Veresen Announces Enhanced Funding Strategy Through Pursuing Sale of Power Business and the Suspension of DRIP, Second Quarter Financial Results and Increased Guidance

CALGARY, Alberta, August 3, 2016 – Veresen Inc. ("Veresen") (TSX: VSN) today announced it will pursue the sale of its power generation business and will suspend its Premium Dividend™ and Dividend Reinvestment Plan. Proceeds from the divestiture will be invested to develop Veresen's significant inventory of contracted capital projects in the core natural gas and NGL infrastructure business. These steps will result in a company with the following attributes:

- Integrated natural gas and NGL infrastructure business focused on competitive supply regions and pipelines that access growing end markets
- Best in class growth profile driven by $1.4 billion of contracted capital projects under construction that are fully funded with no requirement to access equity capital markets
- Growing distributable cash per share and strong balance sheet with 4.0x – 4.5x Debt to EBITDA once the projects are in service
- Attractive annualized dividend rate of $1.00 per common share entirely supported by distributable cash generated from existing take-or-pay and fee-for-service contracts

"We have grown our power business into a high quality portfolio of scale, and while these are great assets, they are not complementary to our core natural gas and NGL infrastructure business," said Don Althoff, President and CEO of Veresen. "We completed our inventory of power development projects in late 2015, and with Alliance's strong performance under its new service model as well as visibility to the Tower and Sunrise processing facilities coming on line in late 2017, the time is right to monetize our power business into a strong market for assets of this nature."

Divestiture of Power Business and Funding Strategy

Veresen's power business, which consists of approximately 625 MW of primarily renewable and gas-fired generation, is expected to contribute EBITDA of approximately $100 million in 2016 and had asset level debt financing of $382 million at June 30, 2016. Veresen has engaged TD Securities Inc. as the company's sole financial advisor on the divestiture of the power business.

Veresen intends to initially apply the proceeds of the sale of the power business to reduce its debt outstanding and subsequently fund the remaining equity component of projects currently under construction through 2018. At the end of the second quarter, approximately $535 million of the aggregate $1.4 billion of capital required to complete Veresen's existing capital projects had been incurred, with a remaining equity component of approximately $350 to $450 million. The enhanced funding plan will meaningfully improve the company's balance sheet strength at closing, eliminating the need for external equity financing for these projects and increasing growth on a per share basis.

Dividend and Suspension of DRIP

Veresen's Board of Directors has confirmed the annualized dividend rate of $1.00 per Common Share. As a result of the growth and diversification of Veresen's businesses over the last five years, the dividend is now underpinned entirely by distributable cash from take-or-pay and fee-for-service businesses with a weighted average contract life of over eight years.

"Veresen's dividend is supported by the stability and predictability of the company's existing distributable cash stream as well as increased confidence in the sustainability of Alliance's performance under its new service model," said Don Althoff. "Over the next two and a half years, $1.4 billion of contracted capital

projects currently under construction will come on-line, resulting in increased EBITDA and distributable cash, which will reduce the payout ratio."

The Board of Directors has elected to suspend the Premium Dividend™ and Dividend Reinvestment Plan beginning with the August 2016 dividend. Shareholders of record on July 29, 2016 will still have the ability to participate in either the dividend reinvestment component or the Premium Dividend™ component of the Premium Dividend™ and Dividend Reinvestment Plan for the previously declared July dividend.

Second Quarter Financial and Operational Highlights

- Distributable cash for the quarter of $94 million or $0.30 per Common Share relative to $81 million or $0.27 per Common Share in the first quarter, the result of higher contributions from the pipeline and midstream business segments

- Throughput volumes and distributable cash from Alliance remained particularly strong in the pipeline's second full quarter under the new service model, driven by continuing shipper uptake of seasonal firm and interruptible transportation in response to stronger relative pricing in U.S. Mid-West markets

- Total of $424 million ($203 million net to Veresen) in capital was invested by Veresen Midstream during the second quarter, including $389 million ($186 million net) for the construction of the Sunrise, Tower and Saturn Phase II processing facilities

- Full year 2016 distributable cash guidance mid-point increased by 7% to reflect the robust performance in the underlying businesses over the first half of the year and management's confidence in sustained momentum for the balance of the year

Update on Key Strategic Initiatives

- In June, the 50 MMcf/d refrigeration expansion of the Hythe gas processing facility was placed into service ahead of schedule at a total capital cost of approximately $24 million ($12 million net to Veresen). Increased liquids-rich production from wells in the area created Veresen Midstream's first brownfield expansion opportunity and is indicative of the kinds of opportunities Veresen Midstream expects to capitalize on in the future

- Construction at Sunrise, Tower and Saturn Phase II remains on schedule and on budget with over 35% of the $2.5 billion in sanctioned capital ($1.2 billion net to Veresen) incurred to date

- Invested $21 million in the quarter to advance the wholly-owned and operated Burstall ethane storage facility, which is expected to be in-service in 2018 at a total cost of $140 million. The project reflects Veresen's strategy to leverage its existing asset base to generate ancillary investment opportunities at attractive rates of return

- Finalized key commercial terms with customers for at least 50% of the Jordan Cove LNG project's initial design capacity and executed natural gas transportation service precedent agreements on Pacific Connector Gas Pipeline ("Pacific Connector") representing in excess of 75% of the rated capacity of the pipeline. Negotiations for the remaining terminal capacity are ongoing with several parties

- The Federal Energy Regulatory Commission ("FERC") issued an Order Granting Rehearing for Further Consideration on May 9, 2016 in response to requests for rehearing by Jordan Cove LNG and Pacific Connector. The FERC issued this order for the limited purpose of allowing itself more time than the 30 day statutory period to consider the merits of the requests for rehearing. The FERC will grant or deny the requests for rehearing in a future order

Financial Overview

($ Millions, except per Common Share amounts)	Three Months Ended June 30 2016	2015
Adjusted net income attributable to Common Shares	**13**	11
Per Common Share ($)	**0.04**	0.04
Net income attributable to Common Shares	**9**	(12)
Per Common Share ($)	**0.03**	(0.04)
Distributable Cash[(1)]		
Pipeline	**84**	70
Midstream	**21**	16
Power	**12**	7
Veresen – Corporate	**(16)**	(15)
Taxes	**-**	(7)
Preferred Share dividends	**(7)**	(7)
Total Distributable Cash	**94**	64
Per Common Share ($)	**0.30**	0.22

(1) See the reconciliation of distributable cash to cash from operating activities in tables attached to this news release.

During the second quarter, Veresen generated adjusted net income attributable to Common Shares of $13 million or $0.04 per Common Share, reflecting the strength of the pipeline business, tempered by the continued impact of a challenging commodity price environment on Aux Sable and higher project development spending to continue the advancement of the Jordan Cove LNG project.

Distributable cash for the second quarter was $94 million or $0.30 per Common Share, compared to $64 million or $0.22 per Common Share for the same period last year. This was driven by increases from the each of the business segments and lower cash taxes.

Proportionate Consolidation[(1)]

Three Months Ended June 30 ($ millions)	Pipelines: Alliance[(2)]	Pipelines: Ruby[(3)]	Pipelines: AEGS	Midstream: Veresen Midstream	Midstream: Aux Sable	Power	Corporate	Total
EBITDA[(4)]	**74**	**48**	**7**	**18**	**4**	**24**	**(7)**	**168**
Interest	(12)	(14)	(1)	(6)		(6)	(9)	(48)
Principal Repayment	(16)	(12)	(1)	(1)		(4)		(34)
Maintenance Capex				(1)	(1)	(2)		(4)
Other[(5)]	4	7		6	2		(7)	12
Distributable Cash	**50**	**29**	**5**	**16**	**5**	**12**	**(23)**	**94**
Long-term Debt	720	722	79	627	7	382	976	3,513
Growth Capital[(4)]				203	10		23	236

(1) This table contains non-GAAP measures. Balances for Veresen's jointly controlled businesses represent Veresen's proportional share based on Veresen's ownership interest, and includes consolidation adjustments. See the reconciliation of distributable cash to cash from operating activities tables attached to this news release.
(2) Approximately 54% of Alliance EBITDA was earned in C$.
(3) Ruby EBITDA presented as a 50% proportionate share with benefit of preferred distribution structure reflected in "other".
(4) Corporate EBITDA and growth capital do not include $40 million of Jordan Cove project development spending expensed during the quarter. Corporate growth capital includes $21 million of Burstall investment.
(5) Corporate "other" relates to preferred share dividends.

Business Segment Overview

Volumes by Segment	Q2 2016	Q1 2016	Q4 2015	Q3 2015	Q2 2015
Pipeline					
Alliance (bcf/d)					
Firm	1.320	1.391	1.325	1.325	1.325
Authorized Overrun Service (1)	n/a	n/a	0.156	0.011	0.175
Seasonal Firm	0.144	0.094	n/a	n/a	n/a
Priority Interruptible Transportation Service and Interruptible Transportation	0.095	0.139	n/a	n/a	n/a
Total Canadian Volumes	1.559	1.624	1.481	1.336	1.500
U.S. Bakken Volumes	0.139	0.131	0.161	0.153	0.162
Total Deliveries into Channahon	1.698	1.755	1.642	1.489	1.662
Ruby (bcf/d)	0.555	0.705	1.013	0.930	0.680
AEGS (mbbls/d)	287	286	280	286	280
Midstream					
Veresen Midstream (mmcf/d)					
Hythe / Steeprock	385	386	392	392	394
Dawson	724	767	709	608	585
Total Veresen Midstream	1,109	1,153	1,101	1,000	979
Aux Sable (mbbls/d)	91	69	73	57	71
Power					
Power (GWh, net)	209	208	155	133	155

(1) Under the prior cost of service model, Authorized Overrun Service ("AOS") allowed all firm shippers certain additional capacity without an incremental toll. Under the new service model, capacity in excess of long-term firm may be sold as seasonal firm, Priority Interruptible Transportation Service ("PITS") or Interruptible Transportation ("IT").

Pipeline

Alliance

Throughput volumes on Alliance remained strong under the new service model, with total deliveries into Channahon of 1.698 bcf/d for the second quarter. This is an increase of approximately 2% over the second quarter of 2015 and a decrease of 3% from the first quarter, which typically sees the highest throughput due to the pipeline's ability to transport incremental volumes under lower ambient temperatures. Importantly, Canadian average daily throughput of 1.559 bcf/d was a meaningful improvement over the 1.500 bcf/d in average daily throughput during the comparable quarter of 2015. Since Canadian volumes are transported through several segments of the pipeline, Alliance collects higher per unit tolls on deliveries into Channahon from Canada than from U.S. Bakken deliveries.

Producer demand for Seasonal Firm, PITS and IT service was driven largely by a wide AECO – Chicago gas price basis differential as well as outages and curtailments on alternative egress options out of western Canada. Veresen expects these drivers to persist, resulting in volumes on Alliance remaining strong in the near term. Alliance continues to optimize the operations of the pipeline under the new service model to maximize the amount of interruptible transportation offered to shippers.

Distributable cash from Alliance was $50 million in the second quarter, an increase of $10 million over the first quarter, the first full quarter under the new service model. Although firm transportation rates under the new service model are lower than they were under the cost of service model, during the first six months of 2016, this has been offset by the ability to generate revenues from seasonal, interruptible and other ancillary services, as well as through certain cost reductions. Distributable cash also benefitted over the first half of the year from a scheduled lower rate of debt amortization as a result of significant deleveraging during Alliance's first 15 years of operations.

With two quarters of solid performance under the new service model, Veresen believes that distributable cash in the first half of 2016 is generally indicative of future run rate in an environment where there is very strong demand for Alliance's service. However, the company expects that there will continue to be some degree of volatility in quarter over quarter distributable cash due to operational seasonality and cash flow timing.

Approximately 60% of firm receipt capacity on Alliance is held by shippers with investment grade credit ratings and during the second quarter, Alliance's largest shipper had its credit rating upgraded to one step below investment grade. Alliance continues to monitor its potential credit exposures, and although there are no specific concerns with regard to material shippers at this time, as a normal course of business, Alliance requires security from counterparties that are below investment grade. The weighted average contract length on Alliance of just under five years provides insulation from near-term weakness in natural gas prices, while the ongoing amortization of debt within Alliance continues to improve the pipeline's positioning for future contract negotiations.

Ruby

Volumes on Ruby during the second quarter continued to be impacted by low western Canadian natural gas pricing and a weak Canadian dollar, improving AECO's competitiveness into Malin Hub relative to sourcing from Opal Hub. Veresen's preferred distribution from Ruby provides the company with US$91 million per year, with variance in Veresen's distributable cash only as a result of fluctuating foreign exchange rates.

The company remains confident that Ruby can continue to support its preferred distribution to Veresen. Investment grade shippers on Ruby represent sufficient volumes to meet Veresen's preferred distribution, with continued debt amortization reducing volumes required for distribution coverage. Weighted average contract length on Ruby is approximately seven years.

AEGS

Both volumes and distributable cash from AEGS remain very stable. AEGS is a critical part of the infrastructure supporting the petrochemical industry in Alberta, with distributable cash underpinned by long-term take-or-pay contracts.

Midstream

Veresen Midstream

Veresen Midstream's strong operational performance continued in the second quarter, although volumes at Dawson were impacted by some third-party downstream curtailments. Volumes at Hythe / Steeprock were in-line with expectations and included some volumes from third party producers, while Veresen Midstream's facilities operated with nearly 100% plant reliability.

Veresen Midstream currently provides Veresen with approximately $16 million of distributable cash each quarter. Veresen's share of EBITDA for the quarter of $18 million was roughly split between Hythe / Steeprock and Dawson, and was in line with the first quarter of 2016. Costs were also effectively in line with the prior quarter. EBITDA from Dawson is expected to continue to grow as additional gathering lines, compression and gas plants are brought into service.

Since Veresen Midstream was formed in early 2015, a total of $3.3 billion (approximately $1.6 billion net to Veresen) in capital projects have been sanctioned under the agreement with Cutbank Ridge Partnership ("CRP") and Encana to fund up to $5 billion of new infrastructure. At the end of the second quarter, approximately $685 million in capital projects were in service.

In June, the 50 MMcf/d refrigeration expansion of the Hythe gas processing facility was placed into service ahead of schedule at a total capital cost of approximately $24 million ($12 million net to Veresen), in-line with expectations. The additional capacity is in support of increased liquids-rich production by CRP and represents Veresen Midstream's first brownfield expansion. The refrigeration expansion was designed, constructed and placed into service by Veresen Midstream and is indicative of the kinds of opportunities Veresen Midstream expects to capitalize on in the future. The expansion, as part of the Hythe / Steeprock assets, is operated by Veresen Midstream and is governed by the existing take-or-pay Midstream Services Agreement with Encana.

During the second quarter, a total of $424 million ($203 million net to Veresen) in capital was invested by Veresen Midstream, including $390 million ($186 million net) for the construction of the Sunrise, Tower and Saturn Phase II processing facilities. Construction of the three processing facilities remains on budget and on schedule, with more than 35% of capital incurred to date. The company continues to expect the combined cost of the processing facilities currently under construction to be approximately $2.5 billion (approximately $1.2 billion net to Veresen), with the Sunrise and Tower plants in-service by the end of 2017 and the Saturn Phase II plant in-service by mid-2018.

When all three of these facilities are operational, Veresen Midstream will have 1.5 bcf/d of processing capacity in operation and will be a dominant player in the core of the Montney, one of North America's most prolific and competitive resource plays. Once commissioned, these facilities are expected to generate incremental run-rate EBITDA of between $250 million to $300 million (approximately $120 million to $145 million net to Veresen), based on target volumes. Veresen Midstream will fund approximately 55% to 60% of the construction costs of the Sunrise, Tower and Saturn gas plants with its existing $1.275 billion credit facility and additional non-recourse debt at the partnership level, with the balance to be contributed by Veresen and KKR over time.

