

SCHEDULE 3.1

2016 Forecast

Enbridge Gas New Brunswick

5+7 Forecast Balance Sheet for Regulatory Purposes

As at December 31, 2016

1 Notice to Reader: Subject to review by the New Brunswick Energy and Utilities Board

2 (in thousands of dollars)

3	Assets	<u>2016</u>
4	Regulated Assets	
5	Property, Plant and Equipment (Note 2)	
6	Gas Distributor Plant in Service - Net (includes AFUDC capitalized during 2016 of \$18.4)	\$ 173,275
7	Construction Work In Progress - Gas Distributor Plant	<u>1,037</u>
8	Total Property, Plant & Equipment	174,312
9	Deferred Charges	
10	Deferred Development Costs - Net (Note 3)	1,018
11	Development O&M Capitalized Costs - Net (Note 4)	<u>88,826</u>
12	Total Deferred Charges	89,844
13	Short Term Investments	<u>2,970</u>
14	Total Regulated Rate Base Assets	267,126
15	Other Regulated Assets (Note 5)	<u>18,027</u>
16	Total Regulated Assets	<u>285,153</u>
17	Regulatory Deferral (Note 1)	<u>178,093</u>
18	Total Assets	<u>\$ 463,246</u>
19	Liabilities and Partner's Equity	
20	Partner's Equity (Ratebase) (Note 1)	129,032
21	Long-term Advances from Associates and Affiliates (Note 6)	149,500
22	Other Regulated Liabilities (Note 7)	<u>6,621</u>
23		<u>\$ 285,153</u>
24	Partner's Equity (Regulatory Deferral)	<u>178,093</u>
25	Total Liabilities and Equity	<u>\$ 463,246</u>

Financial Statement Effects of Rate Regulation and Legislative Changes – Note 1

Rate Base for Regulatory Purposes – Note 12

Capital Structure for Regulatory Purposes – Note 13

Enbridge Gas New Brunswick

Statement of 5+7 Forecasted Income for Regulatory Purposes

For the year ended December 31, 2016

1 Notice to Reader: Subject to review by the New Brunswick Energy and Utilities Board

2 (in thousands of dollars)

3		<u>2016</u>
4	Revenue	
5	Operating Revenue (Note 8)	
6	Gas distribution	\$ 42,638
7	Miscellaneous	882
8	Allowance for Funds Used During Construction	<u>18</u>
9		43,538
10	Service and Inspections	
11	Revenue	651
12	Cost of goods sold	<u>(379)</u>
13		<u>272</u>
14	Total Revenue	<u>43,810</u>
15	Expenses	
16	Operating Expenses	
17	Operating and maintenance (Note 9)	11,865
18	Transportation (net)	<u>1,581</u>
19	Total Operating and maintenance expenses	13,446
20	Other Expenses	500
21	Bad debt expense	385
22	Amortization of Property, Plant and Equipment	6,580
23	Municipal and Other Taxes	1,241
24	Interest on Amounts Due to Associates & Affiliates and Other Interest (Note 10)	7,515
25	Amortization of Deferred Development Costs	<u>2,995</u>
26	Total Expenses	<u>32,662</u>
27	Income before Extraordinary Items, Regulatory Deferral and Return on Rate Base	11,148
28	Regulatory Deferral	<u>-</u>
29	Regulated Return on Equity (Note 11)	<u>\$ 11,148</u>

Financial Statement Effects of Rate Regulation and Legislative Changes – Note 1
 Details of Affiliate Transactions – Note 14

Enbridge Gas New Brunswick

Notes to 2016 Forecasted Regulatory Financial Results
For the year ended December 31, 2016

1 Note 1 Financial Statement Effects of Rate Regulation and Legislative Changes

2 The Public Utility's primary business activities are subject to regulation by the New Brunswick Energy
3 and Utilities Board (EUB). The Public Utility follows accounting practices prescribed by its regulator or
4 stipulated in approved ratemaking decisions that are subject to examination and approval by the EUB
5 and are similar to those being used by other enterprises in the gas distribution industry in Canada.
6 Accordingly, the timing and recognition of certain revenues and expenses may differ from that otherwise
7 expected under generally accepted accounting principles (GAAP) applicable to non-regulated
8 operations. The ultimate recoverability of costs incurred is dependent upon the approval of the EUB.

