, our borrowing costs would increase, potentially significantly. Consequently, we could be required to pay a higher interest rate in future financings and our potential pool of investors and funding sources could decrease.

We maintain revolving credit facilities to backstop commercial paper programs, for borrowings and for providing letters of credit. These facilities typically include financial covenants and failure to maintain these covenants could preclude us from accessing the credit facility, which could impact liquidity. If our short-term debt rating were to be downgraded, access to the commercial paper market could be significantly limited. Although this would not affect our ability to draw under our credit facilities, borrowing costs could be significantly higher.

If we are not able to access capital at competitive rates or at all, our ability to finance operations and implement our strategy may be affected. An inability to access capital on favorable terms or at all may limit our ability to pursue enhancements or acquisitions that we may otherwise rely on for future growth or to refinance our existing indebtedness.

Our natural gas storage operations' results may be adversely affected by commodity price volatility.

We have market-based rates for some of our storage operations and sell our storage services based on natural gas market spreads and volatility. If natural gas market spreads or volatility deviate from historical norms or there is significant growth in the amount of storage capacity available to natural gas markets relative to demand, our approach to managing our market-based storage contract portfolio may not protect us from significant variations in storage revenues, including possible declines, as contracts renew.

We are exposed to the credit risk of our customers.

We are exposed to the credit risk of our customers in the ordinary course of our business. We have a large and diversified customer base. However, we cannot predict to what extent our business would be impacted by deteriorating conditions in the economy, including possible declines in our large industrial customers' creditworthiness. It is possible that customer payment defaults, if significant, could adversely affect our earnings and cash flows.

Our business requires the retention and recruitment of a skilled and diverse workforce, and difficulties in recruiting and retaining our workforce could result in a failure to implement our business plans.
Our operations and management require the retention and recruitment of a skilled and diverse workforce, including engineers, technical personnel, other professionals, and executive officers and senior management. Enbridge and our affiliates compete with other companies in the energy industry, and for some jobs the broader labor market, for this skilled workforce. If we are unable to retain current employees and/or recruit new employees of comparable knowledge and experience, our business could be negatively impacted. In addition, we could experience increased costs to retain and recruit these professionals.

RISKS RELATED TO GOVERNMENT REGULATION AND LEGAL RISKS

Our operations are regulated and failure to secure timely regulatory approval for our proposed projects, or loss of required approvals for our existing operations, could have a negative impact on our business, operations or financial results.
The nature and degree of regulation and legislation affecting permitting and environmental review for energy infrastructure companies in Canada continues to evolve.

In Canada, energy companies continue to face opposition from anti-energy/anti-pipeline activists, governments, citizens, environmental groups, politicians, and other stakeholders concerned with either the safety of energy infrastructure or its potential environmental effects. Governments may introduce changes to the regulatory approval process for energy infrastructure. These actions could adversely impact permitting of a wide range of energy projects. We may not be able to obtain or maintain all required regulatory approvals for our operating assets or development projects. If there is a significant delay in obtaining any required regulatory approvals, if we fail to obtain or comply with them, or if laws or regulations change or are administered in a more stringent manner, the operations of facilities or the development of new facilities could be prevented, delayed or become subject to additional costs.

Our operations are subject to numerous environmental laws, regulations, and rules, including those relating to climate change, GHG emissions, climate-related disclosure, and anti-greenwashing, compliance with which may require significant capital expenditures, increase our cost of operations, affect or limit our business plans, expose us to environmental liabilities or litigation, and affect our reputation and relationships with stakeholders.
We are subject to numerous environmental laws and regulations affecting many aspects of our operations, including, but not limited to, air emissions, climate change, water, soil, land management, waste, hazardous substances, wildlife and protected species, biodiversity, noise, emergency response, and pollution. We are also subject to new and evolving laws, regulations and rules related to ESG and sustainability-related disclosure, including climate-related disclosure, and anti-greenwashing provisions, including recent amendments to Canadian competition legislation, which simultaneously increase stakeholder expectations to report environmental and climate-related information and also substantiate such information in accordance with standards that are still developing and evolving, and which may, in some cases conflict. Our exposure to these risks could result in adverse impacts to our reputation and relationships with stakeholders or increased costs, liabilities or litigation.

