ENBRIDGE GAS INC.

(a subsidiary of Enbridge Inc.)

MANAGEMENT'S DISCUSSION AND ANALYSIS

March 31, 2024

MANAGEMENT'S DISCUSSION AND ANALYSIS

This Management's Discussion and Analysis (MD&A) dated May 10, 2024 should be read in conjunction with the unaudited interim consolidated financial statements and notes thereto of Enbridge Gas Inc. as at and for the three months ended March 31, 2024 (the unaudited consolidated financial statements), prepared in accordance with generally accepted accounting principles in the United States of America (US GAAP). It should also be read in conjunction with the audited consolidated financial statements and MD&A of Enbridge Gas Inc. for the year ended December 31, 2023. All financial measures presented in this MD&A are expressed in Canadian dollars, unless otherwise indicated. Additional information related to Enbridge Gas Inc., including its Annual Information Form dated February 9, 2024 for the year ended December 31, 2023, is available on SEDAR+ at www.sedarplus.ca.

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

OVERVIEW

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

We are a rate-regulated natural gas distribution utility with storage and transmission services. Our distribution system carries natural gas from the point of local supply to customers and consists of approximately 151,000 kilometers (km) of main and service pipelines supported by our transmission, storage and compression assets. Our connections to approximately 3.9 million meters serve residential, commercial and industrial customers across Ontario.

FORWARD-LOOKING INFORMATION

Forward-looking information, or forward-looking statements, have been included in this MD&A to provide information about us and our subsidiaries, including management's assessment of our and our subsidiaries' future plans and operations. This information may not be appropriate for other purposes. Forward-looking statements are typically identified by words such as ''anticipate'', ''expect'', ''project'', ''estimate'', ''forecast'', ''plan'', ''intend'', ''target'', ''believe'', ''likely'', "continue", "should", "could", "may", "predict", "will", "potential" and similar words suggesting future outcomes or statements regarding an outlook. Forward-looking information or statements included or incorporated by reference in this document include, but are not limited to, statements with respect to the following: our objectives and strategies; expected performance of our businesses; expected supply of and demand for and prices of natural gas and other commodities and sources of energy; industry and market conditions; expected costs, capacity and in-service dates related to announced projects and projects under construction, including additional community expansion projects; the anticipated amount of contractual obligations; expected future growth and expansion opportunities, including customer growth; expected future decisions and actions of regulators and courts, and the timing and impact thereof, including with respect to our incentive regulation rate application; expectations regarding competitive energy sources and the continued advantages of natural gas; financial strength and flexibility; anticipated sources of financing and liquidity and the sufficiency thereof; estimated future dividends and our pay-out target; the effect of any claims or potential claims and other legal proceedings; operational, industry, climate change and other risks associated with our business; and our assessment of the potential impact of the various risk factors identified in our MD&A for the year ended December 31, 2023.

Although we believe that these forward-looking statements are reasonable based on the information available on the date such statements are made and processes used to prepare the information, such statements are not guarantees of future performance and readers are cautioned against placing undue reliance on forward-looking statements. By their nature, these statements involve a variety of assumptions, known and unknown risks and uncertainties and other factors, which may cause actual results, levels of activity and achievements to differ materially from those expressed or implied by such statements. Material assumptions include assumptions about the following: the expected supply of and demand for and prices of natural gas and other commodities and sources of energy; exchange rates; inflation; interest rates; the availability of capital on satisfactory terms; the availability and price of labor and construction materials; the stability of our supply chain; operational reliability; maintenance of support and regulatory approvals for our projects; anticipated in-service dates; weather; potential acquisitions, dispositions or other strategic transactions; expected earnings/(loss); expected earnings before interest, income taxes and depreciation and amortization (EBITDA); and estimated future dividends. Assumptions regarding the expected supply of and demand for natural gas and the prices of natural gas are material to and underlie all forward-looking statements. These factors are relevant to all forward-looking statements as they may impact current and future levels of demand for our services. Similarly, exchange rates, inflation and interest rates impact the economies and business environments in which we operate, may impact levels of demand for our services and cost of inputs, and are, therefore, inherent in all forward-looking statements. The most relevant assumptions associated with forward-looking statements on expected capital expenditures include: the availability and price of labor and construction materials; the stability of our supply chain; the effects of inflation and foreign exchange rates on labor and material costs; the effects of interest rates on borrowing costs; the impact of weather; and customer, government and regulatory approvals on construction and in-service schedules and cost-recovery regimes.

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

Except to the extent required by applicable law, we assume no obligation to publicly update or revise any forward-looking statements made in this MD&A or otherwise, whether as a result of new information, future events or otherwise. All subsequent forward-looking statements, whether written or oral, attributable to Enbridge Gas or persons acting on our behalf, are expressly qualified in their entirety by these cautionary statements.

