



# VERESEN

## Veresen 2017 Outlook Conference Call

December 5, 2016

# Forward-Looking and Non-GAAP Information Advisory

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# 2017 Outlook Overview

Strong performance expected while continuing to advance growth projects

## Business Performance To Remain Strong

- Expect momentum within existing business in 2016 to carry into 2017
  - Fundamentals remain very supportive at Alliance
- Annualized dividend of \$1.00 per share covered by fee-based businesses without the need for a DRIP

## Continue to Advance Strategy and Growth Projects

- Fully funded to execute on \$1.3 billion inventory of projects under construction without accessing equity or debt capital markets
  - Expect to announce power sale transaction in Q1 2017
- Tower and Sunrise processing facilities to be in service in late 2017
- Continue to advance Saturn Phase II and Burstall ethane storage

## Upside Opportunities

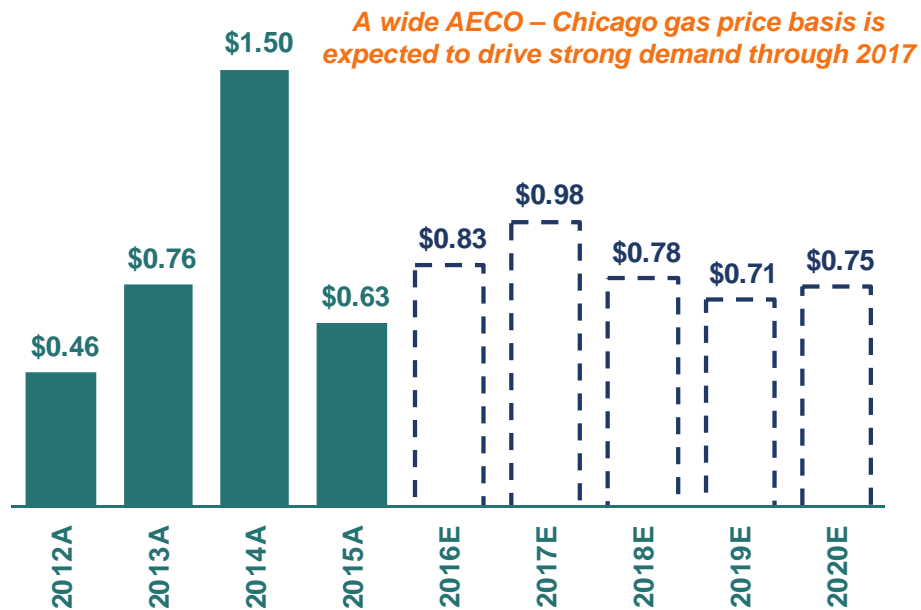
- Expect sanction of additional projects at Veresen Midstream to support liquids-rich gas handling processing
- Frac margins remain weak; expect limited contribution from Aux Sable with upside opportunity from future increases in frac margins
- Continue to advance Jordan Cove, which represents a transformational long-term opportunity for the company

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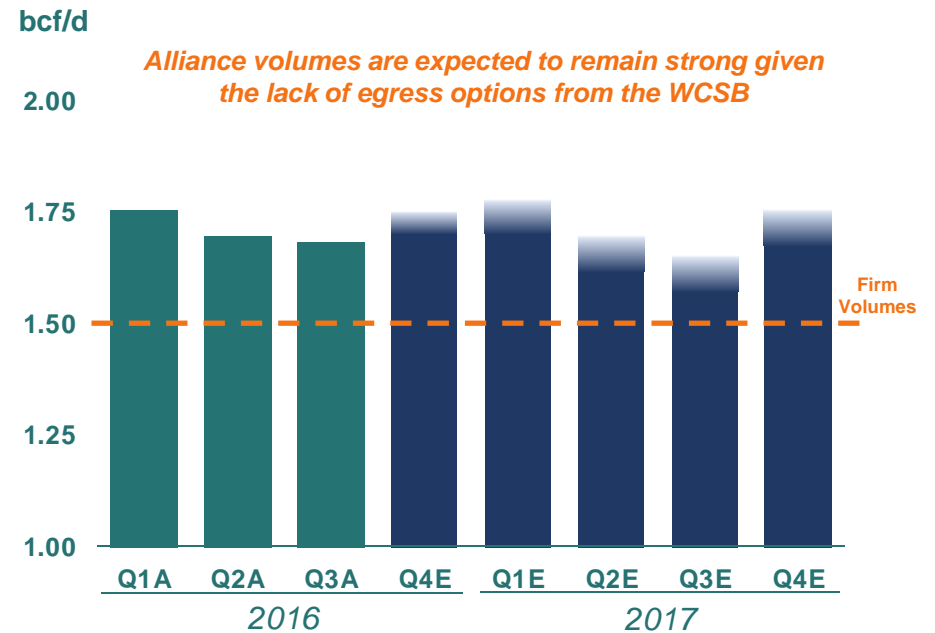
# Alliance Outlook