Capital fees from the gas plants under construction will be generated from fee-for-service agreements where unit capital fees are set to achieve a target rate of return based on invested capital and expected throughput, and will be adjusted after 12 months of commercial operations based on updated throughout expectations. The facilities under construction, when placed into service, will address growing production volumes and current infrastructure constraints in the region, and allow Veresen Midstream to take advantage of opportunities to bring in additional volumes from regional producers. As fallback protection, if Veresen Midstream has not recovered its invested capital after the eighth year of a facility's service period, the Dawson MSA provides for CRP to make a lump sum payment to Veresen Midstream for unrecovered capital invested.

Aux Sable

Improvement in ethane and propane prices drove increased NGL margins from Aux Sable's North Dakota business in the second quarter, which resulted in a distributable cash contribution of $5 million from Aux

Sable during the quarter. Aux Sable's NGL Sales Agreement with BP continued to provide downside protection during the second quarter, with the need for NGL margins to increase somewhat meaningfully before Aux Sable's profitability reflects a more fulsome NGL margin recovery.

While liquids prices remain at cyclical lows, Veresen believes the market is starting to reflect the early stages of a recovery, with the expectation that the U.S. Mid-West market will come into balance over the next several years as the significant build out of petrochemical capacity in the U.S. Gulf Coast comes into service and waterborne exports of ethane and propane continue to increase. Reflecting the improvement in NGL margins, in the second quarter Aux Sable increased its recovery of ethane to approximately 75% of capacity relative to approximately 40% in the first quarter.

The expansion of the Channahon Facility is nearly complete and is expected to be placed into service during the third quarter. When operational, the expansion will add 27,500 bbl/d of additional liquids handling capacity, which will allow for increased liquids to flow on the Alliance pipeline. The project remains on schedule and on budget, with approximately US$48 million of the total US$56 million of expenditures net to Veresen incurred at the end of the quarter.

Burstall Ethane Storage Facility

During the quarter, the company continued construction of a one million barrel ethane storage facility located near Burstall, Saskatchewan, underpinned by a 20-year contract with NOVA Chemicals. The total cost of construction is expected to be approximately $140 million, with $21 million spent during the second quarter. Veresen has incurred approximately one-quarter of the cost of construction to date and anticipates spending an additional $35 to $45 million in the second half of the year. Veresen expects that the construction of Burstall will be completed in late 2018.

Power

Distributable cash of $12 million from the power segment was consistent with performance in the prior quarter as the assets continued to generate a predictable income stream. On August 1, 2016, Veresen closed the previously announced sale of the 33 megawatt Glen Park hydro power generation facility for proceeds of US$61 million after closing adjustments. Glen Park was Veresen's only merchant facility and its only remaining power asset in the United States.

Jordan Cove LNG Project and Pacific Connector

The company continues to pursue the Jordan Cove LNG Project and related Pacific Connector natural gas pipeline with a current focus of securing additional agreements for the long-term sale of natural gas liquefaction capacity at the export terminal as well as securing the requisite regulatory permits for both the terminal and the pipeline.

On April 8, 2016, Jordan Cove LNG finalized key commercial terms with ITOCHU Corporation for the purchase of an additional 1.5 million tonnes per annum of natural gas liquefaction capacity. In conjunction with the previously announced agreement with JERA Co., Inc., Jordan Cove LNG has now concluded key commercial terms in respect of at least 3 million tonnes per annum of natural gas liquefaction capacity, with ongoing negotiations for the remaining liquefaction capacity with other parties. In addition, Pacific Connector executed natural gas transportation service precedent agreements representing in excess of 75% of the rated capacity of the pipeline.

Also on April 8, 2016, Jordan Cove LNG and Pacific Connecter submitted requests for rehearing to the FERC regarding its March 11, 2016 order that denied the applications of Jordan Cove LNG and Pacific

Connector seeking authorization for the construction and operation of the LNG export terminal and related natural gas pipeline. Specifically, the FERC stated that in the context of a lack of demonstrated commercial support for the projects, the public benefits of Pacific Connector do not outweigh the potential for adverse impacts on landowners and communities. The requests for rehearing submission urged the FERC to consider the agreements with customers of the LNG terminal and shippers on Pacific Connector as evidence of market support for the projects, and that the public benefits of the projects outweigh the potential adverse impacts on landowners.

On May 9, 2016 the FERC issued an Order Granting Rehearing for Further Consideration, often referred to as a tolling order, for the limited purpose of noting that rehearing has been timely requested and allowing itself more time than the 30 day statutory period to consider the merits of such requests for rehearing. The FERC will grant or deny the requests for rehearing in a future order.

During the second quarter, Veresen reached an agreement with Williams Partners Operating, LLC, the joint-owner of Pacific Connector Gas Pipeline L.P. ("PCGP"), to restructure PCGP and provide Veresen with a controlling interest in PCGP, improving the alignment of the partnership in the commercialization of both the Jordan Cove LNG terminal and Pacific Connector pipeline projects. This restructuring is fair value neutral and has no effect on the combined economics of the terminal and the pipeline.

Approximately $40 million of project development spend was incurred in the second quarter. Project development costs were elevated in the first half of the year due to the cost of running a competitive bid process for the lump-sum turn-key contract for the construction of the terminal. Project development spend for the balance of the year will remain contingent on the project continuing to meet regulatory and commercial milestones.

Increased 2016 Guidance

Veresen has increased its 2016 distributable cash guidance to be in the range of $1.03 per Common Share to $1.13 per Common Share, reflecting the strong performance of the underlying business. In particular, the distributable cash guidance midpoint for Alliance has been increased by $0.06 per Common Share, or approximately 12%, reflecting management's confidence in continued strong results under the new service model. Additionally, increased NGL margins have slightly improved the profitability outlook for Aux Sable, relative to the company's earlier forecast of effectively no contribution to distributable cash in 2016.

The increased guidance range reflects a payout ratio of approximately 88% to 97% of distributable cash. Further details concerning 2016 guidance can be found on the home page of Veresen's web site at www.vereseninc.com.

Balance Sheet and Funding Strategy

Veresen expects to ultimately use the proceeds of the divestiture of the power business as well as internally generated cash flows in excess of the dividend to fund the equity component of the $1.4 billion of projects currently under construction. At the end of the second quarter, approximately $535 million of the aggregate cost of these projects had been incurred, with a remaining equity component of approximately $350 to $450 million to be funded over the next two and a half years. Veresen does not expect a need for additional external equity financing for these projects.

Until the proceeds of the power business are realized, Veresen expects to use its $750 million revolving credit facility to fund its equity contributions into Veresen Midstream which are expected to be approximately $140 to $160 million for the remainder of 2016. An additional $45 to $55 million will be required in 2016 to complete the Aux Sable expansion and fund construction of Burstall. As at June 30, 2016, Veresen had approximately $452 million of available, undrawn capacity on its $750 million revolving credit facility.

For the balance of the capital requirements within Veresen Midstream, the partnership expects to use its

existing credit facilities, which had $652 million (approximately $311 million net to Veresen) of available capacity as at June 30, 2016, and intends to secure additional debt at the partnership level to maintain its target capital structure. Debt at the partnership level is non-recourse to Veresen. .

Proportionate Consolidation of Debt – Amortization Schedule[1]

($ millions)	H2 2016	2017	2018	2019	2020	2021+	Total
Fixed Term							
Pipeline							
Alliance	32	65	64	124	65	327	677
Ruby	23	144	57	57	57	337	675
AEGS	2	4	4	4	65		79
Total	57	213	125	185	187	664	1,431
Veresen Midstream[2]	2	4	26	36	246	306	620
Power	8	16	35	121	14	172	366
Corporate		300	150	200		50	700
Total Fixed Term	**67**	**533**	**336**	**542**	**447**	**1,192**	**3,117**
Revolving (Floating Rate)							
Alliance			43				43
Ruby		47					47
Veresen Midstream					7		7
Aux Sable	7						7
Power				16			16
Corporate				276			276
Total Floating Rate	**7**	**47**	**43**	**292**	**7**		**396**
Total	**74**	**580**	**379**	**834**	**454**	**1,192**	**3,513**

(1) This table contains non-GAAP measures. Balances for Veresen's jointly controlled businesses represent Veresen's proportional share based on Veresen's ownership interest, and includes consolidation adjustments.
(2) Once the Sunrise, Tower and Saturn Phase II facilities currently under construction are in operation, Veresen intends to refinance the Veresen Midstream expansion facility with non-amortizing debt.

The company's debt on a proportionate consolidation basis as at June 30, 2016 was $3.5 billion or approximately 5.0x proportionately consolidated EBITDA on a trailing 12 month basis of $698 million. Veresen expects that debt to EBITDA will be in the range of approximately 4.0x – 4.5x once the projects under construction are on-line. The company also believes that it is prudent in looking at its distributable cash after the amortization of debt within its business, even where significant value will remain in the assets after the debt is fully amortized. Veresen is committed to maintaining strong investment grade credit ratings.

Conference Call & Webcast Details

A conference call and webcast presentation will be held to discuss the enhanced funding strategy and the second quarter 2016 financial and operating results at 8:00am Mountain Time (10:00am Eastern Time) on Thursday, August 4, 2016.

To listen to the conference call, please dial 647-788-4919 or 1-877-291-4570 (toll-free). This call will also be broadcast live on the Internet and may be accessed directly at the following URL:

http://www.gowebcasting.com/7714

A presentation will accompany the conference call and will be available via the webcast. Alternatively, the

presentation will be made available immediately prior to the conference call start time of 8:00am Mountain Time on Veresen's website at: http://www.vereseninc.com/invest/events-presentations.

A digital recording will be available for replay two hours after the call's completion, and will remain available until August 18, 2016 21:59 Mountain Time (23:59 Eastern Time). To listen to the replay, please dial 416-621-4642 or 1-800-585-8367 (toll-free) and enter Conference ID 43456977. A digital recording will also be available for replay on the company's website.

About Veresen Inc.

Veresen is a publicly-traded dividend paying corporation based in Calgary, Alberta that owns and operates energy infrastructure assets across North America. Veresen is engaged in three principal businesses: a pipeline transportation business comprised of interests in the Alliance Pipeline, the Ruby Pipeline and the Alberta Ethane Gathering System; a midstream business which includes a partnership interest in Veresen Midstream Limited Partnership which assets owns in western Canada, and an ownership interest in Aux Sable, which owns a world-class natural gas liquids (NGL) extraction facility near Chicago, and other natural gas and NGL processing energy infrastructure; and a power business comprised of a portfolio of assets in Canada. Veresen is also developing Jordan Cove LNG, a six million tonne per annum natural gas liquefaction facility proposed to be constructed in Coos Bay, Oregon, and the associated Pacific Connector Gas Pipeline. In the normal course of business, Veresen regularly evaluates and pursues acquisition and development opportunities.

Veresen's Common Shares, Cumulative Redeemable Preferred Shares, Series A, Cumulative Redeemable Preferred Shares, Series C, and Cumulative Redeemable Preferred Shares, Series E trade on the Toronto Stock Exchange under the symbols "VSN", "VSN.PR.A", "VSN.PR.C" and "VSN.PR.E", respectively. For further information, please visit www.vereseninc.com.

Forward-looking Information

Certain information contained herein relating to, but not limited to, Veresen and its businesses and the offering of the notes, constitutes forward-looking information under applicable securities laws. All statements, other than statements of historical fact, which address activities, events or developments that Veresen expects or anticipates may or will occur in the future, are forward-looking information. Forward-looking information typically contains statements with words such as "may", "estimate", "anticipate", "believe", "expect", "plan", "intend", "target", "project", "forecast" or similar words suggesting future outcomes or outlook. Forward-looking statements in this news release include, but are not limited to, statements with respect to: the amount of EBITDA to be contributed by Veresen's power business in 2016; the use of proceeds from the sale of Veresen's power business; the impact on Veresen of its funding plan; the amount of distributable cash to be generated by Veresen in 2016; in service dates and cost of construction of the Sunrise and Tower gas plants, the Saturn Phase II processing facility, the Burstall ethane storage facility and the expansion of the Channahon Facility; the returns realized by Veresen's investment opportunities; the timing of regulatory orders for Jordan Cove LNG and Pacific Connector; volumes of natural gas to be transported, and service offering used by shippers, on the Alliance pipeline; the amount of distributable cash to be generated by the Alliance Pipeline; EBITDA to be realized by Veresen Midstream facilities; the outlook for the U.S. Mid-West NGL market; the sources of equity and debt financing required to fund the capital of Veresen and Veresen Midstream. Readers are also cautioned that such additional information is not exhaustive. The impact of any one risk, uncertainty or factor on a particular forward-looking statement is not determinable with certainty as these factors are independent and management's future course of action would depend on its assessment of all information at that time. Although Veresen believes that the expectations conveyed by the forward-looking information are reasonable based on information available on the date of preparation, no assurances can be given as to future results, levels of activity and achievements. Undue reliance should not be placed on the information contained herein, as actual results achieved will vary from the information provided herein and the variations may be material. Veresen makes no representation that actual results achieved will be the same in whole or in part as those set out in the forward-looking information. Furthermore, the forward-looking statements contained herein are made as of the date hereof, and Veresen does not undertake any obligation to update publicly or to revise any forward-looking information, whether as a result of new information, future events or otherwise, except as required by applicable laws. Any forward-looking

information contained herein is expressly qualified by this cautionary statement.

Certain financial information contained in this news release may not be standard measures under Generally Accepted Accounting Principles ("GAAP") in the United States and may not be comparable to similar measures presented by other entities. These measures are considered to be important measures used by the investment community and should be used to supplement other performance measures prepared in accordance with GAAP in the United States. US GAAP requires us to equity account for our investments in jointly-controlled businesses. However, we have chosen to provide some information on our jointly-controlled businesses on a proportionate basis to assist the reader. For further information on other non-GAAP financial measures used by Veresen see Management's Discussion and Analysis, in particular, the section entitled "Non-GAAP Financial Measures" contained in the annual Management Discussion and Analysis, filed by Veresen with Canadian securities regulators.

For further information, please contact:

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FINANCIAL AND OPERATING HIGHLIGHTS

	Three months ended June 30		Six months ended June 30	
($ Millions, except where noted)	**2016**	2015	**2016**	2015
Operating Highlights (100%)				
Pipeline				
Alliance – billion cubic feet per day (1)	**1.559**	1.500	**1.587**	1.567
Ruby – billion cubic feet per day	**0.555**	0.680	**0.630**	0.673
AEGS – thousand barrels per day (2)	**287**	280	**286**	287
Midstream				
Hythe/Steeprock – million cubic feet per day (3)	**385**	394	**386**	394
Dawson – million cubic feet per day	**724**	585	**746**	585
Aux Sable – thousand barrels per day	**91**	71	**80**	68
Power – gigawatt hours (net)	**209**	155	**417**	315
Financial Results				
Equity income and dividend income	**70**	39	**148**	97
Operating revenues	**38**	38	**75**	110
Adjusted net income attributable to Common Shares (4)(5)	**13**	11	**31**	38
Per Common Share ($) – basic and diluted	**0.04**	0.04	**0.10**	0.13
Net income attributable to Common Shares	**9**	(12)	**16**	38
Per Common Share ($) – basic and diluted	**0.03**	(0.04)	**0.05**	0.13
Cash from operating activities	**66**	101	**114**	134
Distributable cash (4)(6)	**94**	64	**175**	145
Per Common Share ($) – basic and diluted	**0.30**	0.22	**0.57**	0.50
Dividends paid/payable (7)	**76**	71	**152**	143
Per Common Share ($)	**0.25**	0.25	**0.50**	0.50
Capital expenditures (8)	**34**	6	**42**	32

	June 30, 2016	As at Dec. 31, 2015
Financial Position		
Cash and short-term investments	**42**	58
Total assets	**4,528**	4,560
Senior debt	**1,220**	1,089
Shareholders' equity	**2,913**	3,087
Common Shares		
Outstanding – as at period end (9)	**310,551,487**	298,979,989
Average daily volume	**1,091,511**	854,092
Price per Common Share – close ($)	**10.95**	8.86

1. Average daily volume for Alliance is based on the Canadian leg of the pipeline
2. Average daily volume for AEGS is based on toll volumes.
3. Average daily volume for Hythe/Steeprock is based on fee volumes.
4. This item is not a standard measure under US GAAP and may not be comparable to similar measures presented by other entities. See section entitled "Non-GAAP Financial Measures" in this MD&A.
5. We have provided a reconciliation of adjusted net income attributable to Common Shares to net income attributable to Common Shares in the "Non-GAAP Financial Measures" section of this MD&A.
6. We have provided a reconciliation of distributable cash to cash from operating activities in the "Non-GAAP Financial Measures" section of this MD&A.