9 Rate regulation creates differences between the manner in which the Public Utility accounts for
10 transactions or events and how they would be accounted for if the Public Utility was not subject to rate
11 regulation. The differences in accounting treatment include:

12 The EUB permits an "allowance for funds used during construction" (AFUDC) to be included in the rate
13 base. In addition, AFUDC is included in the cost of property, plant and equipment and is depreciated
14 over future periods as part of the total cost of the related asset, based on the expectation that
15 depreciation expense, including the AFUDC component, will be approved for inclusion in future rates.
16 AFUDC for rate-regulated entities includes both an interest component and a cost of equity component.
17 In the absence of rate regulation, GAAP would permit the capitalization of only the interest component.
18 Therefore, the initial set up of the equity component as a capitalized asset and the corresponding
19 revenue recognized during the construction phase would not be recognized nor would the subsequent
20 depreciation of the asset.

21 As prescribed by the EUB, the Public Utility does not recognize gains and losses on the sale of Enbridge
22 Utility Gas (EUG) in the statement of income and uses a purchase gas variance account to defer the
23 gain or loss on sale. Non-regulated enterprises would normally account for the gain or loss in the
24 statement of income or comprehensive income.

25 Enbridge Inc., on behalf of the Public Utility, maintains a pension plan which provides defined benefit
26 pension benefits to employees. As prescribed by the EUB, contributions made to the plan are expensed
27 as paid, consistent with the recovery of such costs in rates. Under GAAP, pension costs and obligations
28 for defined benefit pension plans are determined using the projected benefit method and are charged to
29 income as services are rendered.

30 The Public Utility had been subject to non-traditional regulation which recognized its immature nature.
31 Unlike many similar utilities, the Public Utility's rates were not set on a cost based methodology. Prior to
32 October 1, 2012, the Public Utility's rates were set exclusively based upon a market based methodology,
33 and were based on a targeted savings over alternate fuel for end use customers. This rate setting
34 methodology had been approved by the EUB for use during the development period after which rates
35 are expected to be cost based.

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Notes to 2016 Forecasted Regulatory Financial Results
For the year ended December 31, 2016

1 Note 1 Financial Statement Effects of Rate Regulation and Legislative Changes (continued)

2 In December 2011, the Province of New Brunswick introduced legislation that outlined new rate classes,
3 and a new rate setting methodology for the Public Utility. The legislation subsequently received
4 proclamation on January 18, 2012, with the supporting Rates and Tariffs Regulation being filed April 16,
5 2012.

6 The legislation noted above also provided direction with regards to the regulatory deferral account, which
7 the EUB had historically approved to capture the difference between the Public Utility's regulated
8 revenues and its revenue requirement, which non-regulated enterprises would not recognize. Based on
9 the legislative changes, the Public Utility is no longer permitted to depreciate, amortize, earn a return on,
10 or otherwise consider the regulatory deferral account when calculating its revenue requirement. In
11 response to this legislation, the Public Utility has not considered the deferral account for the purpose of
12 establishing the revenue requirement. However, it will remain as an asset on Enbridge Gas New
13 Brunswick's balance sheet as it remains an asset of the Public Utility for regulatory purposes. Similarly,
14 the capital structure associated with the regulatory deferral account will also remain on the balance
15 sheet. However, the debt and equity associated with the regulatory deferral account are not considered
16 when calculating the allowed rate of return for the Public Utility.

