



Veresen Announces the Formation of Veresen Midstream with KKR and a \$5 Billion Midstream Expansion for Encana and Mitsubishi

December 23, 2014

Veresen to Host Conference Call and Webcast Today at 3:00pm MT, 5:00pm ET

CALGARY, Alberta, December 22, 2014 – Veresen Inc. (“Veresen”) (TSX: VSN) is pleased to announce the formation of a new entity, Veresen Midstream Limited Partnership (“Veresen Midstream”), which will be owned equally by Veresen and affiliates of Kohlberg Kravis Roberts & Co. L.P. (“KKR”), a global investment firm. Veresen Midstream has entered into definitive agreements to acquire certain natural gas gathering and compression assets supporting Montney development in the Dawson area of northeastern British Columbia from Encana Corporation (“Encana”) and the Cutbank Ridge Partnership (“CRP”). CRP is a partnership between Encana and Cutbank Dawson Gas Resources Ltd., a subsidiary of Mitsubishi Corporation. Veresen Midstream has also agreed to undertake up to \$5 billion of new midstream expansion for Encana and CRP in the Montney region under a 30-year fee-for-service arrangement. Veresen Midstream will be Veresen’s primary growth vehicle for its Canadian natural gas and natural gas liquids (“NGL”) midstream business.

Key Highlights

- Establishes Veresen Midstream as a leading player in the core of the Montney, one of North America’s most prolific and competitive resource plays.
- Requires no up-front funding from Veresen; Veresen Midstream will be funded initially through committed non-recourse debt and a cash equity contribution from KKR, while Veresen will fund its equity investment by contributing its Hythe/Steeprock assets.
- Provides Veresen Midstream with a large multi-year capital program to construct contracted midstream infrastructure under favourable economic terms, and a powerful platform to pursue additional third-party growth opportunities.
- Establishes a long-term, fee-for-service natural gas gathering, compression and processing agreement with Encana and CRP.
- Cash flow neutral to Veresen in 2015; accretive as Veresen Midstream’s new capital projects are placed in-service.

“These agreements with Encana and CRP transform our midstream business and pave the way for Veresen Midstream to be a leading and innovative midstream player in the heart of the Montney,” said Don Althoff, President and CEO of Veresen. “We are pleased to partner with KKR in this transaction and very excited to work with them as we grow Veresen Midstream’s business. With their support, we continue to execute our growth strategy, leveraging our existing midstream footprint and providing a direct line of sight to multi-year growth for our midstream business.”

Veresen will fund its interest in Veresen Midstream by contributing its Hythe/Steeprock gathering and processing assets valued at \$920 million, and in exchange will receive from Veresen Midstream \$420 million, resulting in a 50% equity position valued at \$500 million. KKR will fund its 50% interest in Veresen Midstream by contributing \$500 million in cash. Concurrently, Veresen Midstream will acquire gathering and compression infrastructure and ongoing construction projects from Encana and CRP in the Dawson region of the Montney in British Columbia for total cash consideration of approximately \$600 million, plus actual costs accrued in 2015. This infrastructure is located adjacent to the Hythe/Steeprock assets.

In addition to cash on hand, acquisition of this infrastructure will also be funded from new Veresen Midstream credit facilities as described below.

Veresen Midstream and CRP will enter into a Midstream Services Agreement (the “Dawson MSA”) with respect to the newly acquired infrastructure and future infrastructure to be constructed within an area of mutual interest (“AMI”). Veresen will provide day-to-day management of Veresen Midstream. The existing midstream services agreement between Veresen and Encana relating to the Hythe/Steeprock assets remains unchanged, with Veresen Midstream operating the Hythe and Steeprock plants.

Veresen Midstream will commit to fund up to \$5 billion of new infrastructure within the AMI to service CRP’s planned production growth, including gas gathering pipelines, compression and processing facilities. Veresen Midstream’s commitment to investments in compression and processing facilities is limited to projects that commence within the next six years. All new infrastructure investment is underpinned by the Dawson MSA which provides for strong expected returns on capital, a production dedication within the AMI and financial protections.