7. Includes $50 million and $97 million of dividends satisfied through the issuance of Common Shares under our Premium Dividend™ and Dividend Reinvestment Plan (trademark of Canaccord Genuity Corp.) for the three and six months ended June 30, 2016 (2015 - $45 million and $92 million).
8. Capital expenditures for wholly-owned and majority-controlled businesses, as presented on the consolidated statement of cash flows.
9. As at the close of markets on July 29, 2016 we had 312,160,590 Common Shares outstanding.

This MD&A, dated August 3, 2016, provides a review of the significant events and transactions that affected our performance during the three and six months ended June 30, 2016 relative to the same periods last year. It should be read in conjunction with our consolidated financial statements and notes as at and for the three and six months ended June 30, 2016 and as at and for the year ended December 31, 2015, prepared in accordance with accounting principles generally accepted in the United States.

RECENT ACTIVITIES

Funding Strategy

On August 3, 2016, we announced that we will pursue the sale of our power generation business and suspend our Premium Dividend™ and Dividend Reinvestment Plan ("DRIP"). Proceeds from the divestiture will be invested to develop our significant inventory of contracted capital projects in the core natural gas and NGL infrastructure business. These steps will result in a company with the following attributes:

- Integrated natural gas and NGL infrastructure business focused on competitive supply regions and pipelines that access growing end markets
- Best in class growth profile driven by $1.4 billion of contracted capital projects under construction that are fully funded with no requirement to access equity markets
- Growing distributable cash per share over time while simultaneously reducing leverage levels once the projects under construction are in service
- Annualized dividend rate of $1.00 per Common Share entirely supported by distributable cash generated from existing take-or-pay and fee-for-service contracts

We intend to monetize our power business in order to focus on our core natural gas and natural gas liquids infrastructure. Our power business, which consists of renewable and gas-fired generation, contributed distributable cash of $43 million and net income before tax of $10 million for the year ended December 31, 2015. We anticipate announcing the disposition transactions by the end of the first quarter of 2017.

We intend to initially apply the proceeds of the sale of the power business to reduce our debt outstanding and subsequently fund the remaining equity component of projects under construction through 2018. At the end of the second quarter, approximately $535 million of the aggregate $1.4 billion of capital required to complete our existing capital projects has been incurred, with a remaining equity component of approximately $350 to $450 million. The enhanced funding plan will meaningfully improve our balance sheet strength at closing, eliminating the need for external equity financing for these projects and increasing growth on a per share basis.

The Board of Directors has elected to suspend the DRIP beginning with the August 2016 dividend. Shareholders of record on July 29, 2016 will still have the ability to participate in either the dividend reinvestment component or the Premium Dividend™ component of the DRIP for the July dividend.

Alliance

During the second full quarter under its new services model, Alliance continued to generate significant cash flows with strong demand for its seasonal and interruptible offerings, driven primarily by favourable market fundamentals, reduced takeaway capacity on other gas pipelines serving western Canada and lower operating costs.

Under the new services model, Alliance provides a variety of firm transportation services, biddable interruptible and seasonal services, and auxiliary services supporting its shippers in the delivery of rich natural gas to markets in the Midwest United States. Firm transportation services are based on market responsive fixed tolls with a minimum one-year period for delivery services and a minimum three-year period for receipt and full path

services, while seasonal services are less than one year in duration and the tolls are bid and offered to the highest bid shippers. Interruptible services are biddable and awarded on a short-term basis, including daily, based on capacity availability.

Leading into 2016, Alliance had successfully re-contracted its firm receipt capacity through 2018, and approximately 90% of receipt capacity in 2019 and 2020, with average contract lengths of 4.8 years.

Alliance successfully introduced two new services in the second quarter of 2016. Daily Seasonal Firm Capacity is a service for terms of less than one month and shippers can bid for firm transportation service agreements for receipt, delivery and full-path service. Balance of the Month Contract Capacity is a service for terms equaling the remainder of the month that shippers can bid to obtain firm capacity. These new services allow Alliance to continue to optimize value on the pipeline while providing shippers with further optionality.

Veresen Midstream LP

Veresen Midstream continued its strong and reliable operational performance into the second quarter of 2016.

In June, the 50 MMcf/d refrigeration expansion of the Hythe gas processing facility was placed into service ahead of schedule at a total capital cost of approximately $24 million ($12 million net to Veresen), in-line with expectations. The additional capacity is in support of increased liquids-rich production by CRP and represents Veresen Midstream's first brownfield expansion. The refrigeration expansion was designed, constructed and placed into service by Veresen Midstream and is indicative of the kinds of opportunities Veresen Midstream expects to capitalize on in the future. The expansion, as part of the Hythe / Steeprock assets, is operated by Veresen Midstream and is governed by the existing take-or-pay Midstream Services Agreement with Encana.

Veresen Midstream currently has over $2.5 billion (100%) of projects under construction. During the quarter, a total of $424 million (100%) of capital expenditures were incurred. Over $1 billion (100%) of capital expenditures have been incurred to date. We continue to expect the Sunrise and Tower gas plants to be in service by the end of 2017 and the Saturn Phase II gas plant to be in service by mid-2018.

When all three of these facilities are operational, Veresen Midstream will have 1.5 bcf/d of processing capacity in operation within the Montney, one of North America's most prolific and competitive resource plays. Veresen Midstream will fund approximately 55% to 60% of the construction costs of Sunrise, Tower and Saturn gas plants with its existing $1.275 billion credit facility and additional non-recourse debt at the partnership level, with the balance to be contributed by us and KKR over time. At the end of the first quarter, Veresen Midstream received $243 million of net equity contributions, of which our share was $118 million, to support funding of these capital projects. We expect the next equity contribution to Veresen Midstream to be late in the third quarter of this year.

Capital fees from the gas plants under construction will be generated from fee-for-service agreements where unit capital fees are set to achieve a target rate of return based on invested capital and expected throughput, and are adjusted after 12 months of commercial operations based on updated throughput expectations. The facilities under construction, when placed into service, will address growing production volumes and current infrastructure constraints in the region and allow us to take advantage of opportunities to bring in additional volumes from regional producers. As fallback protection, if Veresen Midstream has not recovered its invested capital after the eighth year of a facility's service period, the Dawson MSA provides for CRP to make a lump sum payment to Veresen Midstream for capital invested.

Burstall Ethane Storage Facility

Construction has commenced on our $140 million wholly-owned 1 million barrel ethane storage facility located near Burstall, Saskatchewan, of which $36 million has been incurred as of the end of the second quarter.

Jordan Cove LNG and Pacific Connector Gas Pipeline Development Projects

We continue to pursue the Jordan Cove LNG Project and related Pacific Connector with a current focus of securing additional agreements for the long-term sale of natural gas liquefaction capacity at export terminal as well as securing the requisite regulatory permits for both the terminal and the pipeline.

On April 8, 2016, Jordan Cove LNG finalized the key commercial terms with ITOCHU Corporation for the purchase of an additional 1.5 million tonnes per annum of natural gas liquefaction capacity. In conjunction with the previously announced agreement with JERA Co., Inc., Jordan Cove LNG has now concluded key commercial terms in respect to at least 3 million tonnes per annum of natural gas liquefaction capacity, with ongoing negotiations for the remaining liquefaction capacity with other parties. In addition, Pacific Connector executed natural gas transportation service precedent agreements representing in excess of 75% of the rated capacity of the pipeline.

Also on April 8, 2016, Jordan Cove LNG and Pacific Connector submitted requests for rehearing to the FERC regarding its March 11, 2016 order that denied the applications of Jordan Cove LNG and Pacific Connector seeking authorization for the construction and operation of the LNG export terminal and related natural gas pipeline. Specifically, the FERC stated that in the context of a lack of demonstrated commercial support for the projects, the public benefits of Pacific Connector do not outweigh the potential for adverse impacts on landowners and communities. The request for rehearing submission urged the FERC to consider the agreements with customers of the LNG terminal and shippers on the pipeline as evidence of market support for the projects, and that the public benefits of the projects outweigh the potential adverse impacts.

On May 9, 2016 the FERC issued an Order Granting Rehearing for Further Consideration, often referred to as a tolling order, for the limited purpose of noting that rehearing has been timely requested and allowing itself more time than the 30 day statutory period to consider the merits of such requests for rehearing. The FERC will grant or deny the requests for rehearing in a future order.

During the second quarter, we reached an agreement with Williams Partners Operating, LLC (“Williams”), the joint-owner of Pacific Connector Gas Pipeline L.P. (“PCGP”), whereby Williams exchanged its interest in common shares for an interest in preferred shares, and an option to buy back in for a minority interest in the project. The option is exercisable a short period prior to Final Investment Decision.

Williams has been a non-funding partner since 2009 and continues to have no future capital spending obligations on the project, unless it chooses to increase its ownership interest in the future. Williams will remain the designated operator for Pacific Connector.

The restructuring of PCGP provides us with a controlling interest in PCGP, improving the alignment of the partnership in the commercialization of both the Jordan Cove LNG terminal and Pacific Connector pipeline projects. This restructuring has no effect on the combined economics of the terminal and the pipeline.

Sale of Glen Park Run-of-River Hydro Facility

On August 1, 2016, we closed the sale of our 33 megawatt Glen Park run-of-river hydro power generation facility, located near Watertown in upstate New York, for approximately US$61 million.

OVERALL FINANCIAL PERFORMANCE

Adjusted Net Income attributable to Common Shares

	Three months ended June 30		Six months ended June 30	
($ Millions, except per Common Share amounts)	**2016**	2015	**2016**	2015
Adjusted net income before tax [(1)]				
Pipeline	**75**	62	**159**	124
Midstream	**3**	(1)	**4**	16
Power	**4**	(1)	**8**	3
Veresen - Corporate	**(56)**	(39)	**(117)**	(78)
Tax expense	**(6)**	(3)	**(10)**	(16)
Adjusted net income	**20**	18	**44**	49
Preferred Share dividends	**(7)**	(7)	**(13)**	(11)
Adjusted net income attributable to Common Shares	**13**	11	**31**	38
Per Common Share ($)	**0.04**	0.04	**0.10**	0.13

(1) See the reconciliation of adjusted net income attributable to Common Shares to net income attributed to Common Shares in the "Non-GAAP Financial Measures" section of this MD&A.

Adjusted net income attributable to Common Shares represents net income adjusted for specific items that are significant, but are not reflective of our underlying operations. We have presented adjusted net income attributable to Common Shares in order to enhance the comparability of our earnings. See the *Non-GAAP Financial Measures* section of this MD&A for the full definition of this term and the reconciliation to net income attributable to Common Shares.

For the three and six months ended June 30, 2016, we generated adjusted net income attributable to Common Shares of $13 million or $0.04 per Common Share and $31 million or $0.10 per Common Share compared to $11 million or $0.04 per Common Share and $38 million or $0.13 per Common Share for the same periods in 2015.

Second quarter earnings reflect the strength of our pipeline business, tempered by the continued impact of a challenging commodity price environment on our Aux Sable business and higher project development spending to continue the advancement of our Jordan Cove LNG development project.

Adjusted earnings from our Pipeline business increased significantly in the second quarter of 2016 relative to the same period last year due to Alliance's continued excellent financial performance under its new business model. Demand for Alliance transportation, supported by favourable market fundamentals, continues to exceed expectations, resulting in increased revenues from seasonal and interruptible services. This, in conjunction with reduced operating costs and depreciation, drove higher adjusted net income than was generated during the same period last year under the cost of service model. Further, Alliance and Ruby adjusted net income benefited from the effect of the weaker Canadian dollar.

NGL market conditions showed signs of improvement in the second quarter of 2016, but have not yet translated into meaningful earnings for our Midstream business. Veresen Midstream earnings strengthened in the second quarter of 2016 compared to the same period last year on higher throughput at Dawson.

Higher water flows at our BC run-of-river hydro facilities and incremental earnings from our St. Columban and Grand Valley Phase III wind power facilities, which commenced operations in the second half of 2015, contributed to higher second quarter earnings from our Power business compared to the same period last year.

Corporate costs were higher this quarter primarily due to higher Jordan Cove and Pacific Connector project spending. Tax expense was lower as, effective January 1, 2016, we implemented a U.S.-based organizational

restructuring which defers cash taxes, with the exception of Part VI.1 taxes on our Preferred Share dividends, for approximately the next five years.

Adjusted earnings during the first six months of the year reflect the same underlying factors discussed above for the second quarter.

Net Income attributable to Common Shares

	Three months ended June 30		Six months ended June 30	
($ Millions, except per Common Share amounts)	**2016**	2015	**2016**	2015
Net income (loss) before tax				
Pipeline	**75**	62	**159**	124
Midstream	**-**	(22)	**2**	(6)
Power	**1**	4	**(2)**	3
Veresen – Corporate	**(56)**	(39)	**(117)**	(78)
Gain on sale of assets	**-**	-	**-**	37
Tax expense	**(4)**	-	**(13)**	(21)
Net income, before extraordinary loss	**16**	5	**29**	59
Extraordinary loss, net of tax	**-**	(10)	**-**	(10)
Net income (loss)	**16**	(5)	**29**	49
Preferred Share dividends	**(7)**	(7)	**(13)**	(11)
Net income (loss) attributable to Common Shares	**9**	(12)	**16**	38
Per Common Share ($)	**0.03**	(0.04)	**0.05**	0.13

For the three and six months ended June 30, 2016, we generated net income attributable to Common Shares of $9 million or $0.03 per Common Share and $16 million or $0.05 per Common Share. For the same periods last year, we generated a net loss of $12 million or $0.04 per Common Share and net income of $38 million or $0.13 per Common Share.

In addition to factors impacting adjusted net income, as previously discussed, the following items are reflected in net income.

Power results in the second quarter include the impact of the revaluation of interest rate hedges resulting in an aggregate pre-tax $3 million loss compared to a pre-tax $5 million gain during the same period last year.

Results for the six months ending June 30, 2016 include the impact of the revaluation of the power interest rate hedges resulting in an aggregate pre-tax $10 million loss compared to having no impact on income during the same period last year. Results for the six months ending June 30, 2015 include a $37 million pre-tax gain relating to the sale of our Hythe/Steeprock assets to Veresen Midstream during the first quarter of 2015.

Distributable Cash

	Three months ended June 30		Six months ended June 30	
($ Millions, except per Common Share amounts)	**2016**	2015	**2016**	2015
Pipeline	**84**	70	**159**	140
Midstream	**21**	16	**37**	45
Power	**12**	7	**24**	19
Veresen – Corporate	**(16)**	(15)	**(32)**	(34)
Current tax	**-**	(7)	**-**	(14)
Preferred Share dividends	**(7)**	(7)	**(13)**	(11)
Distributable Cash [(1)]	**94**	64	**175**	145
Per Common Share ($)	**0.30**	0.22	**0.57**	0.50

(1) See the reconciliation of distributable cash to cash from operating activities in the "Non-GAAP Financial Measures" section of this MD&A.

For the three and six months ended June 30, 2016, we generated distributable cash of $94 million or $0.30 per Common Share and $175 million or $0.57 per Common Share, compared to $64 million or $0.22 per Common Share and $145 million or $0.50 per Common Share for the same periods last year.

The increase in distributable cash reflects higher cash flow generation from all of our businesses and lower cash taxes.

Distributions from Alliance for the second quarter of 2016 increased $12 million compared to the same period last year. Strong year-to-date performance under the new business model combined with reduced debt amortization more than offset lower transportation rates and the absence of the non-renewal charge which had been collected and distributed by Alliance U.S. in the years 2010 to 2015.