Enbridge Gas New BrunswickNotes to 2016 Forecasted Regulatory Financial Results
For the year ended December 31, 2016

(in thousands of dollars)

Note 2 Property, Plant & Equipment

			2016	
	Cost	Accumulated Amortization	Net Book Value	Rates of Amortization
4 Property, plant & equipment				
5 General plant				
6 Computer hardware	\$ 925	\$ (525)	\$ 400	28.8%/8.87%
7 Tools and work equipment	1,692	(1,006)	686	20%/14.53%
8 Office furniture and equipment	464	(253)	211	4.4%/6.41%
9 Transportation	1,772	(1,219)	553	18.45%/6.32%
10 Incentives	336	(150)	186	20.00%
11 Leasehold improvements	772	(691)	81	1
12 Subtotal	<u>5,961</u>	<u>(3,844)</u>	<u>2,117</u>	
13 Distribution plant				
14 Land	375	-	375	-
15 Rights of way and easements	189	-	189	-
16 Distribution mains	125,001	(30,133)	94,868	2.43%/1.64%
17 Street services	65,034	(17,663)	47,371	3.83%/1.74%
18 Meters and regulators	22,599	(3,918)	18,681	4.46%/7.63%
19 Stations	16,079	(6,405)	9,674	4.4%/2.82%
20 Subtotal	<u>229,277</u>	<u>(58,119)</u>	<u>171,158</u>	
21 Total plant in service	235,238	(61,963)	173,275	
22 Construction work in progress	<u>1,037</u>	<u>-</u>	<u>1,037</u>	-
23 Total property, plant & equipment	<u>\$ 236,275</u>	<u>\$ (61,963)</u>	<u>\$ 174,312</u>	

Enbridge Gas New Brunswick

Notes to 2016 Forecasted Regulatory Financial Results
For the year ended December 31, 2016

(in thousands of dollars)

Note 3 Deferred Development Costs - Net

			<u>2016</u>		
	Cost	Accumulated Amortization	Net Book Value	Rates of Amortization	
1					
2					
3					
4	Franchise fee	\$ 1,500	\$ (1,300)	\$ 200	5.00%
5	Intangible Software	3,255	(2,437)	818	20%/4.96%
6	Total deferred development costs, net	<u>\$ 4,755</u>	<u>\$ (3,737)</u>	<u>\$ 1,018</u>	

Note 4 Development O&M Capitalized Costs – Net

			<u>2016</u>		
	Cost	Accumulated Amortization	Net Book Value	Rates of Amortization	
7					
8					
9					
10	Development O&M capitalized costs	\$ 114,952	\$ (26,126)	\$ 88,826	2.43%
11	Total development O&M capitalized	<u>\$ 114,952</u>	<u>\$ (26,126)</u>	<u>\$ 88,826</u>	

Enbridge Gas New Brunswick

Notes to 2016 Forecasted Regulatory Financial Results
For the year ended December 31, 2016

(in thousands of dollars)

Note 5 Other Regulated Assets

		<u>2016</u>
1		
2	Cash & Short Term Investments	\$ 4,649
3	Accounts Receivable	11,958
4	Long term receivable	373
5	Inventory	<u>1,047</u>
6		<u><u>\$ 18,027</u></u>

Enbridge Gas New Brunswick

Notes to 2016 Forecasted Regulatory Financial Results

For the year ended December 31, 2016

(in thousands of dollars)

Note 6 Long-term Advances from Associates and Affiliates

		Issue Date	Maturity Date	Amount	2016 Cost of Debt		
					Enbridge Inc.	EGNB	Regulated
1							
2							
3							
4	Promissory Note	12-Dec-12	31-Jul-16	-	5.54%	5.85%	6.54%
5	Promissory Note	12-Dec-12	9-Dec-19	15,000	4.63%	5.63%	5.63%
6	Promissory Note	12-Dec-12	30-Dec-21	14,000	3.50%	4.50%	4.50%
7	Promissory Note	8-Jan-13	8-Jan-20	7,500	3.67%	4.67%	4.67%
8	Promissory Note	24-Feb-14	26-Feb-18	25,000	4.16%	5.16%	5.16%
9	Promissory Note	24-Mar-14	24-Mar-17	5,000	3.69%	4.69%	4.69%
10	Promissory Note	29-Dec-14	28-Dec-18	21,000	3.72%	4.72%	4.72%
11	Promissory Note	30-Mar-15	29-Mar-19	6,000	3.45%	4.45%	4.45%
12	Promissory Note	15-Sep-15	15-Sep-19	18,000	3.84%	4.84%	4.84%
13	Promissory Note	15-Sep-15	15-Sep-20	18,000	4.23%	5.23%	5.23%
14	Promissory Note	31-Jul-16	31-Dec-21	20,000	3.70%	4.70%	4.70%
15	Total long-term advances						
16	from associates and affiliates			\$ 149,500	4.07%	4.89%	5.07%