The gas distribution system and our storage and transmission operations require environmental approvals and permits from regulators in order to operate. As a result, these assets and facilities are subject to periodic inspections and/or audits. Failure to comply with environmental laws and regulations and failure to secure permits necessary for our operations may result in the imposition of fines, penalties and injunctive measures affecting our operating assets. In addition, changes in environmental laws and regulations or the enactment of new environmental laws or regulations, including those related to climate change, GHG emissions and climate-related disclosure, could result in a material increase in our cost of compliance with such laws and regulations, such as costs to monitor and report our emissions and install new emission controls to reduce emissions. We may not be able to include some or all of such increased costs in the rates we charge. Efforts to regulate or restrict GHG emissions could also drive down demand for the natural gas we transport.

If we are unable to obtain or maintain all required environmental regulatory approvals and permits for our operating assets and projects, or if there is a delay in obtaining any required environmental regulatory approvals or permits, the operation of existing facilities or the development of new facilities could be prevented, delayed, or become subject to additional costs. Failure to comply with environmental laws, regulations, and rules may result in the imposition of civil or criminal fines, penalties and injunctive measures affecting our operating assets. We expect that changes in environmental laws, regulations, and rules, including those related to climate change, GHG emissions, climate-related disclosure, and anti-greenwashing, could result in a material increase in our cost of compliance with such laws and regulations, such as costs to monitor and report our emissions and install new emission controls to reduce emissions, and third-party substantiation, verification or assurance of our environmental data, the costs of which we may not be able to recover.

Our operations are subject to operational regulation and other requirements, including compliance with easements and other land tenure documents, and failure to comply with applicable regulations and other requirements could have a negative impact on our reputation, business, operations, or financial results.
Operational risks relate to compliance with applicable operational rules and regulations mandated by governments, applicable regulatory authorities, or other requirements that may be found in easements, permits or other agreements that provide a legal basis for our operations, breaches of which could result in fines, penalties, awards of damages, operational restrictions or shutdowns and an overall increase in operating and compliance costs.

We do not own all of the land on which our pipelines, facilities and other assets are located and we obtain the right to construct and operate our pipelines and other assets from third parties or government entities. In addition, some of our pipelines and other assets cross Indigenous lands pursuant to rights-of-way or other land tenure interests. Our loss of these rights, including through our inability to renew them as they expire, could have an adverse effect on our reputation, operations, and financial results.

Regulatory scrutiny of our assets and operations has the potential to increase operating costs or limit future projects. Regulatory enforcement actions issued by regulators for non-compliance can increase operating costs and negatively impact reputation. Potential regulatory changes and legal challenges could have an impact on our future earnings from operations and the cost related to the construction of new projects. Future actions of regulators may differ from current expectations, or future legislative changes may impact the regulatory environments in which we operate. While we seek to mitigate operational regulation risk by actively monitoring and consulting on potential regulatory requirement changes with the respective regulators directly, or through industry associations, and by developing response plans to regulatory changes or enforcement actions, such mitigation efforts may be ineffective or insufficient. While we believe the safe and reliable operation of our assets and adherence to existing regulations is the best approach to managing operational regulatory risk, the potential remains for regulators or other government officials to make unilateral decisions that could disrupt our operations or have an adverse financial impact on us.

Our operations are subject to economic regulation and failure to secure regulatory approval for our proposed or existing commercial arrangements could have a negative impact on our business, operations or financial results.

Our gas distribution assets face economic regulation risk. Broadly defined, economic regulation risk is the risk that governments or regulatory agencies change or reject proposed or existing commercial arrangements or policies, including permits and regulatory approvals for both new and existing projects or agreements, upon which future and current operations are dependent. Our gas distribution assets are subject to the actions of various regulators, including the OEB with respect to the rates for these assets. The changing or rejecting of commercial arrangements, including decisions by regulators on the applicable permits and tariff structure or changes in interpretations of existing regulations by courts or regulators, has had in the past, and could in the future have an adverse effect on our revenues and earnings.

We are subject to changes in our tax rates, the adoption of new Canadian tax legislation or exposure to additional tax liabilities.

We are subject to taxes in Canada. Due to economic and political conditions, tax rates may be subject to significant change. Our effective tax rates could be affected by changes in the valuation of deferred tax assets and liabilities, or changes in tax laws or their interpretation.