Second quarter distributions from Aux Sable increased by $4 million compared to the same period in 2015 due to a slight improvement in NGL frac margins at its North Dakota operations.

Fixed distributions from Veresen Midstream continue to be supported by growing EBITDA. Overall, the Veresen Midstream transaction has been neutral to distributable cash, as the reduced contribution from Hythe/Steeprock, resulting from the change in ownership, has been offset by reduced Corporate administrative and interest costs.

Our Power business generated higher cash flows in the second quarter of 2016 compared to the same period last year as a result of higher water flows at our BC run-of-river hydro facilities and incremental earnings from our St. Columban and Grand Valley Phase III wind power facilities that commenced operations in the second half of 2015.

Corporate costs in the second quarter of 2016 were consistent with the same period last year.

Effective January 1, 2016, we implemented a U.S.-based organizational restructuring which defers cash taxes, with the exception of Part VI.1 taxes on our Preferred Share dividends, for approximately the next five years.

Distributions in the first six months of the year generally reflect the same factors discussed for the second quarter.

Cash from Operating Activities

	Three months ended June 30		Six months ended June 30	
($ Millions)	**2016**	2015	**2016**	2015
Pipeline	**76**	96	**164**	145
Midstream	**23**	30	**41**	49
Power	**12**	16	**25**	39
Veresen - Corporate	**(45)**	(41)	**(116)**	(99)
	66	101	**114**	134

For the three and six months ended June 30, 2016, we generated $66 million and $114 million of cash from operating activities compared to $101 million and $134 million for the same periods last year. Higher year-to-date cash flows from our Pipeline business, partly offset by a decrease in our Midstream business, generally reflect the same factors impacting distributable cash. The decrease in cash flows from our power business is due to changes in non-cash working capital. The increase in Corporate costs reflect the increase in Jordan Cove spending relative to the same period last year.

ACCOUNTING STANDARDS AND BASIS OF PRESENTATION

Our consolidated financial statements as at and for the three and six months ended June 30, 2016 have been prepared by management in accordance with US GAAP. All financial information is in Canadian dollars unless otherwise noted and, as it relates to our financial results, has been derived from information used to prepare our US GAAP consolidated financial statements. Capitalized terms used in this MD&A that have not been defined have the same meanings attributed to them in our 2015 consolidated financial statements. Additional information concerning our business is available on SEDAR at www.sedar.com or on our website at www.veresenin c.com.

FORWARD-LOOKING AND NON-GAAP INFORMATION

Some of the information contained in this MD&A is forward-looking information under Canadian securities laws. All information that addresses activities, events or developments which may or will occur in the future is forward-looking information. Forward-looking information typically contains statements with words such as may, estimate, anticipate, believe, expect, plan, intend, target, project, forecast or similar words suggesting future outcomes or outlook. Forward-looking statements in this MD&A include statements about:

- *the impact of Alliance's new services framework on Alliance's future earnings;*
- *Aux Sable's ability to realize upon the extraction agreements with producers;*
- *the 2016 pricing environment for ethane and propane;*
- *the timing of the completion of construction and in-service date of the Sunrise and Tower gas plants, the Saturn compression station expansion and the Hythe liquids recovery project;*
- *the level of volume demand at the Sunrise, Tower and Saturn facilities and our ability to secure third party volumes;*
- *the projected date for a final investment decision on Jordan Cove LNG and Pacific Connector Gas Pipeline;*
- *the effective elimination of cash taxes for approximately the next five years, excluding Part VI.1 taxes on Preferred Share dividends, as a result of our U.S.-based organizational restructuring;*
- *the projected date for commencing LNG production from Jordan Cove LNG;*
- *the timing of the sale of our power generation business;*
- *the sufficiency of our liquidity;*
- *the sufficiency of our available committed credit facilities to fund working capital, dividends and capital expenditures;*
- *the ability of each of our businesses to generate distributable cash and the timing under which distributable cash will be generated; and*
- *our ability to pay dividends.*

The risks and uncertainties that may affect our operations, performance, development and the results of our businesses include, but are not limited to, the following factors:

- *our ability to successfully implement our strategic initiatives and achieve expected benefits;*
- *levels of oil and gas exploration and development activity;*
- *status, credit risk and continued existence of contracted customers;*
- *availability and price of capital;*
- *availability and price of energy commodities;*

- *availability of construction services and materials;*
- *fluctuations in foreign exchange and interest rates;*
- *our ability to successfully obtain regulatory approvals;*
- *changes in tax, regulatory, environmental, and other laws and regulations;*
- *competitive factors in the pipeline, midstream and power industries;*
- *operational breakdowns, failures, or other disruptions; and*
- *prevailing economic conditions in North America.*

Additional information on these and other risks, uncertainties and factors that could affect our operations or financial results are included in our filings with the securities commissions or similar authorities in each of the provinces of Canada, as may be updated from time to time. We caution readers that the foregoing list of factors and risks is not exhaustive. The impact of any one risk, uncertainty or factor on a particular forward-looking statement is not determinable with certainty as these factors are independent and management's future course of action would depend on its assessment of all information at that time. Although we believe the expectations conveyed by the forward-looking information are reasonable based on information available to us on the date of preparation, we can give no assurances as to future results, levels of activity and achievements. Readers should not place undue reliance on the information contained in this MD&A, as actual results achieved will vary from the information provided herein and the variations may be material. We make no representation that actual results achieved will be the same in whole or in part as those set out in the forward-looking information. Furthermore, the forward-looking statements contained herein are made as of the date hereof, and, except as required by law, we do not undertake any obligation to update publicly or to revise any forward-looking information, whether as a result of new information, future events or otherwise. We expressly qualify any forward-looking information contained in this MD&A by this cautionary statement.

Certain financial information contained in this MD&A may not be standard measures under GAAP in the United States and may not be comparable to similar measures presented by other entities. These measures are considered to be important measures used by the investment community and should be used to supplement other performance measures prepared in accordance with GAAP in the United States. For further information on non-GAAP financial measures used by us see the section entitled "Non-GAAP Financial Measures" contained in this MD&A.

RESULTS OF OPERATIONS – BY BUSINESS SEGMENT

Pipeline Business

		2016		2015
	Net Income Before Tax	**Distributable Cash**	Net Income Before Tax	Distributable Cash
Three months ended June 30				
Alliance	**44**	**50**	32	38
Ruby	**29**	**29**	27	27
AEGS	**2**	**5**	3	5
	75	**84**	62	70

		2016		2015
	Net Income Before Tax	**Distributable Cash**	Net Income Before Tax	Distributable Cash
Six months ended June 30				
Alliance	**95**	**90**	64	76
Ruby	**60**	**60**	55	55
AEGS	**4**	**9**	5	9
	159	**159**	124	140

Alliance Pipeline

Operational Highlights

	Three months ended June 30		Six months ended June 30	
Volumes (100%; bcf/d)	**2016**	2015	**2016**	2015
Transportation deliveries under cost of service model (pre-December 1, 2015)	**-**	1.500	**-**	1.567
Firm transportation volumes	**1.320**	-	**1.368**	-
Seasonal	**0.144**	-	**0.131**	-
Priority Interruptible Transportation Service (PITS) and Interruptible Transportation (IT) volumes	**0.095**	-	**0.088**	-
Total Canadian volumes	**1.559**	1.500	**1.587**	1.567
Incremental U.S. volumes (incl. Bakken)	**0.139**	0.162	**0.138**	0.159
Total U.S. volumes	**1.698**	1.662	**1.725**	1.726
Blended average toll rates ($/mcf):				
Firm	**1.31**	-	**1.33**	-
Seasonal, PITS and IT	**1.46**	-	**1.46**	-
U.S. only	**0.59**	-	**0.61**	-

All of Alliance's firm capacity has been been contracted for 2016. Strong market demand continued in the second quarter, due to Chicago gas prices trading at higher premiums to AECO gas prices and reduced takeaway capacity on other gas pipelines serving western Canada, which resulted in Alliance selling its remaining available capacity through seasonal and interruptible transportation offerings.

Firm volumes under the cost of service model for the three and six months ended June 30, 2015 were 1.325 bcf/d, with the additional 0.175 bcf/d and 0.242 bcf/d, respectively, of utilized capacity representing Alliance's Authorized Overrun Service, which was provided to shippers at no extra cost. Under its new services model, Alliance now charges toll rates for all utilized capacity.

Financial Highlights

Components of Alliance Equity Income:

	Three months ended June 30		Six months ended June 30	
(Veresen's share; $ Millions)	**2016**	2015	**2016**	2015
Transportation revenue under cost of service model (pre December 1, 2015)	**-**	113	**-**	226
Transportation revenue under new services offering	**98**	-	**203**	-
Other revenue	**4**	-	**7**	-
	102	113	**210**	226
General, administrative, operating and maintenance	**(28)**	(38)	**(54)**	(75)
Interest and other finance	**(12)**	(13)	**(25)**	(27)
Depreciation and amortization	**(18)**	(30)	**(36)**	(60)
Net income before tax / equity income	**44**	32	**95**	64
Distributable cash	**50**	38	**90**	76

Distributable cash for the three and six months ended June 30, 2016 was $50 million and $90 million compared to $38 million and $76 million for the same periods last year. The increases were due to increased year-to-date EBITDA, reduced debt amortization and the effects of a weaker Canadian dollar.

Demand for Alliance transportation continued to exceed expectations, providing solid revenues from seasonal and interruptible services which, in conjunction with reduced operating costs, generated EBITDA comparable for the second quarter and higher for the year-to-date relative to the same periods last year. These factors offset the effect of lower firm transportation rates under the new services model and the absence of the non-renewal charge which had been collected and distributed by Alliance US in the years 2010 to 2015.

Net income before tax for the three and six months ended June 30, 2016 was $44 million and $95 million compared to $32 million and $64 million for the same periods last year. The increases reflect lower depreciation due to an extension in the estimated useful life of the pipeline assets and the impact of a weaker Canadian dollar.

Ruby Pipeline

Operational Highlights

Long-term ship-or-pay contracts are in place for approximately 1.1 bcf/d, or 71%, of the pipeline's capacity, 90% of which are held by investment grade shippers. The average remaining length of the contracts is approximately seven years. Transportation deliveries for the three and six months ended June 30, 2016 averaged 0.555 bcf/d and 0.630 bcf/d compared to 0.680 bcf/d and 0.673 bcf/d in the same periods last year. Volumes are lower than the contracted levels as a result of market economics making Canadian gas more competitive than Rockies gas and minor outages on downstream pipelines.

Financial Highlights

Distributable cash and net income for the three and six months ended June 30, 2016 was $29 million and $60 million, representing the three and six month portions of the US$91.0 million annual distributions we are entitled to as holders of the convertible preferred shares. The $2 million and $5 million increases compared to the same periods last year were due to the weaker Canadian dollar.

AEGS

(Veresen's share; $ Millions)	Three months ended June 30 **2016**	2015	Six months ended June 30 **2016**	2015
Earnings before interest, tax depreciation and amortization ("EBITDA") [1]	**7**	7	**13**	14
Depreciation and amortization	**(4)**	(3)	**(7)**	(6)
Interest and other finance	**(1)**	(1)	**(2)**	(3)
Net income before tax	**2**	3	**4**	5
Distributable cash	**5**	5	**9**	9
Volumes (mbbls/d [2]**)**	**287**	280	**286**	287

(1) This item is not a standard measure under US GAAP and may not be comparable to similar measures presented by other entities. See section entitled "Non-GAAP Financial Measures" in this MD&A.
(2) Average daily volumes are based on toll volumes.

Operational Highlights

Toll volumes for the three and six months ended June 30, 2016 were 287 mbbls/d and 286 mbbls/d, consistent with volumes of 280 mbbls/d and 287 mbbls/d for the same periods last year.

Financial Highlights

For the three and six months ended June 30, 2016, AEGS generated $5 million and $9 million in distributable cash and $2 million and $4 million in net income before tax, compared to $5 million and $9 million in distributable cash and $3 million and $5 million in net income before tax for the same periods last year. Current year results were consistent with the same periods last year.

Midstream Business

	2016		2015	
	Net Income (Loss) Before Tax	**Distributable Cash**	Net Income (Loss) Before Tax	Distributable Cash
Three months ended June 30				
Veresen Midstream	**1**	**16**	(3)	15
Hythe/Steeprock	**-**	**-**	-	-
Aux Sable	**(1)**	**5**	(19)	1
	-	**21**	(22)	16

	2016		2015	
	Net Income (Loss) Before Tax	**Distributable Cash**	Net Income (Loss) Before Tax	Distributable Cash
Six months ended June 30				
Veresen Midstream	**5**	**31**	(4)	15
Hythe/Steeprock	**-**	**-**	11	20
Aux Sable	**(3)**	**6**	(13)	10
	2	**37**	(6)	45

Veresen Midstream

Operational Highlights

	Three months ended June 30		Six months ended June 30	
	2016	2015	**2016**	2015
Throughput volumes (mmcf/d)				
Hythe/Steeprock [(1)]	**385**	394	**386**	394
Dawson [(2)]	**724**	585	**746**	585
	1,109	979	**1,132**	979

(1) Hythe/Steeprock fee volumes represent (i) either the minimum commitment volumes for which we earned processing fees or actual volumes processed if in excess of the minimum threshold in respect of the Midstream Services Agreement with our primary customer, and (ii) fees for volumes processed for other producers.

(2) Dawson throughput volumes represent actual volumes processed from our primary customer.

Fee volumes at Hythe/Steeprock averaged 385 mmcf/d and 386 mmcf/d for the three and six months ended June 30, 2016. Fee volumes are comprised of the minimum volume commitment under the Hythe/Steeprock MSA and natural gas from third party producers. Compared to the same periods last year, the Hythe/Steeprock fee volumes decreased two percent in line with the contractual commitment. The Hythe and Steeprock facilities operated at a reliability factor of 99.8% for each of the three and six months ended June 30, 2016, exceeding their respective target factors under the MSA.

During the second quarter of 2016, actual volumes received from Encana and CRP at Dawson averaged 724 mmcf/d, compared to 585 mmcf/d during the same period last year. The increase is primarily due to incremental volumes from the 200 mmcf/d Saturn compressor station brought into service in early July 2015.

Financial Highlights

Components of Veresen Midstream Equity Income:

	Three months ended June 30		Six months ended June 30	
(Veresen's share; $ Millions)	**2016**	2015	**2016**	2015
Hythe/Steeprock EBITDA [(1)]	**10**	10	**20**	10
Dawson EBITDA	**9**	6	**19**	6
Corporate general and administrative	**(1)**	(2)	**(3)**	(2)
Depreciation and amortization	**(8)**	(7)	**(17)**	(7)
Interest and other finance	**(6)**	(7)	**(12)**	(7)
Unrealized gain (loss) on translation of US dollar debt	**(1)**	6	**23**	1
Unrealized loss on cross currency swap	**(2)**	(9)	**(25)**	(5)
Net income (loss) before tax / equity income (loss)	**1**	(3)	**5**	(4)
Distributable cash	**16**	15	**31**	15

(1) Hythe/Steeprock assets were wholly owned by us until March 31, 2015.

During the second quarter of 2016, Hythe/Steeprock and Dawson generated $10 million and $9 million of EBITDA, respectively. The EBITDA generated by Hythe/Steeprock is mainly comprised of the minimum volume and fee commitment provided under the Hythe/Steeprock Management Services Agreement. Dawson EBITDA is based on actual throughput received from Encana and CRP and fee for service revenues governed under the Dawson MSA. The increase in second quarter Dawson EBITDA in 2016 compared to the same period last year is driven by incremental volumes from the 200 mmcf/d Saturn compressor station and the effect of integrity maintenance-related curtailments imposed by downstream pipelines in the second quarter of 2015.

On June 30, 2016, Veresen Midstream paid a distribution of $26 million, of which our share is $16 million. The PIK structure provides for us to receive close to two-thirds of the cash distributions while we were entitled to approximately 48.1% of the net income during the second quarter of 2016.