Supportive fundamentals to drive continued strong performance

**AECO – Chicago Citygate Basis Differential<sup>(1)</sup>**



**Forecasted Alliance Volumes<sup>(2)</sup>**

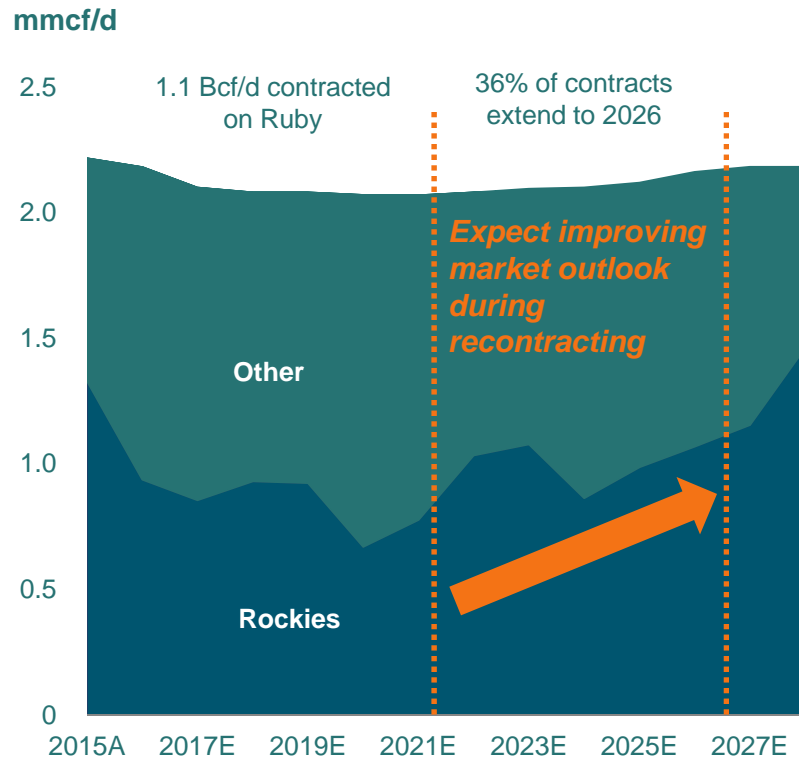


(1) AECO – Chicago Citygate Basis Differential as at December 2, 2016. Source: Bloomberg  
 (2) Q4 2016 volumes have been normalized to adjust for reduced volumes resulting from a planned eight day outage in October 2016 which have been reimbursed by the party requiring the work