These transactions are expected to close in the first quarter of 2015 and are subject to normal closing conditions, including receipt of approvals under the Competition Act and the Investment Canada Act.

“We are thrilled to be partnered with Veresen to create a leading midstream enterprise in western Canada,” said Brandon Freiman, KKR’s Head of Canadian Energy & Infrastructure. “Our strategic partnership with Encana, one of the premier North American resource play companies, represents an exciting foundational asset for Veresen Midstream. This investment is a part of our long-term commitment to the Canadian energy and infrastructure sector, and we look forward to working with Veresen to support the growth of the partnership for many years.”

“We are pleased to expand our relationship with Veresen, and now KKR, in what we believe is one of western Canada’s most innovative midstream service structures,” said Renee Zemljak, Executive Vice-President, Midstream, Marketing & Fundamentals with Encana. “This transaction will ensure reliable, efficient midstream service to support our ongoing operations.”

Veresen Midstream – A Leading Midstream Business with a Material Footprint in the Montney

Upon close of this transaction, Veresen Midstream will acquire approximately 500 km of gas gathering pipelines and 675 million cubic feet per day (“MMcf/d”) of compression capacity from Encana and CRP in the Dawson region, along with the 200 MMcf/d Saturn compression station which is

currently under construction, and other construction work in progress. This infrastructure currently gathers Encana and CRP's Montney gas production in the region and delivers it to various processing facilities, including the Hythe and Steeprock plants.

Veresen Midstream is committing to fund up to \$5 billion of new infrastructure in the AMI to service CRP's planned production growth. In the near term, plans include the construction of the 400 MMcf/d Sunrise gas plant and the 200 MMcf/d Tower gas plant, greenfield sweet gas compression and processing plants with NGL recovery, along with associated incremental gathering pipelines. Construction of the Sunrise and Tower plants is scheduled to begin in 2015, with in-service dates anticipated in 2017. Future infrastructure may include additional gas gathering pipelines, compression and processing facilities to meet CRP's planned volume growth.

The Dawson MSA provides Veresen Midstream with an attractive expected return on all invested capital, including the initial acquisition and new infrastructure to be built, through a long-term, fee-for-service arrangement. Commercial terms include a production dedication to Veresen Midstream's gathering system for all of Encana and CRP's Montney natural gas production within a large AMI. The AMI contains approximately 240,000 acres of Montney rights and encompasses Encana and CRP's Dawson South, Dawson North and Tower plays.

Encana will continue to manage construction of new infrastructure within the AMI and will operate the gathering pipelines and compression and processing facilities on behalf of Veresen Midstream on a contracted basis. Veresen Midstream will assume operatorship of compression and processing facilities at either its or Encana's option after an interim operating period. Veresen Midstream retains the flexibility to scale up new facilities in order to attract third party gas volumes.

Veresen Midstream Structure

Veresen and KKR have formed Veresen Midstream to complete these transactions and to pursue additional growth opportunities in Canadian natural gas and NGL midstream. All of Veresen's and half of KKR's Veresen Midstream equity will be held in partnership units that are eligible to receive cash distributions. The remaining half of KKR's initial equity investment will be 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 Veresen's option.

This structure provides Veresen with a disproportionately higher share of cash flow during the construction period, prior to the Sunrise and Tower gas plants being placed in-service. The transaction is expected to be neutral to Veresen's distributable cash in 2015 and accretive as new capital projects are placed in-service. Veresen and KKR will have equal governance rights in Veresen Midstream so long as either partner's equity interest remains above 35%.

Partnership Financing and Veresen Funding Strategy

Veresen Midstream has obtained an underwritten commitment from a syndicate of banks led by RBC Capital Markets, TD Securities and HSBC Bank Canada to provide senior secured credit facilities to finance a portion of the initial acquisition price and expected growth funding. These facilities, which are non-recourse to Veresen, include a US\$600 million term loan B, to be drawn on transaction closing, a \$1.275 billion non-revolving expansion facility which will be largely undrawn initially and available to fund future growth, and a \$75 million revolving credit facility which will be available for operating and working capital requirements. Veresen Midstream expects to fund approximately 55% to 60% of its growth program with debt and the remainder with future equity contributions from Veresen and KKR. All future equity requirements for Veresen Midstream will be funded by the partners in cash-paying units on a pro-rata basis.