Net income before tax for the three and six months ended June 30, 2016 include a $2 million and $25 million fair value loss on Veresen Midstream's cross currency swap, offset by a $1 million foreign exchange loss and a $23 million foreign exchange gain on the revaluation of Veresen Midstream's US dollar denominated Term Loan. During the same periods last year, results included a $9 million and $5 million fair value loss on the cross currency swap, offset by a $6 million and $1 million foreign exchange gain on the revaluation of the Term Loan. There were no operating earnings or distributions from Veresen Midstream during the first quarter of 2015 as its operating assets, including Hythe/Steeprock, were not acquired until March 31, 2015.

As at June 30, 2016, Veresen Midstream had fully drawn its US$575 Term Loan B and $623 million from its $1,275 million (100%) expansion credit facility, using the proceeds to fund both the initial acquisition of assets from Encana and CRP and ongoing construction. By the end of the second quarter of 2016, Veresen Midstream had invested $914 million (100%) in the Sunrise, Tower and Saturn Phase II facilities.

Hythe/Steeprock

In the first quarter of 2015, the Hythe/Steeprock assets, while wholly owned by us, generated $20 million of distributable cash and $11 million of net income prior to the Veresen Midstream transaction closing on March 31, 2015. Fee volumes at Hythe/Steeprock averaged 394 mmcf/d for the three months ending March 31, 2015. During the first quarter of 2015, the Hythe/Steeprock facilities operated at reliability factors near 100%.

Aux Sable

NGL Market Overview

	Three months ended June 30		Six months ended June 30	
	2016	2015	**2016**	2015
Average USGC ethane margin (US$/gallon)	**0.05**	0.01	**0.04**	0.00
Average USGC propane plus margin (US$/gallon)	**0.36**	0.30	**0.31**	0.32
Average USGC propane (US$/gallon)	**0.49**	0.47	**0.44**	0.50
Average Henry Hub natural gas (US$/mmbtu)	**2.24**	2.74	**2.11**	2.79
Average Chicago Citygate natural gas (US$/mmbtu)	**2.09**	2.70	**2.07**	3.00
Average WTI crude oil (US$/bbl)	**45.59**	57.94	**39.52**	53.29
Average Chicago - AECO differential ($/mmbtu)	**1.31**	0.66	**1.13**	1.03

U.S. Gulf Coast ("USGC") ethane margins improved towards the end of the second quarter, driven by the completion of planned turnarounds in June, bringing approximately 3.6 billion pounds per year of ethylene capacity back online which translates to roughly 90 mbbls/d of additional ethane demand. In addition, ethane is currently the most preferred feedstock for ethylene production, generating more favourable net margins over normal butane and propane.

Continuing high inventory levels in the U.S. during the second quarter of 2016 kept USGC propane plus prices relatively consistent with the same period last year. U.S. propane stocks ended the quarter at 81 million barrels, one million barrels higher than the same period last year and 23 million barrels above the five-year average. Strong crop-drying demand, full export utilization and a cold winter are needed to provide relief for the persistent inventory overhang. Improving propane plus margins during the quarter relative to the same period last year, increasing US$0.06 per gallon, was mostly driven by lower natural gas prices. USGC propane prices averaged US$0.49 per gallon in the second quarter of 2016 compared to US$0.47 per gallon during the same period in 2015.

Natural gas prices in the second quarter of 2016 followed the same trend seen with ethane prices, increasing towards the end of the second quarter of 2016 as a result of exceptionally warm temperatures throughout the U.S. driving demand for more power generation. The Chicago Citygate gas price averaged US$2.09 per mmbtu in the second quarter of 2016, decreasing $0.61 per mmbtu compared to the same period last year. In contrast, the AECO gas market did not see any significant weather related increase in demand, resulting in a widening AECO - Chicago gas price differential in the second quarter of 2016.

Operational Highlights

	Three months ended June 30		Six months ended June 30	
	2016	2015	**2016**	2015
Average volume receipts (mmcf/d)				
Prairie Rose Pipeline	**103**	103	**101**	100
Average sales (mmcf/d)				
Ethane	**41**	25	**32**	21
Propane plus	**50**	46	**48**	47
Total NGLs	**91**	71	**80**	68

During the three and six months ended June 30, 2016, Aux Sable processed nearly 95% and 97% of the natural gas delivered by Alliance compared to 94% and 91% for the same periods last year. The increase is primarily attributed to lower processing in 2015 due to bypassing volumes resulting from uneconomic margins, as well as planned and unplanned downtime.

Receipts into the Prairie Rose Pipeline in North Dakota averaged 103 mmcf/d and 101 mmcf/d during the three and six months ended June 30, 2016, consistent with the 103 mmcf/d and 100 mmcf/d realized during the same periods last year.

Propane plus sales volumes increased to 50 mbbls/d during the second quarter of 2016 from 46 mbbls/d during the same period last year resulting from reinjection due to oversupply in the market in 2015 . Aux Sable produced 41 mbbls/d of ethane during the second quarter, increasing from the same period last year due to higher local demand.

Financial Highlights

Components of Aux Sable Equity Income:

	Three months ended June 30		Six months ended June 30	
(Veresen's share; $ Millions)	**2016**	2015	**2016**	2015
Margin based lease revenues recognized	**-**	1	**-**	2
Pipeline capacity margin	**(2)**	(1)	**(3)**	-
Other margin based activities	**2**	(3)	**1**	(1)
Fixed fee activities	**11**	10	**22**	19
General, administrative, operating and maintenance	**(7)**	(6)	**(13)**	(10)
Provision for potential customer settlement	**-**	(16)	**-**	(16)
Depreciation, amortization and other	**(5)**	(4)	**(10)**	(7)
Net loss before tax / equity loss	**(1)**	(19)	**(3)**	(13)
Distributable cash	**5**	1	**6**	10

For the three and six months ended June 30, 2016, Aux Sable generated $5 million and $6 million of distributable cash and a $1 million and $3 million net loss before tax, compared to $1 million and $10 million of distributable cash and a $19 million and $13 million in net loss before tax during the same periods last year.

During the second quarter of 2016, Aux Sable's NGL Sales Agreement continued to provide downside protection against the weak NGL market environment, delivering the fixed fee and covering the Channahon facility's operating costs with no margin based lease revenues being generated. The slight improvement in NGL fractionation margins is not reflected in the financial results at Aux Sable's Channahon facility as the NGL Sales Agreement provides for the counterparty to recover losses incurred earlier in the year before any margins are shared.

Aux Sable's other margin-based activities increased this quarter relative to the same period last year due to higher NGL fractionation margins realized at its Palermo Conditioning Plant in North Dakota.

A $16 million provision was recognized in the second quarter of 2015 in respect of potential adjustments relating to Aux Sable customer obligations.

The decrease in year-to-date distributable cash and net loss before tax represents the same factors discussed above and the weak NGL market environment in the first quarter of 2016 relative to the same period last year.

Power Business

	Three months ended June 30		Six months ended June 30	
($ Millions, except where noted)	**2016**	2015	**2016**	2015
Gain (loss) on interest rate hedges	**(3)**	5	**(10)**	-
Other equity income	**2**	1	**6**	2
Equity income (loss)	**(1)**	6	**(4)**	2
EBITDA from wholly and majority-owned businesses	**14**	8	**26**	20
Depreciation and amortization	**(10)**	(7)	**(19)**	(14)
Interest and other finance	**(2)**	(3)	**(5)**	(5)
Foreign exchange and other	**-**	-	**-**	-
Net income (loss) before tax	**1**	4	**(2)**	3
Distributable cash	**12**	7	**24**	19
Volumes (GWh)				
Gross	**256**	179	**512**	372
Net	**209**	155	**417**	315

Operational Highlights

For the three and six months ended June 30, 2016, our power facilities operated in line with our expectations, providing consistent earnings compared to the same periods last year. Our BC run-of-river hydro facilities benefited from higher water flows in 2016, and our St. Columban and Grand Valley Phase III wind facilities, which commenced operations in the second half of 2015, have performed reliably.

Financial Highlights

For the three and six months ended June 30, 2016, distributable cash was $12 million and $24 million compared to $7 million and $19 million generated during the same periods last year. The incremental earnings from our St. Columban and Grand Valley Phase III wind facilities and higher water flows at our BC run-of-river hydro facilities provided the $5 million increase in the second quarter of 2016 compared to the same period last year. The year-to-date increase in earnings reflects the same factors impacting the second quarter, offset by lower earnings

from our gas-fired and district energy businesses in the first quarter of 2016 relative to the same period in 2015 as a result of mild winter weather in eastern Canada.

Net income before tax in the second quarter and net loss before tax on a year-to-date basis in 2016 reflect losses on interest rate hedges and incremental depreciation on our new facilities relative to the same periods last year.

Veresen-Corporate

	Three months ended June 30		Six months ended June 30	
($ Millions)	**2016**	2015	**2016**	2015
Equity loss	**2**	4	**5**	7
General & administrative	**7**	9	**16**	17
Project development	**38**	19	**78**	37
Depreciation and amortization	**1**	1	**2**	1
Interest and other finance	**8**	8	**16**	20
Foreign exchange and other	**-**	(2)	**-**	(4)
Net expenses before tax	**56**	39	**117**	78
Distributable cash	**(16)**	(15)	**(32)**	(34)

For the three and six months ended June 30, 2016, we incurred $56 million and $117 million of net corporate expenses before taxes, a $17 million and $39 million increase compared to the same periods last year. The increase in the second quarter reflects higher project development spending related to our Jordan Cove LNG project, due to the cost of running a competitive bid process for the lump-sum turn-key contract for the construction of the terminal.

The increase in corporate costs during the six months ending June 30, 2016, reflect the same factors impacting the second quarter, partially offset by higher interest costs in the first quarter of 2015 driven by higher debt levels relating to the acquisition of Ruby at the end of 2014.

Taxes

	Three months ended June 30		Six months ended June 30	
($ Millions)	**2016**	2015	**2016**	2015
Net income before tax	**20**	5	**42**	80
Current tax	**(3)**	(1)	**(5)**	(21)
Deferred tax	**(1)**	1	**(8)**	-
Total tax	**(4)**	-	**(13)**	(21)
Effective rate	**20%**	0%	**31%**	26%

Our effective tax rate for the three and six months ended June 30, 2016 is comparatively higher to the same periods in 2015 as a result of the mix of income between the U.S. and Canada and the U.S.-based organizational restructuring we implemented on January 1, 2016 which, while deferring cash taxes with the exception of Part VI.1 taxes on our Preferred Share dividends for approximately the next five years, resulted in a taxable capital gain.

LIQUIDITY AND CAPITAL RESOURCES

	Three months ended June 30		Six months ended June 30	
($ Millions, except where noted)	**2016**	2015	**2016**	2015
Cash flows				
Operating activities	**66**	101	**114**	134
Investing activities	**(41)**	(19)	**(184)**	418
Financing activities	**(38)**	(64)	**56**	(512)

	June 30, 2016		December 31, 2015	
Cash and short-term investments	**42**		58	
Capitalization				
Senior debt [(1)]	**1,220**	**30%**	1,089	26%
Shareholders' equity	**2,913**	**70%**	3,087	74%
	4,133	**100%**	4,176	100%

(1) Includes current portion of long-term senior debt.

In 2015 we advanced our goal of reducing leverage and borrowing costs and improving liquidity. We used cash proceeds from the Veresen Midstream transaction and issuance of preferred shares in the first half of 2015 to repay a portion of our credit facility used to fund the 2014 acquisition of Ruby. As a result of these transactions, we reduced our debt to total capitalization ratio from 42% at the beginning of 2015 to 26% and 30% at the end of 2015 and the second quarter of 2016, respectively.

Historically, we relied on cash from equity issuances to fund growth capital projects. With our transition to a growth oriented business and the funding plan announced August 3, 2016 (see *Recent Activities* section of this MD&A), we now expect to utilize proceeds from the sale of our power business, cash from operations and drawings on our Revolving Credit Facility to fund liabilities as they become due, finance capital expenditures, fund debt repayments, pay dividends and to provide flexibility for new investment opportunities. As at June 30, 2016, we had $750 million of committed credit facilities of which $298 million was drawn, including $19 million in letters of credit.

As at June 30, 2016, we had cash and short-term investments of $42 million (December 31, 2015 - $58 million and a non-cash working capital deficit of $182 million (December 31, 2015 - $17 million deficit). Non-cash working capital as at June 30, 2016 reflects the reclassification of our $300 million 3.95% medium term notes that mature on March 14, 2017.

Investing Activities

For the six months ended June 30, 2016, we used $184 million of cash to fund our investing activities, compared to $418 million of cash flow generated in the same period last year. Significant investing activities for the six months ended June 30, 2016 and 2015 are presented in the table below.

	Six months ended June 30	
($ Millions)	**2016**	2015
Acquisitions and dispositions		
Proceeds from sale of assets	**-**	420
Investments in jointly-controlled businesses		
Equity contributions	**(151)**	(27)
Return of capital	**6**	25
	(145)	(2)
Capital expenditures		
Burstall	**(26)**	-
Dasque-Middle run-of-river hydro facility	**-**	(5)
St. Columban wind project	**(11)**	(16)
Other capital expenditures	**(5)**	(11)
	(42)	(32)
Other	**3**	(2)
Cash provided in discontinued operations	**-**	34
Investing	**(184)**	418

Financing Activities

For the six months ended June 30, 2016, we had a net cash inflow of $56 million from our financing activities, compared to a net outflow of $512 million for the same period last year. Financing activities for the six months ended June 30, 2016 and 2015 included:

	Six months ended June 30	
($ Millions)	**2016**	2015
Common Share dividend payments	**(57)**	(51)
Net draws on Revolving Credit Facility	**132**	(1)
Senior debt repayments	**(6)**	(620)
Preferred Shares issued, net of issue costs	**-**	194
Preferred Share dividend payments	**(13)**	(11)
Advances to jointly-controlled businesses	**-**	(23)
Financing	**56**	(512)

Equity Financing Activities

Commencing with the cash dividend payable to shareholders of record on October 31, 2014, eligible shareholders were able to participate in the Premium Dividend™ component of the Dividend Reinvestment Plan ("DRIP") which entitled such shareholders to reinvest their dividends in Common Shares issued from treasury and to have such Common Shares exchanged for a premium cash payment equal to 102% of the cash dividend that such shareholders would otherwise be entitled to receive on the applicable dividend payment date. The availability of the Premium Dividend™ (Trademark of Canaccord Genuity Corp.) to shareholders has substantially increased participation in our DRIP program, providing us with additional cash to fund our various growth initiatives

As discussed in the *Recent Activities* section of this MD&A, we are suspending the DRIP commencing with the August 2016 dividend.

Debt Financing Activities

On March 31, 2015 we used the $420 million in cash we received from Veresen Midstream to partially repay our Acquisition Credit Facility related to the Ruby acquisition in the fourth quarter of 2014. Proceeds from our April 1, 2015 issuance of the Series E Preferred Shares were further used to repay a portion of the Acquisition Credit Facility.

On July 31, 2015, our Revolving Credit Facility was increased from $550 million to $750 million and the term extended such that it now matures on May 31, 2019.

DIVIDENDS

Policy

Our general dividend policy is to establish and maintain a sustainable and stable monthly dividend, having regard for forecast distributable cash and our growth capital requirements.

We pay dividends on our Common Shares on a monthly basis to common shareholders of record as at the last business day of each month on the 23rd day of the month following such record date, or if not a business day, then on the preceding business day.

Holders of our Cumulative Redeemable Preferred Shares are entitled to receive fixed cumulative preferential cash dividends, if and when declared by our Board of Directors, at specified rates, detailed below, payable quarterly.

Preferred Shares	Face Value ($ Millions)	Annual Dividend Rate	Dividend Rate Reset Date
Series A	200	4.40%	September 30, 2017 and every five years thereafter based on then-market rates
Series C	150	5.00%	March 31, 2019 and every five years thereafter based on then-market rates
Series E	200	5.00%	June 30, 2020 and every five years thereafter based on then-market rates

Sustainability of Dividends and Productive Capacity

We intend to continue to pay dividends, although such dividends are not guaranteed and do not represent a legal obligation. The sustainability of such dividends is a function of several factors including, among other things:

- earnings and cash flows we generate;
- ongoing maintenance of each business's physical and economic productive capacity;
- our ability to comply with debt covenants and refinance debt as it comes due; and
- our ability to satisfy any applicable legal requirements.