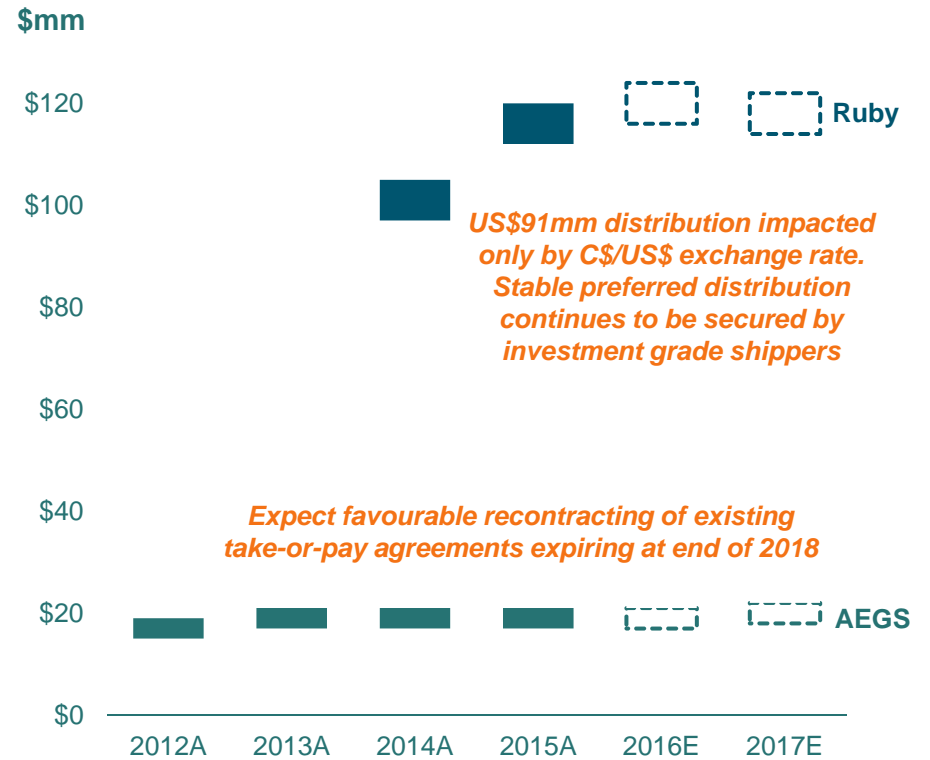
# Ruby and AEGS Outlook

Ruby preferred distribution and AEGS continue to provide stable stream of distributable cash

### Northern California Gas Supply<sup>(1)</sup>



### Distributable Cash<sup>(2)</sup>



(1) Source: Wood Mackenzie  
 (2) 2014 Distributable cash annualized for Ruby as the date of acquisition was November 2014

# Veresen Midstream – Progress on Plants

Sunrise and Tower expected in service in late 2017; Saturn Phase II in mid-2018

## Sunrise



## Tower



## Saturn Phase II



### Plant Details

- |   |   |   |
|---|---|---|
| <ul style="list-style-type: none"> <li>• 400 mmcf/d sweet gas processing plant</li> <li>• Target operational date: Q4 2017</li> </ul> | <ul style="list-style-type: none"> <li>• 200 mmcf/d sweet gas processing plant</li> <li>• Target operational date: Q4 2017</li> </ul> | <ul style="list-style-type: none"> <li>• Convert 200 mmcf/d compressor station to a 400 mmcf/d sweet gas processing plant</li> <li>• Target operational date (total facility): Q2 2018</li> </ul> |
|---|---|---|

### Project Status

- |  |  |  |
|--|--|--|
| <ul style="list-style-type: none"> <li>• Overall progress: ~60% complete</li> <li>• Cost incurred to Sep 30, 2016: ~\$500mm</li> <li>• Capital cost (gross): \$860mm</li> <li>• Capital cost (net to VSN): ~\$400mm</li> </ul> | <ul style="list-style-type: none"> <li>• Overall progress: ~50% complete</li> <li>• Cost incurred to Sep 30, 2016: ~\$340mm</li> <li>• Capital cost (gross): \$715mm</li> <li>• Capital cost (net to VSN): ~\$335mm</li> </ul> | <ul style="list-style-type: none"> <li>• Overall progress: ~35% complete</li> <li>• Cost incurred to Sep 30, 2016: ~\$315mm</li> <li>• Capital cost (gross): \$930mm</li> <li>• Capital cost (net to VSN): ~\$435mm</li> </ul> |
|--|--|--|

# 2017 Distributable Cash Guidance & Supporting Details

Distributable cash of \$1.00 to \$1.14 per share, assuming power sale closes Jun 30, 2017