Veresen intends to use the \$420 million in cash proceeds it will receive on closing to repay the majority of its bridge credit facilities which were drawn in connection with its acquisition of a 50% convertible preferred interest in the Ruby Pipeline in November 2014.

2015 Guidance

Veresen's guidance for 2015 remains unchanged from guidance issued on December 8, 2014, with distributable cash to be in the range of \$0.93 to \$1.20 per common share. Further details regarding Veresen's 2015 guidance can be found at www.vereseninc.com.

Conference Call Advisory

Veresen will host a conference call and webcast to discuss these agreements today at 3:00pm MT (5:00pm ET). A presentation will be available prior to the conference call at www.vereseninc.com

Dial-in: 877 291 4570 or 647 788 4919

Webcast: A live webcast of the call can be accessed on Veresen's website at www.vereseninc.com

A replay of the call will be available from 6:00pm MT (8:00pm ET) on December 22, 2014 by dialing 416 621 4642 or 800 585 8367, followed by conference ID 58248714. The replay will expire at 11:59pm MT on January 5, 2015. The webcast will be archived for one year.

Advisors

TD Securities and RBC Capital Markets acted as financial advisors to Veresen Midstream with respect to this transaction. CIBC World Markets Inc. acted as the financial advisor to Veresen and HSBC Securities (Canada) Inc. acted as the financial advisor to KKR.

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 three pipeline systems, the Alliance Pipeline, the Ruby Pipeline system and the Alberta Ethane Gathering System; a midstream business which includes ownership interests in a world-class natural gas liquids extraction facility near Chicago, the Hythe/Steeprock complex, and other natural gas and natural gas liquids processing energy infrastructure; and a power business with a portfolio of assets in Canada and the United States. Veresen is also developing the Jordan Cove LNG terminal, a six million tonne per annum natural gas liquefaction facility proposed to be constructed in Coos Bay, Oregon, and the Pacific Connector Gas Pipeline. In the normal course of its business, Veresen regularly evaluates and pursues acquisition and development opportunities.

Veresen's common shares, Series A and Series C Preferred Shares are listed on the Toronto Stock Exchange under the symbols "VSN", "VSN.PR.A" and "VSN.PR.C", respectively. For further information, please visit www.vereseninc.com.

About KKR

KKR is a leading global investment firm that manages investments across multiple asset classes including private equity, energy, infrastructure, real estate, credit and hedge funds. KKR aims to generate attractive investment returns by following a patient and disciplined investment approach, employing world-class people, and driving growth and value creation at the asset level. KKR invests its own capital alongside its partners' capital and brings opportunities to others through its capital markets business. References to KKR's investments may include the activities of its sponsored funds. For additional information about KKR & Co. L.P. (NYSE: KKR), please visit KKR's website at www.kkr.com.

Forward-Looking Information

Certain information contained herein relating to, but not limited to, Veresen and its businesses, Veresen Midstream, entering into definitive agreements to acquire infrastructure assets, undertaking new midstream expansions, 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 "will", "may", "estimate", "anticipate", "believe", "expect", "potential", "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, timing of the closing of the Veresen Midstream transaction, the returns provided by the Dawson MSA, the timing of construction and in service dates of new facilities owned by Veresen Midstream, sources of funding for Veresen Midstream, the impact of the transaction on Veresen's distributable cash in 2015 and beyond, the use of the cash proceeds received by Veresen from the transaction and Veresen's forecast of 2015 distributable cash. The forward-looking information included herein involves significant risks, uncertainties and other factors. Such risks, uncertainties and other factors include, but are not limited to, risks relating to the closing of the transaction, realizing the expected benefits of the midstream expansion, increasing the indebtedness as a result of completing this transaction and the availability of new senior credit facilities. Additional information on risks, uncertainties and factors that could affect the foregoing forward-looking information and/or Veresen's operations or financial results is included in its filings with the securities commissions or similar authorities in each of the provinces of Canada, as may be updated from time to time and will be included in the prospectus supplement relating to the offering of subscription receipts. 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.

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