For a complete discussion of the significant risks and uncertainties affecting us, see the "Risks" section contained in our 2015 MD&A.

Dividends Paid/Payable Relative to Cash from Operating Activities and Net Income Attributable to Common Shares

	Three months ended June 30		Six months ended June 30	
($ Millions)	**2016**	2015	**2016**	2015
Cash from operating activities	**66**	101	**114**	134
Net income (loss) attributable to Common Shares	**9**	(12)	**16**	38
Dividends paid/payable	**76**	71	**152**	143
Less dividends paid in Common Shares under DRIP	**(50)**	(45)	**(97)**	(92)
Net dividends paid/payable	**26**	26	**55**	51
Excess of cash from operating activities over net dividends paid/payable	**40**	75	**59**	83
Deficiency of net income attributable to Common Shares over net dividends paid/payable	**(17)**	(38)	**(39)**	(13)

The excess of cash from operating activities over net dividends paid/payable generally represents the cash we use for maintenance capital expenditures, scheduled amortization of any long-term debt, and cash we retain to fund growth.

Net income attributable to Common Shares is generally less than dividends paid/payable as our net income includes certain non-cash expenses such as depreciation and deferred tax, and can include unrealized foreign exchange and fair value gains and losses which are not reflected in calculating the amount of cash available for the payment of dividends. In the first quarter of 2015, net income attributable to Common Shares exceeded dividends paid/payable due to the $37 million gain relating to the sale of our Hythe/Steeprock assets to Veresen Midstream.

FINANCIAL INSTRUMENTS

We and our jointly-controlled businesses periodically enter into interest rate hedges to manage interest rate exposures. For the three and six months ended June 30, 2016, equity income and loss from our Power business includes a $3 million and $10 million unrealized mark-to-market loss ($2 million and $7 million after tax), associated with interest rate hedges. For the same periods last year, equity income from our Power business includes a $5 million and $nil unrealized mark-to-market gain ($3 million and $ nil after tax).

During the first quarter of 2015, Veresen Midstream entered into a cross currency swap to manage both interest rate and foreign exchange rate exposures on its US$575 drawn Term Loan B. For the three and six months ended June 30, 2016, equity income from Veresen Midstream includes a $2 million and $25 million unrealized mark-to-market loss ($1 million and $18 million after tax), associated with the cross currency swap. For the same periods last year, equity income and loss from Veresen Midstream includes a $9 million and $5 million unrealized mark-to-market loss ($7 million and $3 million after tax).

CONTRACTUAL OBLIGATIONS AND COMMITMENTS

On April 15, 2015, Aux Sable received a Notice and Finding of Violation from the United States Environmental Protection Agency ("EPA") for exceedances of permitted limits for Volatile Organic Compounds at Aux Sable's Channahon, Illinois Facility. Aux Sable is engaged in discussions with the EPA to resolve the matter. The initial EPA proposal confirms the settlement amount will not be material.

NEW ACCOUNTING STANDARDS

Adoption of New Standards

Effective January 1, 2016, the we adopted Accounting Standards Update ("ASU") 2014-10, "*Development Stage Entities: Elimination of Certain Financial Reporting Requirements, Including an Amendment to Variable Interest Entities Guidance in Topic 810, Consolidation*". This ASU eliminates the concept of a development-stage entity from US GAAP along with the associated presentation and disclosure requirements for development-stage entities. The consolidation guidance was also amended to eliminate the development stage entity relief when applying the variable interest entity model and evaluating the sufficiency of equity at risk. This guidance was applied retrospectively and did not have a material impact to us.

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NON-GAAP FINANCIAL MEASURES

Certain financial measures referred to in this MD&A are not measures recognized under US GAAP. These non-GAAP financial measures do not have standardized meanings prescribed by US GAAP and therefore may not be comparable to similar measures presented by other entities. We caution investors not to construe these non-GAAP financial measures as alternatives to other measures of financial performance calculated in accordance with US GAAP. We further caution investors not to place undue reliance on any one financial measure.

We provide the following non-GAAP financial measures to assist investors with their evaluation of us, including their assessment of our ability to generate distributable cash to fund monthly dividends. We consider these non-GAAP financial measures, together with other financial measures calculated in accordance with US GAAP, to be important factors that assist investors in assessing performance.

Distributable Cash - represents the cash we have available for distribution to common shareholders after providing for debt service obligations, Preferred Share dividends, and any maintenance and sustaining capital expenditures. Distributable cash does not include distribution reserves, if any, available in jointly-controlled businesses, project development costs, or costs incurred in conjunction with acquisitions and dispositions. Project development costs are discretionary, non-recoverable costs incurred to assess the commercial viability of greenfield business initiatives unrelated to our operating businesses. We consider acquisition and disposition costs, including associated taxes, to be unrelated to our operating businesses. The investment community uses

distributable cash to assess the source and sustainability of our dividends. The following is a reconciliation of distributable cash to cash from operating activities.

Reconciliation of Distributable Cash to Cash From Operating Activities

	Three months ended June 30		Six months ended June 30	
($ Millions)	**2016**	2015	**2016**	2015
Cash from operating activities	**66**	101	**114**	134
Add (deduct):				
Project development costs [1]	**38**	19	**78**	37
Change in non-cash working capital and other	**5**	(57)	**15**	(18)
Loan of operating cash flow from jointly controlled business [2]	**-**	3	**-**	3
Principal repayments on senior notes	**(3)**	(3)	**(6)**	(6)
Maintenance capital expenditures	**(2)**	(1)	**(3)**	(2)
Distributions earned less than distributions received [3]	**(3)**	9	**(10)**	8
Preferred Share dividends	**(7)**	(7)	**(13)**	(11)
Distributable cash	**94**	64	**175**	145

(1) Represents costs incurred by us in relation to projects where the recoverability of such costs has not yet been established. Amounts incurred for the three and six months ended June 30, 2016 relate primarily to the Jordan Cove LNG terminal project and the Pacific Connector Gas Pipeline project.

(2) We have been provided a loan by the York Energy Centre, a jointly-controlled business. The loan is non-interest bearing and is due on demand. As at June 30, 2016, the balance outstanding is $9 million (June 30, 2015 - $3 million). The loan is intended to provide us with operating cash flows from the York Energy Centre in a more tax efficient manner.

(3) Represents the difference between distributions declared by jointly-controlled businesses and distributions received.

Distributable Cash per Common Share - reflects the per common share amount of distributable cash calculated based on the average number of common shares outstanding on each record date.

EBITDA - refers to earnings before interest, tax, depreciation and amortization. EBITDA is reconciled to net income before tax by deducting interest, depreciation and amortization, and asset impairment losses, if any. The investment community uses this measure, together with other measures, to assess the source and sustainability of cash distributions.

Adjusted Net Income attributable to Common Shares - represents net income adjusted for specific items that are significant, but are not reflective of our underlying operations. Specific items are subjective, however, we use our judgement and informed decision-making when identifying items to be included or excluded in calculating adjusted net income. Specific items may include, but are not limited to, certain income tax adjustments, gains or losses on sales of assets, certain fair value adjustments, and asset impairment losses. We believe our use of adjusted net income attributable to Common Shares provides useful information to us and our investors by improving the ability to compare financial results among reporting periods, and by enhancing the understanding of our operating performance and our ability to fund distributions. The following is a reconciliation of adjusted net income attributable to Common Shares to net income attributable to Common Shares.

	Three months ended June 30		Six months ended June 30	
($ Millions)	**2016**	2015	**2016**	2015
Adjusted net income attributable to Common Shares	**13**	11	**31**	38
Extraordinary loss, net of tax [1]	**-**	(10)	**-**	(10)
Midstream - gain on sale of assets [2]	**-**	-	**-**	37
Midstream - unrealized gain (loss) on revaluation of Veresen Midstream debt [3]	**(1)**	6	**23**	1
Midstream - unrealized gain (loss) on Veresen Midstream cross currency swap [4]	**(2)**	(9)	**(25)**	(5)
Midstream - write-down of deferred financing costs [5]	**-**	(2)	**-**	(2)
Midstream - potential customer settlement [6]	**-**	(16)	**-**	(16)
Power - unrealized loss on interest rate hedge [7]	**(3)**	5	**(10)**	-
Taxes [8]	**2**	6	**4**	(2)
Effect of Alberta corporate tax rate increase [9]	**-**	(3)	**-**	(3)
Capital gains tax on U.S.-based organizational restructuring [10]	**-**	-	**(7)**	-
Net income attributable to Common Shares	**9**	(12)	**16**	38

Net income attributable to Common Shares includes the following items which are non-operating in nature and/or unusual items and which we do not expect to recur:

(1) Loss due to the de-recognition of regulatory assets and liabilities related to Alliance.
(2) Gain on the sale of the Hythe/Steeprock assets to Veresen Midstream on March 31, 2015.
(3) Gain (loss) on the revaluation of US dollar-denominated Term Loan B held by Veresen Midstream.
(4) Gain (loss) on the Veresen Midstream cross currency swap entered into to hedge the impact of changes in foreign exchange and interest rates on the Term Loan B held by Veresen Midstream.
(5) Adjustment to deferred financing costs related to fees incurred on a modification to Veresen Midstream's debt.
(6) Provision recognized in the second quarter of 2015 in respect of potential adjustments related to Aux Sable customer obligations.
(7) Loss on revaluation of interest rate hedges held by York Energy Centre and Grand Valley II.
(8) The related taxes on the adjusting items described above.
(9) Impact of increased corporate income tax rate in province of Alberta.
(10) Capital gains tax arising from our U.S.-based organizational restructuring effective January 1, 2016

SELECTED QUARTERLY FINANCIAL INFORMATION

	2016		2015				2014	
($ Millions, except where noted)	**Q2**	Q1	Q4	Q3 [1]	Q2 [1]	Q1 [1]	Q4 [1]	Q3 [1]
Operating revenues	**38**	37	40	38	37	72	68	68
Net income (loss) attributable to Common Shares	**9**	7	14	8	(12)	50	21	3
Net income (loss) per Common Share ($) – basic and diluted	**0.03**	0.02	0.05	0.03	(0.04)	0.17	0.08	0.01
Distributable cash	**94**	81	93	71	65	81	68	55
Distributable cash per Common Share ($) – basic and diluted	**0.30**	0.27	0.31	0.25	0.22	0.28	0.26	0.24
Cash from operating activities	**66**	48	76	77	101	33	71	50

(1) Comparative figures in this table have been reclassified. See Note 5 in our December 31, 2014 consolidated financial statements

Significant items that affected quarterly financial results include the following:

- Second quarter 2016 reflected strong cash flows from Alliance and higher Jordan Cove related spending
- First quarter 2016 reflects strong earnings from Alliance under its new service model, a continuation of low fractionation margins impacting Aux Sable and higher Jordan Cove related spending
- Fourth quarter 2015 reflected a continuation of low fractionation margins at Aux Sable and higher Jordan Cove-related spending.
- Third quarter 2015 reflected lower earnings from Aux Sable driven by low fractionation margins.
- Second quarter 2015 reflected lower earnings from Aux Sable driven by low fractionation margins and the provision recognized relating to Aux Sable customer obligations.

- First quarter 2015 reflected a full quarter of Ruby distributions and higher Jordan Cove-related project development costs.
- Fourth quarter 2014 reflected new distributions received from Ruby, higher Jordan Cove-related project development costs and lower earnings from Aux Sable driven by weak commodity prices.
- Third quarter 2014 reflected lower earnings from Aux Sable and higher Jordan Cove related project development costs.

DISCLOSURE CONTROLS AND PROCEDURES

Disclosure controls and procedures are designed to provide reasonable assurance that all relevant information is gathered and reported to senior management, including the President & Chief Executive Officer (CEO) and Senior Vice President, Finance and Chief Financial Officer (CFO), on a timely basis so appropriate decisions can be made regarding public disclosure.

We have evaluated the effectiveness of the design and operation of our disclosure controls and procedures, under the supervision of our CEO and CFO. Based on this evaluation, we concluded the disclosure controls and procedures, as defined in National Instrument 52-109, were effective as of June 30, 2016.

INTERNAL CONTROLS OVER FINANCIAL REPORTING

We are responsible for establishing and maintaining adequate internal controls over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with US GAAP. We assessed the design and effectiveness of internal controls over financial reporting as at June 30, 2016, and, based on that assessment, determined the design and operating effectiveness of internal controls over financial reporting was effective. However, because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements on a timely basis.

No changes were made to internal controls over financial reporting during the period ended June 30, 2016 that have materially affected, or are reasonably likely to materially affect, internal controls over financial reporting.

Veresen Inc.

Consolidated Statement of Financial Position

(Canadian $ Millions; number of shares in Millions; unaudited)	June 30, 2016	December 31, 2015
Assets		
Current assets		
Cash and short-term investments	42	58
Restricted cash	3	7
Distributions receivable	55	52
Accounts receivable and other	39	36
Due from jointly-controlled businesses (note 14)	43	-
Assets held for sale (note 10)	80	-
	262	153
Investments in jointly-controlled businesses (note 4)	1,372	1,312
Investments held at cost (note 7)	1,862	1,981
Pipeline, plant and other capital assets (note 3)	871	919
Intangible assets (note 3)	152	151
Due from jointly-controlled businesses (note 14)	3	42
Other assets	6	2
	4,528	4,560
Liabilities		
Current liabilities		
Payables	58	65
Deferred revenue	2	2
Dividends payable	26	25
Current portion of long-term senior debt (note 5)	313	13
	399	105
Long-term senior debt (note 5)	907	1,076
Deferred tax liabilities	271	256
Other long-term liabilities	38	36
	1,615	1,473
Shareholders' Equity		
Share capital (note 6)		
Preferred shares	536	536
Common shares (311 and 299 outstanding at June 30, 2016 and December 31, 2015, respectively)	3,448	3,354
Additional paid-in capital (note 4)	28	4
Cumulative other comprehensive income	203	359
Accumulated deficit	(1,302)	(1,166)
	2,913	3,087
	4,528	4,560

Commitments and Contingencies (note 11)
Variable Interest Entities (note 13)

See accompanying Notes to the Consolidated Financial Statements

Veresen Inc.

Consolidated Statement of Income

(Canadian $ Millions, except per Common Share amounts (note 6); unaudited)	**Three months ended June 30**		**Six months ended June 30**	
	2016	**2015**	**2016**	**2015**
Equity income (note 4)	41	12	88	42
Dividend income	29	27	60	55
Operating revenues	38	38	75	110
Operations and maintenance	(14)	(17)	(29)	(45)
General and administrative	(10)	(15)	(23)	(27)
Project development	(38)	(19)	(78)	(37)
Depreciation and amortization	(15)	(11)	(28)	(31)
Interest and other finance	(11)	(12)	(23)	(28)
Foreign exchange and other (note 7)	-	2	-	4
Gain on sale of assets (note 3)	-	-	-	37
Net income before tax	20	5	42	80
Current tax	(3)	(1)	(5)	(21)
Deferred tax	(1)	1	(8)	-
Net income, before extraordinary loss	16	5	29	59
Extraordinary loss, net of tax (note 12)	-	(10)	-	(10)
Net income (loss)	16	(5)	29	49
Preferred Share dividends	(7)	(7)	(13)	(11)
Net income (loss) attributable to Common Shares	9	(12)	16	38
Continuing operations	0.03	-	0.05	0.17
Extraordinary loss	-	(0.04)	-	(0.04)
Net income (loss) per Common Share	0.03	(0.04)	0.05	0.13

Consolidated Statement of Comprehensive Income (Loss)

(Canadian $ Millions; unaudited)	**Three months ended June 30**		**Six months ended June 30**	
	2016	**2015**	**2016**	**2015**
Net income (loss)	16	(5)	29	49
Other comprehensive income (loss)				
Unrealized foreign exchange gain (loss) on translation	8	(40)	(156)	162
Other comprehensive income (loss)	8	(40)	(156)	162
Comprehensive income (loss)	24	(45)	(127)	211
Preferred Share dividends	(7)	(7)	(13)	(11)
Comprehensive income (loss) attributable to Common Shares	17	(52)	(140)	200

See accompanying Notes to the Consolidated Financial Statements

Veresen Inc.