We are also subject to the examination of our tax returns and other tax matters by the Canada Revenue Agency. We regularly assess the likelihood of an adverse outcome resulting from these examinations to determine the adequacy of our provision for taxes. There can be no assurance as to the outcome of these examinations. If our effective tax rates were to increase, or if the ultimate determination of our taxes owed is for an amount in excess of amounts previously accrued, our financial condition and operating results could be materially adversely affected.

We are involved in numerous legal proceedings, the outcomes of which are uncertain, and resolutions adverse to us could adversely affect our financial results and reputation.

We are subject to numerous legal proceedings related to our business and operations. In recent years, there has been an increase in climate-related regulatory action and litigation, including against companies involved in the energy industry. There is no assurance that we will not be impacted by such regulatory action, litigation, or other legal proceedings. By its nature, litigation is subject to many uncertainties, and we cannot predict the outcome of individual matters with assurance. It is reasonably possible that the final resolution of some of the matters in which we are involved or new matters could require additional expenditures, in excess of established reserves, over an extended period of time and in a range of amounts that could adversely affect our financial results or adversely affect our reputation.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Our consolidated financial statements are prepared in accordance with US GAAP, which requires management to make estimates, judgments and assumptions that affect the amounts reported in our consolidated financial statements and accompanying notes. In making judgments and estimates, management relies on external information and observable conditions, where possible, supplemented by internal analysis as required. We believe our most critical accounting policies and estimates discussed below have an impact across our business.

GOODWILL IMPAIRMENT
Goodwill represents the excess of the purchase price over the fair value of net identifiable assets upon acquisition of a business. The carrying value of goodwill, which is not amortized, is assessed for impairment annually or more frequently if events or changes in circumstances arise that suggest the carrying value of goodwill may be impaired. We perform our annual review of the goodwill balance on April 1.

We have the option to first assess qualitative factors to determine whether it is necessary to perform the quantitative goodwill impairment assessment. When performing a qualitative assessment, we determine the drivers of fair value and evaluate whether those drivers have been positively or negatively affected by relevant events and circumstances since the last fair value assessment. Our evaluation includes, but is not limited to, the assessment of macroeconomic trends (including the impact of changes in discount rates and rate base multiple), changes to regulatory environments, capital accessibility, operating income trends (including changes to projected cash flows from operations, expected future capital expenditures and forecasted rate base), and changes to industry conditions. Based on our assessment of qualitative factors, if we determine it is more likely than not that the fair value is less than its carrying amount, a quantitative goodwill impairment assessment is performed.

The quantitative goodwill impairment assessment involves determining the fair value of goodwill and comparing that value to its carrying value. If the carrying value, including allocated goodwill, exceeds fair value, goodwill impairment is measured at the amount by which the carrying value exceeds its fair value. This amount should not exceed the carrying amount of goodwill. Fair value is estimated using a discounted cash flow technique. The determination of fair value using the discounted cash flow technique requires the use of estimates and assumptions related to discount rates, projected operating income and rate base, rate base multiple, capital expenditures and working capital levels.

On April 1, 2024, we performed our annual goodwill impairment assessment which consisted of a qualitative assessment and did not identify impairment indicators. We did not identify any indicators of goodwill impairment during the remainder of 2024.

REVENUE RECOGNITION
We recognize revenues when natural gas has been delivered or services have been performed. Gas distribution revenues are recorded on the basis of regular meter readings and estimates of customer usage from the last meter reading to the end of the reporting period. Estimates are based on historical consumption patterns and heating degree days experienced.

DEPRECIATION
Depreciation of property, plant and equipment, our largest asset with a net book value at December 31, 2024 and 2023 of $19.0 billion and $18.5 billion, respectively, or 65% of total assets, is provided on a straight-line basis over the estimated useful lives of the assets, as approved by the OEB, commencing when they are placed in service. As allowed by the OEB, group depreciation is used whereby similar assets are grouped and depreciated together. When group assets are retired or otherwise disposed of, gains and losses are generally not reflected in earnings but are booked as an adjustment to accumulated depreciation. Depreciation expense includes a provision for future removal and site restoration costs at rates approved by the OEB.

These depreciation rates are reviewed through periodic depreciation studies conducted by an external consulting firm that makes an objective assessment of the useful lives of our property, plant and equipment. Our depreciation rates are subject to approval by the OEB for rate-setting purposes, which may not always reflect the recommendations of the latest depreciation study. The external consulting firm also provides a framework for our calculation of the estimate of the net cumulative amount collected from customers for future removal and site restoration of property, plant and equipment.