NON-GAAP AND OTHER FINANCIAL MEASURES

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

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

REGULATORY MATTERS AND RECENT DEVELOPMENTS

INCENTIVE REGULATION RATE APPLICATION

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

On December 21, 2023, the OEB issued its Decision and Order on Phase 1 (Phase 1 Decision). We filed a Notice of Appeal with the Ontario Divisional Court on January 22, 2024 regarding four aspects of the Phase 1 Decision: small volume customer revenue horizon, the 2024 capital plan reduction, the extension of service life for certain asset classes and equity thickness. On January 29, 2024 we also filed a Notice of Motion with the OEB requesting the OEB to review and vary five aspects of the Phase 1 Decision: small volume customer revenue horizon, the 2024 capital plan reduction, integration capital, depreciation and equity thickness. The outcome of these proceedings is uncertain.

On February 24, 2024 the Government of Ontario introduced Bill 165, the Keeping Energy Costs Down Act (the Act), in response to the Phase 1 Decision. If passed, the Act would give the Government of Ontario time-limited authority to set the revenue horizon for small volume customers, effectively reversing that aspect of the OEB's Phase 1 Decision. The Act is currently proceeding to a third reading and final vote in the provincial legislature.

The Phase 1 Decision resulted in interim 2024 rates, pending Phase 2 of the proceeding and resolution of the Notice of Motion. An updated Draft Interim Rate Order reflecting the Phase 1 Decision was filed March 15, 2024 and subsequently approved by the OEB on April 11, 2024. The Interim Rate Order implemented 2024 rates on May 1, 2024, along with retroactive treatment to January 1, 2024.

Enbridge Gas filed its Phase 2 evidence on April 26, 2024. Phase 2 will establish the incentive rate mechanism for 2025-2028, and will also address unregulated storage cost allocation and new energy transition proposals. Phase 3 will address cost allocation and the harmonization of rates and rate classes between legacy rate zones.

PURCHASE GAS VARIANCE

The Purchase Gas Variance Account (PGVA) captures the difference between actual and forecasted natural gas prices reflected in rates. Account balances are typically recovered or refunded over a prospective 12-month period through Quarterly Rate Adjustment Mechanism (QRAM) applications.

In March 2024, the April 1, 2024 QRAM application was filed and approved by the OEB. The application included no rate mitigation measures, as the mitigation plans from the April and July 2022 QRAM applications concluded at the end of March 2024.

As at March 31, 2024, our PGVA payable balance was $226 million.

OPERATIONAL HIGHLIGHTS

	Three months ended March 31,	
	2024	2023
Number of active customers[1] *(millions)*	**3.9**	3.9
Heating degree days[2]		
Actual	**1,377**	1,728
Forecast based on normal weather[3]	**1,627**	1,892
Actual heating degree days below forecast	**(250)**	(164)
Volumetric statistics *(billions of cubic feet)*		
Distribution volumes	**189**	196
Transportation volumes	**475**	571
Total throughput volumes	**664**	767

1 *Number of active customers is the number of natural gas consuming customers at the end of the period.*
2 *Heating degree days is a measure of coldness that is indicative of volumetric requirements for natural gas utilized for heating purposes in our distribution franchise areas.*
3 *Normal weather is the weather forecast by us in our legacy rate zones using the forecasting methodologies approved by the OEB.*

EFFECT OF WEATHER

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

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

RESULTS OF OPERATIONS

	Three months ended March 31,	
	2024	2023
(millions of Canadian dollars)		
Gas commodity and distribution revenues	**1,678**	2,264
Storage and transportation revenues	**294**	306
Gas commodity and distribution costs	**(991)**	(1,613)
Gas distribution margin[1]	**981**	957
Other revenues	**19**	20
Operating and administrative	**(361)**	(290)
Other income	**16**	14
EBITDA[1]	**655**	701
Depreciation and amortization	**(193)**	(192)
Interest expense, net	**(109)**	(112)
Income tax expense	**(41)**	(36)
Earnings	**312**	361

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

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

EBITDA

EBITDA was negatively impacted by $46 million, which is primarily explained by the following business factors:

- increased severance costs of $48 million as a result of workforce reduction in February 2024;
- when compared with the normal weather forecast embedded in rates, warmer than normal weather in 2024 negatively impacted 2024 EBITDA by approximately $42 million period over period; offset by
- higher distribution margin resulting from increases in rates and customer base.

EARNINGS

After taking into consideration the factors impacting EBITDA, the remaining $3 million decrease in earnings can be primarily explained by an increase in Income tax expense, primarily resulting from the effects of rate-regulated accounting, partially offset by a decrease in Interest expense due to higher interest earned on bank balances as a result of higher interest rates.