Consolidated Statement of Cash Flows

(Canadian $ Millions; unaudited)	Three months ended June 30		Six months ended June 30	
	2016	**2015**	**2016**	**2015**
Operating				
Net income (loss)	16	(5)	29	49
Equity income	(41)	(12)	(88)	(42)
Distributions from jointly-controlled businesses	65	49	133	101
Depreciation and amortization	15	11	28	31
Foreign exchange and other non-cash items	(1)	7	1	10
Deferred tax	1	(1)	8	-
Gain on sale of assets (note 3)	-	-	-	(37)
Extraordinary loss, net of tax (note 12)	-	10	-	10
Changes in non-cash working capital (note 9)	11	42	3	12
	66	101	114	134
Investing				
Proceeds from sale of assets (note 3)	-	-	-	420
Proceeds from sale of discontinued operations	-	-	-	34
Investments in jointly-controlled businesses	(15)	(13)	(151)	(27)
Return of capital from jointly-controlled businesses	5	-	6	25
Pipeline, plant and other capital assets	(34)	(6)	(42)	(32)
Other	3	-	3	(2)
	(41)	(19)	(184)	418
Financing				
Long-term debt repaid	(4)	(198)	(6)	(620)
Net change in credit facilities	-	(3)	132	(1)
Preferred Shares issued, net of issue costs	-	194	-	194
Common Share dividends paid	(27)	(27)	(57)	(51)
Preferred Share dividends paid	(7)	(7)	(13)	(11)
Advances to jointly-controlled businesses	-	(23)	-	(23)
	(38)	(64)	56	(512)
Increase (decrease) in cash and short-term investments	(13)	18	(14)	40
Effect of foreign exchange rate changes on cash and short-term investments	1	(2)	(2)	3
Cash and short-term investments at the beginning of the period	54	78	58	51
Cash and short-term investments at the end of the period	42	94	42	94

See accompanying Notes to the Consolidated Financial Statements

Veresen Inc.

Consolidated Statement of Shareholders' Equity

(Canadian $ Millions; unaudited)	Six months ended June 30 2016	2015
Preferred Shares		
January 1	536	342
Series E Preferred Shares issued, net of issue costs	-	194
Balance at the end of the period	536	536
Common Shares		
January 1	3,354	3,186
Common Shares issued under Premium Dividend and Dividend Reinvestment Plan ("DRIP")	94	77
Balance at the end of the period	3,448	3,263
Additional paid-in capital		
January 1	4	4
Additional paid-in capital (note 4)	24	-
Balance at the end of the period	28	4
Cumulative other comprehensive income		
January 1	359	(65)
Other comprehensive income (loss)	(156)	162
Balance at the end of the period	203	97
Accumulated deficit		
January 1	(1,166)	(935)
Net income	29	49
Preferred Share dividends	(13)	(11)
Common Share dividends	(152)	(143)
Balance at the end of the period	(1,302)	(1,040)
Shareholders' Equity	2,913	2,860

See accompanying Notes to the Consolidated Financial Statements

Notes to the Consolidated Financial Statements

Three and six months ended June 30, 2016 and 2015
(Canadian $ Millions, except where noted; unaudited)

1. Basis of Presentation

These unaudited interim consolidated financial statements of Veresen Inc. (“Veresen” or the “Company”) have been prepared by management in accordance with accounting principles generally accepted in the United States of America (“US GAAP”).

Amounts are stated in millions of Canadian dollars unless otherwise indicated.

The preparation of financial statements in accordance with US GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, expenses, financial instruments and taxes. Actual amounts could differ from these estimates. Significant estimates used in the preparation of these consolidated financial statements relate to the determination of any impairment in the carrying value of long-term assets, the estimated useful lives over which certain assets are depreciated or amortized, and the measurement of asset retirement obligations, and contingencies.

These consolidated financial statements include the accounts of the Company and its subsidiaries. The Company consolidates its interest in entities over which it is able to exercise control. To the extent there are interests owned by other parties, the other parties’ interests are included in Non-Controlling Interest. Veresen accounts for its jointly-controlled businesses using the equity method, and its investment in Ruby Pipeline Holding Company LLC ("Ruby") using the cost method.

Other than as described in note 2, the accounting policies applied are consistent with those outlined in Veresen’s annual audited consolidated financial statements for the year ended December 31, 2015. The year-end balance sheet data was derived from audited financial statements but these interim financial statements do not include all disclosures required by US GAAP and should be read in conjunction with the December 31, 2015 audited consolidated financial statements. Operating results for the three and six months ended June 30, 2016 and June 30, 2015 are not necessarily indicative of the results for the full year.

In management’s opinion the interim consolidated financial statements contain all adjustments, consisting only of normal recurring adjustments, which management considers necessary to present fairly the Company’s financial position as at June 30, 2016 and results of operations and cash flows for the three and six months ended June 30, 2016 and 2015.

2. New Accounting Pronouncements

Adoption of New Standards

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In March 2016, the FASB issued ASU 2016-07, "*Investments - Equity Method and Joint Ventures: Simplifying the Transition to the Equity Method of Accounting*". This ASU eliminates the requirement for an investor to adjust the investment, results of operations, and retained earnings retroactively on a step-by-step basis as if the equity method had been in effect during all previous periods that the investment had been held, in the event that an investment qualifies for use of the equity method as a result of an increase in the level of ownership interest or degree of influence. This guidance is effective for annual and interim periods beginning after December 15, 2016, and is to be applied prospectively. The Company does not expect the standard to have a material impact.

3. Veresen Midstream Transaction

On December 22, 2014, a new entity, Veresen Midstream L.P. ("Veresen Midstream") was formed, which is jointly-controlled by the Company and affiliates of Kohlberg Kravis Roberts & Co L.P. ("KKR"), a global investment firm. On March 31, 2015, the Company funded its interest in Veresen Midstream by contributing its Hythe/Steeprock gathering and processing assets valued at $920 million, and in exchange received from Veresen Midstream $420 million in cash, resulting in a 50% equity position valued at $500 million. As at March 31, 2015, the net book value of the Hythe/Steeprock assets contributed was $839 million, resulting in a pre-tax gain on sale to the Company of $37 million attributable to the monetary portion of the transaction. KKR funded its 50% interest in Veresen Midstream by contributing $500 million in cash.

All of the Company's and half of KKR's Veresen Midstream equity are held in partnership units that are eligible to receive cash distributions. The remaining half of KKR's initial equity investment is in the form of payment-in-kind ("PIK") units which do not receive cash distributions and instead accrete at a rate equal to the cash yield on the remaining equity plus 4% per year. The PIK units are convertible to cash-paying units after four years at either KKR's or the Company's option. Such conversion of the PIK units will cause dilution in the Company's ownership interest in Veresen Midstream. As a result of cash distributions paid by Veresen Midstream, the Company's ownership decreased from 50% as at June 30, 2015 to 47.7% as at June 30, 2016. The Company and KKR will have equal governance rights in Veresen Midstream so long as either partner's equity interest remains above 35%.

4. Investments in Jointly-Controlled Businesses

Condensed financial information (100%) for the Company's jointly-controlled businesses:

	As at June 30, 2016					Six months ended June 30, 2016				As at June 30, 2016	Six months ended June 30, 2016
100%	Current Assets	Non-Current Assets	Current Liabilities[1]	Non-Current Liabilities[1]	Senior Debt	Revenues	Expenses	Profit (Loss) before Tax	Owner-ship (%)	Equity Investment	Equity Income (Loss)
Alliance Canada [2]	168	1,138	32	33	909	263	160	103	50	186	49
Alliance U.S. [3] [7]	59	1,137	41	16	545	212	120	92	50	252	46
Aux Sable Canada	35	104	36	7	6	185	184	1	50	44	-
ASLP [4] [7]	52	622	161	4	-	64	76	(12)	43	183	(4)
ASM [7]	24	293	17	1	-	115	107	8	43	126	4
ACM	10	3	19	-	-	42	50	(8)	43	(3)	(3)
York Energy Centre [5]	16	253	11	55	239	30	34	(4)	50	19	(2)
Grand Valley	10	169	1	9	149	13	16	(3)	75	14	(2)
Veresen Midstream [6]	140	2,572	247	18	1,314	168	159	9	48	502	5
Other [7] [8]	8	129	1	6	32	7	17	(10)	50	49	(5)
										1,372	**88**

	As at December 31, 2015					Six months ended June 30, 2015				As at December 31, 2015	Six months ended June 30, 2015
100%	Current Assets	Non-Current Assets	Current Liabilities [1]	Non-Current Liabilities [1]	Senior Debt	Revenues	Expenses	Profit (Loss) before tax	Owner-ship (%)	Equity Investment	Equity Income (Loss)
Alliance Canada [2]	132	1,177	33	24	954	241	174	67	50	178	28
Alliance U.S. [3] [7]	73	1,247	53	19	600	217	127	90	50	271	36
Aux Sable Canada	42	107	55	8	-	227	223	4	50	44	2
ASLP [4] [7]	48	620	168	6	-	38	71	(33)	43	171	(13)
ASM [7]	26	315	22	1	-	125	122	3	43	136	1
ACM	5	-	3	-	-	66	77	(11)	43	1	(3)
York Energy Centre [5]	15	265	10	44	247	36	27	9	50	27	3
Grand Valley	22	179	16	4	149	4	3	1	75	24	1
Veresen Midstream [6]	77	2,145	57	20	1,215	58	67	(9)	49	410	(4)
Other [7]	9	133	2	6	33	6	23	(17)	50	50	(9)
										1,312	**42**

Upon acquisition of investments accounted for under the equity method, the Company prepared purchase price allocations of the purchase price to the assets and liabilities of the underlying investee and adjusts equity method earnings for the amortization of purchase price adjustments allocated to depreciable assets.

(1) Current liabilities and non-current liabilities exclude senior debt.
(2) At June 30, 2016, the Company had a $46 million (December 31, 2015 - $48 million) increase in the carrying value of Alliance Canada compared to the underlying equity in the net assets primarily resulting from the purchase price discrepancy as part of the acquisitions in 1997, 2002, and 2003 resulting in 50% ownership.
(3) At June 30, 2016, the Company had a US$13 million (December 31, 2015 - US$ 14 million) decrease in the carrying value of Alliance U.S. compared to the underlying equity in the net assets primarily resulting from the purchase price discrepancy as part of the acquisitions in 1997, 2002, and 2003 resulting in 50% ownership.
(4) At June 30, 2016, the Company had a US$27 million (December 31, 2015 - US$ 28 million) decrease in the carrying value of ASLP compared to the underlying equity in the net assets primarily resulting from the purchase price discrepancy as part of the acquisitions in 1997, 2002, and 2003 resulting in 42.7% ownership. During the year ended December 31, 2015 a $32 million provision was recognized

in respect of potential adjustments relating to customer obligations and a US$3 million provision was recognized related to an alleged violation of the United States Environmental Protection Agency's ("EPA") Clean Air Act.

(5) At June 30, 2016, the Company had a $40 million (December 31, 2015 - $41 million) increase in the carrying value of York Energy Centre compared to the underlying equity in the net assets primarily resulting from the purchase price discrepancy as part of the acquisition in 2010 resulting in 50% ownership. Expenses include unrealized gains or losses on the interest rate hedge (note 7).

(6) At June 30, 2016, the Company had a $39 million (December 31, 2015 - $42 million) decrease in the carrying value of Veresen Midstream compared to the underlying equity in the net assets primarily resulting from the unrecognized gain on sale relating to the non-monetary portion of the Veresen Midstream transaction, which, on the date of acquisition, March 31, 2015, resulted in 50% ownership.

(7) Assets and liabilities of these investments have been translated into Canadian dollars using the exchange rate in effect at the balance sheet date and revenues and expenses have been translated into Canadian dollars at average exchange rates during the period.

(8) On June 16, 2016, the Company reached an agreement with Williams Partners Operating, LLC (“Williams”), the joint owner of Pacific Connector Gas Pipeline L.P. (“PCGP”), whereby Williams exchanged its interest in common shares for an interest in preferred shares. The restructuring of PCGP provided the Company with a controlling interest in PCGP, resulting in the Company consolidating the financial results of PCGP on a prospective basis. The non-cash transaction was accounted for as a business combination, which gave rise to an intangible asset ($38 million), deferred income tax liability ($14 million) and a non-controlling interest balance ($24 million), which was subsequently reclassified to paid in capital. Fair values were based on discounted probable future cash flows.

5. Long-term Debt

The $750 million Revolving Credit Facility matures on May 31, 2019. Outstanding advances bear interest based on various quoted floating rates plus a margin. At June 30, 2016, the Facility was drawn by $279 million (December 31, 2015 - $148 million).

The Company's $300 million 3.95% medium term notes mature on March 14, 2017. Consequently, these notes have been classified as a current liability on the statement of financial position.

6. Share Capital

Common Shares

The weighted average number of Common Shares outstanding used to determine net income per Common Share on a basic basis for the three and six months ended June 30, 2016 was 307,483,990 and 304,498,529 respectively (three and six months ended June 30, 2015 – 289,364,781 and 287,846,700).

Preferred Shares

On April 1, 2015, the Company issued 8 million Cumulative Redeemable Preferred Shares, Series E ("Series E Preferred Shares") at a price of $25 per Series E Preferred Share. The holders of Series E Preferred Shares are entitled to receive fixed cumulative preferential cash dividends at an annual rate of 5.00%, payable quarterly for an initial period up to but excluding June 30, 2020, if and when declared by the Board of Directors. The dividend rate will reset on June 30, 2020 and every five years thereafter at a rate equal to the sum of the then five-year Government of Canada bond yield plus 4.27%. The Series E Preferred Shares are redeemable by the Company, at the Company's option, on June 30, 2020 and on June 30 of every fifth year thereafter.

Holders of Series E Preferred Shares have the right to convert all or any part of their shares into Cumulative Redeemable Preferred Shares, Series F ("Series F Preferred Shares") subject to certain conditions, on June 30, 2020 and on June 30 of every fifth year thereafter. The holders of Series F Preferred Shares are entitled to receive quarterly floating rate cumulative dividends at a rate equal to the sum of the then 90-day Government of Canada treasury bill rate plus 4.27%.

7. Fair Value Measurement and Derivative Financial Instruments

Fair value is the amount of consideration that would be agreed upon in an arm's length transaction between knowledgeable, willing parties who are under no compulsion to act.

The fair values of financial instruments included in cash and short-term investments, restricted cash, distributions receivable, accounts receivable, due from jointly-controlled businesses, other assets, payables, dividends payable, and other long-term liabilities approximate their carrying amounts due to the nature of the item and/or the short time to maturity. The fair value of the investment held at cost is based on a number of factors, including the present value of anticipated distributable cash flows to be produced from the underlying operations of the Ruby investment. Assessing these cash flows required the use of assumptions related to the future demand for Ruby's operations, forecasted commodity prices and interest rates, anticipated economic conditions, timing of conversion of the preferred interest into a common equity interest, and other inputs, many of which are not available as observable market data. The fair values of senior debt are calculated by discounting future cash flows using discount rates estimated based on government bond rates plus expected spreads for similarly-rated instruments with comparable risk profiles.

The carrying value of investments held at cost are accounted for under the cost method. As part of the Company's impairment review, the Company performs a fair value assessment of the Company's investments held at cost on an annual basis using the most currently available information.

US GAAP establishes a fair value hierarchy that distinguishes between fair values developed based on market data obtained from sources independent of the reporting entity, and fair values developed using the reporting entity’s own assumptions based on the best information available in the circumstances. The levels of the fair value hierarchy are:

Level 1: Inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities.
Level 2: Inputs are other than the quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly.
Level 3: Inputs are not based on observable market data.