		EBITDA		Interest		Principal		Maint. Capex	Other		Distributable Cash <sup>(1)</sup>	
		Low	High	Low	High	Low	High		Low	High	Low	High
<b>Pipelines</b>												
Alliance	\$mm	\$255	\$276	(\$44)	(\$46)	(\$65)	(\$66)		\$36	\$38	\$183	\$203
Ruby <sup>(2)</sup>	\$mm	\$177	\$204	(\$46)	(\$49)	(\$45)	(\$49)		\$29	\$18	\$115	\$124
AEGS	\$mm	\$27	\$28	(\$4)	(\$4)	(\$4)	(\$4)				\$19	\$20
Total Pipelines	\$mm	\$459	\$508	(\$94)	(\$99)	(\$114)	(\$119)		\$65	\$56	\$317	\$347
Veresen Midstream <sup>(3)</sup>	\$mm	\$69	\$79	(\$18)	(\$18)	(\$4)	(\$4)		\$19	\$9	\$66	\$66
Aux Sable	\$mm	\$9	\$35					(\$7)	(\$10)	\$0	(\$7)	\$28
<b>Total Asset Level</b>	<b>\$mm</b>	<b>\$537</b>	<b>\$622</b>	<b>(\$112)</b>	<b>(\$117)</b>	<b>(\$118)</b>	<b>(\$123)</b>	<b>(\$7)</b>	<b>\$74</b>	<b>\$65</b>	<b>\$376</b>	<b>\$441</b>
<b>Corporate</b>												
Administration	\$mm	(\$35)	(\$33)								(\$35)	(\$33)
Debt Service	\$mm			(\$38)	(\$36)						(\$38)	(\$36)
Current Tax	\$mm											
Pref. Share Dividends	\$mm								(\$26)	(\$26)	(\$26)	(\$26)
<b>Total Excl. Power <sup>(4)</sup></b>	<b>\$mm</b>	<b>\$502</b>	<b>\$589</b>	<b>(\$150)</b>	<b>(\$153)</b>	<b>(\$118)</b>	<b>(\$123)</b>	<b>(\$7)</b>	<b>\$48</b>	<b>\$39</b>	<b>\$291</b>	<b>\$337</b>
<b>Per Share <sup>(5)</sup></b>	<b>\$/share</b>										<b>\$0.93</b>	<b>\$1.07</b>
<b>Power</b>	<b>\$mm</b>	<b>\$49</b>	<b>\$51</b>	<b>(\$12)</b>	<b>(\$12)</b>	<b>(\$9)</b>	<b>(\$9)</b>	<b>(\$3)</b>	<b>(\$1)</b>	<b>(\$1)</b>	<b>\$24</b>	<b>\$26</b>
<b>Total Incl. Power <sup>(4,6)</sup></b>	<b>\$mm</b>	<b>\$550</b>	<b>\$650</b>	<b>(\$160)</b>	<b>(\$165)</b>	<b>(\$125)</b>	<b>(\$130)</b>	<b>(\$10)</b>	<b>\$45</b>	<b>\$40</b>	<b>\$315</b>	<b>\$356</b>
<b>Per Share <sup>(5)</sup></b>	<b>\$/share</b>										<b>\$1.00</b>	<b>\$1.14</b>

(1) Assumes exchange rate of C\$1.30/US\$, AECO – Chicago Citygate Basis of US\$0.61 - \$1.11, USGC ethane margin of US \$0.02 to US\$0.04/gal and USGC propane plus margin of US\$0.17 to US\$0.47/gal

(2) Ruby's fixed distributions represent Veresen's dividends received on the convertible preferred interest held in Ruby Pipeline LLC

(3) In 2017, Veresen Midstream will pay fixed distributions of \$116 million, of which Veresen's share is \$66 million. The PIK structure will allow Veresen to receive approximately 57% of 2017 cash distributions while it will record approximately 47% of 2017 net income

(4) The low and high estimates applicable to each line item are not intended to be additive and therefore will not add to the low and high totals

(5) Assumes 313.6mm shares outstanding

(6) Distributable cash guidance sensitivities on a pre-tax, annualized basis are: +/- \$0.01 change in C\$/US\$ exchange rate of +/- \$2mm, +/- US\$0.15/mmbtu change in Chicago – AECO basis differential of +/- \$5mm, and +/- US\$0.05/gal change in propane plus frac spread of +/- \$7mm

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# Capital Expenditure / Project Development Outlook

2017 capital program of \$475 to \$525 million

## Capital Expenditures (\$mm)

(Proportionately Consolidated)

		<u>Low</u>	<u>High</u>
Veresen Midstream	\$mm	\$450	\$500
Aux Sable	\$mm	\$1	\$3
Ruby	\$mm	\$1	\$3
Burstall	\$mm	\$20	\$30
<b>Total Growth Capital Expenditures <sup>(1,2)</sup></b>	<b>\$mm</b>	<b>\$475</b>	<b>\$525</b>
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<b>Equity Contributions to Veresen Midstream</b>	<b>\$mm</b>	<b>\$325</b>	<b>\$375</b>
<b>Project Development</b>	<b>US\$mm</b>	<b>~US\$30</b>	