GROWTH PROJECTS

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

		Estimated Capital Cost[1]	Expenditures to Date[2]	Status[2]	Expected In-Service Date
(Canadian dollars, unless stated otherwise)					
1.	Natural Gas Expansion Program[3]	$121 million	$23 million	Various stages	2024 - 2027
2.	Panhandle Regional Expansion[4]	$359 million	$100 million	Pre-construction	2024 - 2025

1 These amounts are estimates and are subject to upward or downward adjustment based on various factors.
2 Expenditures to date and status of the project are determined as at March 31, 2024.
3 Represents Phase 2 of the Natural Gas Expansion Program and the estimated capital cost is presented net of the maximum funding assistance we expect to receive from the Government of Ontario. The expected in-service dates represent the expected completion dates of the leave to construct requirements; the program is comprised of many projects at different stages of execution which will be placed into service over the remaining 2024-2027 program term.
4 An OEB decision on the project is expected in the second quarter of 2024.

A full description of each of our projects is provided in our annual MD&A for the year ended December 31, 2023. No significant updates have occurred since the filing date of our annual MD&A.

LIQUIDITY AND CAPITAL RESOURCES

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

We have signed capital obligation contracts for the purchase of services, pipe and other materials totaling approximately $307 million, which are expected to be paid over the next five years.

BANK CREDIT AND LIQUIDITY

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

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

	Maturity	Total Facility	Draws[2]	Available
(millions of Canadian dollars)				
364-day extendible credit facility	2025[1]	**2,500**	**335**	**2,165**

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

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

As at March 31, 2024, the net liquidity available to us totaled $2.2 billion (December 31, 2023 - $2.1 billion), consisting of an available credit facility of $2.2 billion (December 31, 2023 - $2.1 billion) and unrestricted cash of $9 million (December 31, 2023 - $9 million), as reported in the Consolidated Statements of Financial Position. The net available liquidity, together with cash from operations, intercompany funding and proceeds of debt capital market transactions, is expected to be sufficient to finance capital expenditure requirements, and fund liabilities as they become due.

Excluding current maturities of long-term debt, as at March 31, 2024 and December 31, 2023 we had positive working capital positions of $150 million and $77 million, respectively. We maintain significant liquidity in the form of committed credit facilities and other sources, as previously discussed, which are expected to enable the funding of liabilities as they become due. In addition, it is anticipated that any current maturities of long-term debt will be financed with commercial paper issuance and/or credit facility draws, or refinanced upon maturity.

As at March 31, 2024, less than 5% of our total debt is exposed to floating rates. A portion of the cost of debt is recovered through our rates. Refer to *Note 7 - Risk Management and Financial Instruments* to the unaudited consolidated financial statements for more information on our interest rate hedging program.

SOURCES AND USES OF CASH

	Three months ended March 31,	
	2024	2023
(millions of Canadian dollars)		
Operating activities	**644**	1,141
Investing activities	**(279)**	(265)
Financing activities	**(365)**	(876)
Net change in cash	**—**	—

Significant sources and uses of cash for the three months ended March 31, 2024 and 2023 are summarized below:

Operating Activities

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

Cash provided by operating activities decreased by $497 million primarily due to a larger decline in comparative gas inventory balances, as well as the timing of working capital settlements. Cash provided by operating activities is also impacted by changes in earnings, resulting from the factors discussed in *Results of Operations*.

Investing Activities

Cash used in investing activities primarily relates to capital expenditures to execute our capital program. The timing of capital expenditures is impacted by project approval, construction and in-service dates. The $14 million increase in cash used in investing activities period-over-period was primarily due to higher expenditures in 2024 relating to commercially secured projects, as discussed in *Growth Projects*.

Financing Activities

Sources and uses of cash in financing activities relate to issuances and repayments of external debt and loans with an affiliate, as well as transactions with our common shareholders relating to dividends, returns of capital and capital contributions. Factors impacting the $511 million decrease in cash used in financing activities period-over-period primarily include:

- net commercial paper and credit facility draws of $65 million in 2024 when compared to net draws of $558 million during the same period in 2023; and
- an absence of repayment of the Demand loan from an affiliate in 2024 that occurred in 2023.

These factors were partially offset by return of capital transactions which accounted for $300 million of cash outflows in 2024 that were absent in 2023.

QUARTERLY FINANCIAL INFORMATION

	2024	2023				2022		
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
(millions of Canadian dollars)								
Total operating revenues	**1,991**	1,507	724	1,021	2,590	2,220	894	1,115
Earnings/(loss)[1]	**312**	(52)	(53)	85	361	127	(1)	137
Warmer than normal weather (after-tax impact)	**56**	21	1	2	28	7	—	—

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

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

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

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

CHANGES IN ACCOUNTING POLICIES

Information related to changes in our accounting policies can be found in *Note 2 - Changes in Accounting Policies* to the unaudited consolidated financial statements.

OUTSTANDING SHARE DATA

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

1 Outstanding share data is provided as at May 3, 2024.