Veresen has categorized senior debt as Level 2. At June 30, 2016 senior debt had a carrying value of $1,220 million (December 31, 2015 – $1,089 million) and fair value of $1,269 million (December 31, 2015 – $1,143 million). The investment held at cost is categorized as Level 3. At June 30, 2016 the investment held at cost had a carrying value of $1,862 million (December 31, 2015 - $1,981 million) and a fair value of $1,976 million (December 31, 2015 - $2,010 million). The investment held at cost is denominated in US dollars and fluctuations in exchange rates will result in changes to its carrying value.

Financial instruments measured at fair value as at June 30, 2016 were:

	Level 1	Level 2	Level 3	Total
Cash and short-term investments		42		42
Restricted cash		3		3

Interest Rate Hedges

Veresen and its jointly-controlled businesses periodically enter into interest rate hedges to manage interest rate exposures. As at June 30, 2016, York Energy Centre Limited Partnership ("York Energy Centre") and Grand Valley II Limited Partnership ("Grand Valley II"), both jointly-controlled businesses, had interest rate hedges.

Future changes in interest rates will affect the fair value of the hedges, impacting the amount of unrealized gains or losses included in equity income from jointly-controlled businesses recognized in the period.
The following is a summary of the interest rate hedges in place as at June 30, 2016:

Jointly-Controlled Business	Variable Debt Interest Rate	Fixed Rate	Notional Amount (1)	Fair Value (1)	Term
York Energy Centre	CAD-BA-CDOR	4.36%	$120	$(28)	April 30, 2012 to June 30, 2032
Grand Valley II	CAD-BA-CDOR	2.31%	$85	$(6)	December 31, 2015 to December 31, 2033

The following is a summary of the interest rate hedge in place as at December 31, 2015:

Jointly-Controlled Business	Variable Debt Interest Rate	Fixed Rate	Notional Amount (1)	Fair Value (1)	Term
York Energy Centre	CAD-BA-CDOR	4.36%	$122	$(22)	April 30, 2012 to June 30, 2032
Grand Valley II	CAD-BA-CDOR	2.31%	$86	$(2)	December 31, 2015 to December 31, 2033

The fair values approximate the amount that York Energy Centre and Grand Valley II would have either paid or received to settle the contract, and are included in the Company's investments in York Energy Centre and Grand Valley II.

Cross Currency Swaps

As at June 30, 2016, Veresen Midstream, a jointly-controlled business, had one cross currency swap ("Swap"). This Swap was entered into to manage the exposure to changes in interest rates and foreign exchange whereby Veresen Midstream receives variable interest rates denominated in US dollars and pays fixed interest rates denominated in Canadian dollars. The Swap had an initial notional amount of US$575 million which declines over the 4-year swap facility, ending March 31, 2019. On May 28, 2015, resulting from the re-pricing of Veresen Midstream's US dollar denominated Term Loan, the Swap was amended and made effective March 31, 2015, resulting in a reduction of 75 basis points. Future changes in interest rates and exchange rates will affect the fair value of the Swap, impacting the amount of unrealized gains or losses included in equity income from jointly-controlled businesses recognized in the period.

The following is a summary of the cross currency swap in place as at June 30, 2016:

Jointly-Controlled Business	Variable Debt Interest Rate	Fixed Rate	Notional Amount (2)	Fair Value (2)	Term
Veresen Midstream	USD-BA-LIBOR	5.81%	$352	$3	March 31, 2015 to March 31, 2019

The following is a summary of the cross currency swap in place as at December 31, 2015:

Jointly-Controlled Business	Variable Debt Interest Rate	Fixed Rate	Notional Amount [2]	Fair Value [2]	Term
Veresen Midstream	USD-BA-LIBOR	5.81%	$383	$32	March 31, 2015 to March 31, 2019

The fair values approximate the amount that Veresen Midstream would have either paid or received to settle the contract, and are included in the Company's investment in Veresen Midstream.

(1) Veresen's interest in the York Energy Centre and Grand Valley II jointly-controlled businesses is 50% and 75% respectively.

(2) Veresen's interest in Veresen Midstream varies for items recognized within the consolidated statement of financial position and the consolidated statement of income. For the purposes of recognizing items in the consolidated statement of financial position, Veresen's ownership interest is based on Veresen's holdings on a fully diluted basis, as at the date of the statement of financial position. As at June 30, 2016, this ownership interest is 47.7%. For the purposes of recognizing items in the consolidated statement of income, Veresen's ownership interest is based on the weighted average of Veresen's holdings on a fully diluted basis during the financial statement period. For the three and six month periods ended June 30, 2016 this ownership interest is 48.1% and 48.3%, respectively.

8. Segmented Information

	Pipelines		**Midstream**		**Power**		**Corporate[1]**		**Total**	
Three months ended June 30	**2016**	2015	**2016**	2015	**2016**	2015	**2016**	2015	**2016**	2015
Equity income (loss)	**44**	32	**-**	(22)	**(1)**	6	**(2)**	(4)	**41**	12
Dividend income	**29**	27	**-**	-	**-**	-	**-**	-	**29**	27
Operating revenues	**12**	18	**-**	-	**26**	20	**-**	-	**38**	38
Operations and maintenance	**(5)**	(10)	**-**	-	**(9)**	(7)	**-**	-	**(14)**	(17)
General and administrative	**-**	(1)	**-**	-	**(3)**	(5)	**(7)**	(9)	**(10)**	(15)
Project development	**-**	-	**-**	-	**-**	-	**(38)**	(19)	**(38)**	(19)
Depreciation and amortization	**(4)**	(3)	**-**	-	**(10)**	(7)	**(1)**	(1)	**(15)**	(11)
Interest and other finance	**(1)**	(1)	**-**	-	**(2)**	(3)	**(8)**	(8)	**(11)**	(12)
Foreign exchange and other	**-**	-	**-**	-	**-**	-	**-**	2	**-**	2
Gain on sale of assets	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-
Net income (loss) before tax from continuing operations	**75**	62	**-**	(22)	**1**	4	**(56)**	(39)	**20**	5
Tax expense[2]	**-**	-	**-**	-	**-**	-	**(4)**	-	**(4)**	-
Net income (loss), before	**75**	62	**-**	(22)	**1**	4	**(60)**	(39)	**16**	5
Extraordinary loss, net of tax	**-**	(10)	**-**	-	**-**	-	**-**	-	**-**	(10)
Net income (loss)	**75**	52	**-**	(22)	**1**	4	**(60)**	(39)	**16**	(5)
Preferred Share dividends	**-**	-	**-**	-	**-**	-	**(7)**	(7)	**(7)**	(7)
Net income (loss) attributable to Common Shares	**75**	52	**-**	(22)	**1**	4	**(67)**	(46)	**9**	(12)
Total assets[3]	**2,537**	2,468	**899**	797	**1,023**	1,034	**69**	128	**4,528**	4,427
Capital expenditures[4]	**-**	-	**21**	-	**11**	4	**2**	2	**34**	6

(1) Reflects unallocated amounts applicable to Veresen’s head office activities.

(2) The Company holds its ownership interests in multiple business lines through partnerships, which are consolidated into various corporate entities. Consequently, the tax provision is determined on a consolidated basis and, as such, the Company is not able to present income tax by segment.

(3) After giving effect to intersegment eliminations and allocations to businesses.

(4) Reflects capital expenditures related only to wholly-owned and majority-controlled businesses.

	Pipelines		Midstream		Power		Corporate[1]		Total	
Six months ended June 30	**2016**	2015	**2016**	2015	**2016**	2015	**2016**	2015	**2016**	2015
Equity income (loss)	**95**	64	**2**	(17)	**(4)**	2	**(5)**	(7)	**88**	42
Dividend income	**60**	55	**-**	-	**-**	-	**-**	-	**60**	55
Operating revenues	**24**	30	**-**	33	**51**	47	**-**	-	**75**	110
Operations and maintenance	**(10)**	(15)	**-**	(11)	**(19)**	(19)	**-**	-	**(29)**	(45)
General and administrative	**(1)**	(1)	**-**	(1)	**(6)**	(8)	**(16)**	(17)	**(23)**	(27)
Project development	**-**	-	**-**	-	**-**	-	**(78)**	(37)	**(78)**	(37)
Depreciation and amortization	**(7)**	(6)	**-**	(10)	**(19)**	(14)	**(2)**	(1)	**(28)**	(31)
Interest and other finance	**(2)**	(3)	**-**	-	**(5)**	(5)	**(16)**	(20)	**(23)**	(28)
Foreign exchange and other	**-**	-	**-**	-	**-**	-	**-**	4	**-**	4
Gain on sale of assets	**-**	-	**-**	37	**-**	-	**-**	-	**-**	37
Net income (loss) before tax from continuing operations	**159**	124	**2**	31	**(2)**	3	**(117)**	(78)	**42**	80
Tax expense[2]	**-**	-	**-**	-	**-**	-	**(13)**	(21)	**(13)**	(21)
Net income (loss), before	**159**	124	**2**	31	**(2)**	3	**(130)**	(99)	**29**	59
Extraordinary loss, net of tax	**-**	(10)	**-**	-	**-**	-	**-**	-	**-**	(10)
Net income (loss)	**159**	114	**2**	31	**(2)**	3	**(130)**	(99)	**29**	49
Preferred Share dividends	**-**	-	**-**	-	**-**	-	**(13)**	(11)	**(13)**	(11)
Net income (loss) attributable to Common Shares	**159**	114	**2**	31	**(2)**	3	**(143)**	(110)	**16**	38
Total assets[3]	**2,537**	2,468	**899**	797	**1,023**	1,034	**69**	128	**4,528**	4,427
Capital expenditures[4]	**-**	-	**26**	4	**13**	23	**3**	5	**42**	32

(1) Reflects unallocated amounts applicable to Veresen's head office activities.
(2) The Company holds its ownership interests in multiple business lines through partnerships, which are consolidated into various corporate entities. Consequently, the tax provision is determined on a consolidated basis and, as such, the Company is not able to present income tax by segment.
(3) After giving effect to intersegment eliminations and allocations to businesses.
(4) Reflects capital expenditures related only to wholly-owned and majority-controlled businesses.

9. Supplemental Cash Flow Information

	Three months ended June 30		Six months ended June 30	
	2016	2015	2016	2015
Receivables	-	68	(8)	31
Other assets	-	3	(3)	4
Payables	11	(29)	14	(23)
Changes in non-cash operating working capital	11	42	3	12

10. Assets Held for Sale

Assets Held for Sale

On May 24, 2016, the Company reached a definitive agreement with an unrelated third party to dispose of its 33 megawatt Glen Park run-of-river hydro power generation facility, located in New York in the United States for proceeds of approximately $80 million plus working capital adjustments. As a result, the assets of the facilities were classified as held for sale on the consolidated statement of financial position as at June 30, 2016.

The table below details the assets and liabilities held for sale as at June 30, 2016:	
Assets	
Cash	1
Receivables	1
Other	1
Property, plant and equipment	47
Intangible assets	30
Assets held for sale	80

11. Commitments and Contingencies

On April 15, 2015, Aux Sable received a Notice and Finding of Violation from the United States Environmental Protection Agency ("EPA") for exceedances of permitted limits for Volatile Organic Compounds at Aux Sable's Channahon, Illinois Facility. Aux Sable is engaged in discussions with the EPA to resolve the matter. The EPA proposal confirms the settlement will not be material to earnings.

On March 30, 2012, a Statement of Claim was filed against the Company's equity-accounted investees, Aux Sable Liquid Products, L.P., Aux Sable Canada L.P., Aux Sable Extraction LP and Aux Sable Canada Ltd., relating to differences in interpretation of certain terms of the NGL Sales Agreement. The Company's equity-accounted investees were served with this Statement of Claim on March 18, 2013. Further potential differences in interpretation of certain terms of the NGL Sales Agreement have also been identified on additional years not currently the subject of any claims. At this time, the Company is unable to predict the likely outcome of this matter. The Company will continue to assess the matter and the amount of loss accrued may change in the future.

12. Extraordinary Loss

The extraordinary after-tax loss of $10 million for the three and six months ended June 30, 2015 represents the one-time non-cash net effect of the de-recognition of Alliance's regulatory assets and liabilities.

As Alliance received regulatory approval from the National Energy Board ("NEB") and the Federal Energy Regulatory Commission to advance its new services offering effective December 1, 2015, it will be exposed to potential variability in certain future costs and throughput volumes. As such, the majority of Alliance's operations no longer met all of the criteria required for the continued application of rate regulated accounting under US GAAP, thereby requiring the de-recognition of its regulatory balances as at June 30, 2015. Certain expenditures in Alliance, as approved by the NEB, will continue to be accounted for in accordance with Accounting Standards Codification 980 – Regulated Operations.

13. Variable Interest Entities

As a result of adopting ASU 2015-02, a number of entities controlled by the Company are now considered to be VIEs. The Company consolidates VIEs in which it has a variable interest and for which it is considered to be the primary beneficiary. VIEs in which the Company has a variable interest but is not the primary beneficiary are accounted for as equity investments.

Consolidated VIEs

Under the new consolidation standard, a certain number of the Company's wholly-owned and controlled limited partnerships will continue to be consolidated, but are now deemed to be VIEs. For these limited partnerships, the Company has the power to direct activities that most significantly impact its economic performance and the obligation to absorb losses or the right to receive benefits. On an aggregate basis, as at June 30, 2016 these VIEs have total assets of $379 million (December 31, 2015 - $387 million) and total liabilities of $273 million (December 31, 2015 - $273 million), of which $235 million (December 31, 2015 - $241 million) relates to non-recourse debt. The assets of these VIEs must first be used for the settlement of the VIEs' obligations.

Non-consolidated VIEs

The company's non-consolidated VIE consist of one legal entity, Veresen Midstream, where the Company does not have the power to direct activities that most significantly impact the economic performance of this VIE. The Company is not the primary beneficiary and, consequently, this entity is accounted for as an equity investment (note 4). The maximum exposure to loss as a result of the Company's involvement with this VIE is limited to the carrying value of the investment (note 4). None of the Company's other jointly-controlled businesses are classified as VIEs.

14. Due from Jointly-Controlled Business

On July 29, 2016, the Company sold its amortizing term loan made to Grand Valley, a jointly-controlled business, to a third party. Consequently, the term loan balance has been reclassified as a short term asset on the statement of financial position as at June 30, 2016.

15. Subsequent Events

Dividends

On July 20, 2016, the Company declared its July dividend of $0.0833 per Common Share, payable on August 23, 2016 to shareholders of record on July 29, 2016.

Assets Held for Sale

On August 1, 2016, the Company closed the sale of its 33 megawatt Glen Park run-of-river hydro power generation facility to an unrelated third party for proceeds of approximately $80 million (note 10).

Suspension of PremiumTM Dividend and Dividend Reinvestment Plan

On August 3, 2016, the Company's Board of Directors elected to suspend the Premium™ Dividend and Dividend Reinvestment Plan beginning with the August 2016 dividend. Shareholders of record on July 29, 2016 will still have the ability to participate in either the dividend reinvestment component or the Premium Dividend™ component of the Premium™ Dividend and Dividend Reinvestment Plan for the July dividend.

Sale of Power Business

On August 3, 2016, the Company announced it will pursue the sale of its power generation business, as part of an enhanced funding strategy intended to increase the value created from the Company's inventory of contracted capital projects under construction. The Company intends to monetize its power business in order to focus on its core natural gas and natural gas liquids infrastructure, and expects the disposition transactions to be completed by March 31, 2017.

The table below details the carrying values of the assets and liabilities of the Power business, excluding Glen Park, as at June 30, 2016:	
Current assets	116
Investments in jointly-controlled businesses	82
Pipeline, plant and other capital assets	622
Intangible assets	120
Other assets	3
Current liabilities	(17)
Long-term debt	(156)
Other long-term liabilities	(5)
Carrying value of net assets	765

Results for the three and six months ended June 30, 2016 and 2015 are disclosed in note 8.