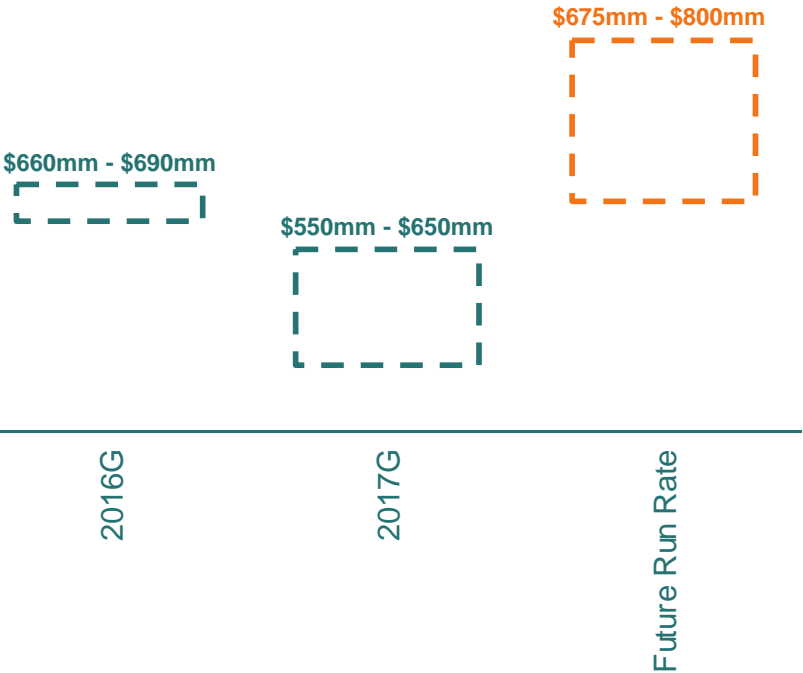
- (1) Guidance capital expenditures are shown on a proportionately consolidated basis and are based on Veresen's ownership interest in jointly held, majority controlled, and wholly-owned businesses
- (2) The low and high estimates applicable to each line item are not intended to be additive and therefore will not add to the low and high totals



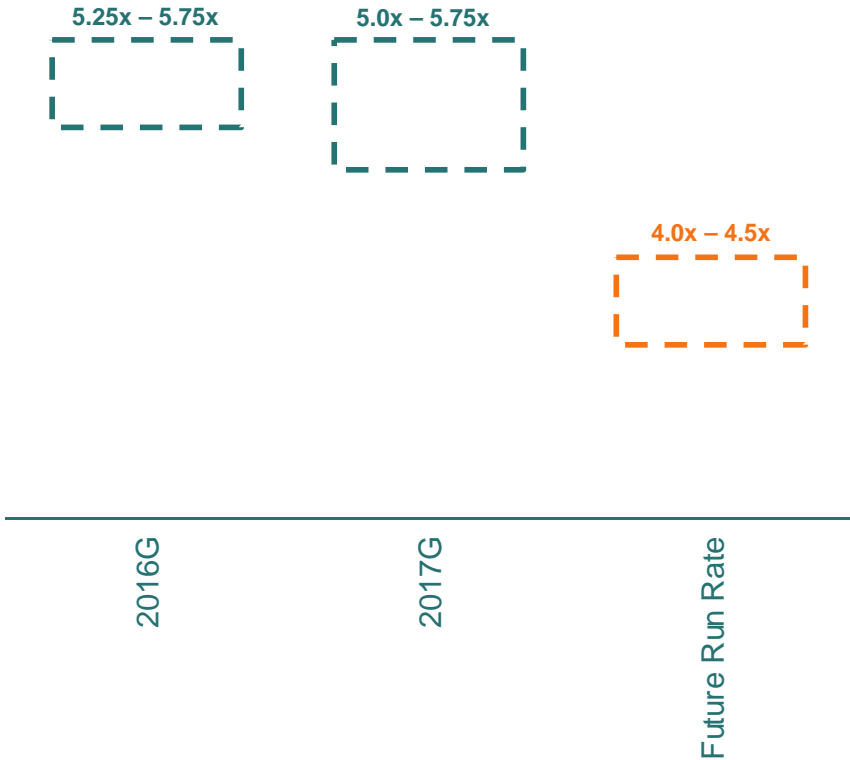
# Growth into Future

Expect significant EBITDA growth, driving down leverage levels

**Forecasted Run-Rate EBITDA<sup>(1)</sup> (\$mm)**  
(Proportionately Consolidated)



**Forecasted Debt/EBITDA<sup>(1)</sup> (x)**  
(Proportionately Consolidated)



(1) Future run rate assumes all capital projects are completed and operating at full capacity



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Q&A