REGULATORY ACCOUNTING

The OEB exercises statutory authority over matters such as construction, rates and ratemaking, and agreements with customers. To recognize the economic effects of the actions of the OEB, the timing of recognition of certain revenues and expenses in our operations may differ from that otherwise expected under US GAAP for non rate-regulated entities.

We record regulatory assets and liabilities to recognize the economic effects of the actions or decisions of the OEB. Regulatory assets represent amounts that are expected to be recovered from customers in future periods through rates. Regulatory liabilities represent amounts that are expected to be refunded to customers in future periods through rates and amounts collected from customers in advance of costs being incurred. On refund or recovery of this difference, no earnings impact is recorded. Effectively, the consolidated financial statements capture only the approved costs and related revenue, rather than the actual costs and related revenue.

As at December 31, 2024 and 2023, our regulatory assets totaled $2.5 billion and $2.4 billion, respectively, and regulatory liabilities totaled $2.2 billion and $2.1 billion, respectively. To the extent that the OEB's future actions differ from our current expectations, the timing and amount of recovery or settlement of regulatory balances could differ significantly from those recorded.

PENSION AND OTHER POSTRETIREMENT BENEFITS

We use certain assumptions relating to the calculation of defined benefit pension and other postretirement liabilities and net periodic benefit costs. These assumptions comprise management's best estimates of expected return on plan assets, future salary levels, other cost escalations, retirement ages of employees, and other actuarial factors including discount rates and mortality. We determine discount rates by reference to rates of high-quality long-term corporate bonds with maturities that approximate the timing of future payments anticipated to be made under each of the respective plans. The expected return on plan assets is determined using market-related values and assumptions on the asset mix consistent with the investment policy relating to the assets and their projected returns. The assumptions are reviewed annually by our independent actuaries. Actual results that differ from results based on assumptions are amortized over future periods and, therefore, could materially affect the expense recognized and the recorded obligation in future periods.

The following sensitivity analysis identifies the impact on the consolidated financial statements for the year ended December 31, 2024 of a 0.5% change in key pension and other postretirement benefits (OPEB) obligation assumptions:

	Pension		OPEB	
	Obligation	Expense	Obligation	Expense
(millions of Canadian dollars)				
Decrease in discount rate	138	11	8	1
Decrease in expected return on assets	—	12	N/A	N/A
Decrease in rate of salary increase	(26)	(4)	N/A	N/A

CONTINGENT LIABILITIES

Provisions for claims filed against us are determined on a case-by-case basis. Case estimates are reviewed on a regular basis and are updated as new information is received. The process of evaluating claims involves the use of estimates and a high degree of management judgment. Claims outstanding, the final determination of which could have a material impact on our financial results, are detailed in *Legal and Other Updates* and *Note 19 - Commitments and Contingencies to* the audited consolidated financial statements. In addition, any unasserted claims that later may become evident could have a material impact on our financial results.

CHANGES IN ACCOUNTING POLICIES

Information related to changes in our accounting policies can be found in *Note 3 - Changes in Accounting Policies* to the audited consolidated financial statements.

OUTSTANDING SHARE DATA

Common shares[1]	Number
Enbridge Gas Inc. Class A	281,881,334
Enbridge Gas Inc. Class B	240,020,243

1 Outstanding share data is provided as at February 7, 2025.

For further information on our share capital, refer to *Note 11 - Share Capital to* the audited consolidated financial statements.

REGULATORY GOVERNANCE

AFFILIATE RELATIONSHIPS CODE

We are subject to the provisions of the OEB's Affiliate Relationships Code for Gas Utilities (the Code). The Code sets out the standards and conditions that govern the interaction between natural gas distributors, transmitters and storage companies in Ontario and their respective affiliated companies, with the objectives of:

- minimizing the potential for a utility to cross-subsidize competitive or non-monopoly activities;
- protecting the confidentiality of consumer information collected in the course of providing utility services; and
- ensuring there is no preferential access to regulated utility services.

The Code specifically sets out standards of conduct including the degree of separation, sharing of services and resources, terms under which service agreements must be prepared and transfer pricing guidelines.