17 The cost of debt of EGNB is limited to the actual borrowing rate of Enbridge Inc. plus 1%.

Enbridge Gas New Brunswick

Notes to 2016 Forecasted Regulatory Financial Results
For the year ended December 31, 2016

(in thousands of dollars)

Note 7 Other Regulated Liabilities

	<u>2016</u>
1	
2 Short Term Indebtedness	\$ -
3 Accounts Payable	4,610
4 Long Term Payable	334
5 Long Term Deferred Post Employment Liabilities	<u>1,677</u>
6	<u>\$ 6,621</u>

Enbridge Gas New Brunswick

Notes to 2016 Forecasted Regulatory Financial Results
For the year ended December 31, 2016

(in thousands of dollars)

Note 8 Operating Revenue

a. Gas Distribution

	2016		
	Revenue	Customers	Throughput TJs
1			
2			
3			
4 Small General Service (SGS)	\$ 5,208	8,180	581
5 Mid-General Service (MGS)	12,312	3,024	986
6 Large General Service (LGS)	12,231	388	1,347
7 Contract General Service (CGS)	5,870	76	864
8 Industrial Contract General Service (ICGS)	6,843	9	1,862
9 Off-Peak Service (OPS)	174	16	27
10 Total	<u>\$ 42,638</u>	<u>11,693</u>	<u>5,667</u>

11 1 Terajoule (TJ) = 1,000 Gigajoules (GJ)

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Notes to 2016 Forecasted Regulatory Financial Results
For the year ended December 31, 2016

(in thousands of dollars)

Note 8 Operating Revenue (continued)

b. Miscellaneous

1	<u>2016</u>
2 Agent billing and collection	\$ 176
3 Other miscellaneous revenue	<u>706</u>
4 Total miscellaneous	<u>\$ 882</u>

5 Details of Agent Billing and Collection Revenue

6 (in dollars)

7	<u>2016</u>
8 Small General Service (SGS)	\$ 122,914
9 Mid-General Service (MGS)	37,570
10 Large General Service (LGS)	12,171
11 Contract General Service (CGS)	2,081
12 Industrial Contract General Service (ICGS)	349
13 Off-Peak Service (OPS)	<u>703</u>
14 Total agent billing and collection revenue	<u>\$ 175,788</u>

Enbridge Gas New BrunswickNotes to 2016 Forecasted Regulatory Financial Results
For the year ended December 31, 2016

(in thousands of dollars)

Note 9 Operating and Maintenance Expenses

1		<u>2016</u>
2	Corporate management	\$ 1,149
3	Corporate administration	393
4	Financial reporting	1,222
5	Information technology	1,342
6	Regulatory & upstream	984
7	Sales & marketing	1,244
8	Distribution & maintenance	5,334
9	Customer care	1,338
10	Human resources	2,671
11	Gas transportation and related activities	<u>1,581</u>
12	Total prior to capitalization	<u>17,258</u>
13	Property, plant & equipment	<u>3,812</u>
14	Total capitalized	<u>3,812</u>
15	Total expense	<u>\$ 13,446</u>

Enbridge Gas New BrunswickNotes to 2016 Forecasted Regulatory Financial Results
For the year ended December 31, 2016

(in thousands of dollars)

Note 10 Interest on Amounts Due to Associates & Affiliates and Other Interest

1	<u>2016</u>
2 Interest on long-term debt	\$ 7,507
3 AIDC - allowance for funds used during construction (debt component)	8
4 Total interest on amounts due to associates & affiliates and other interest	<u><u>\$ 7,515</u></u>

Note 11 Regulated Return on Equity

5	<u>2016</u>
6 Regulated return on equity - Calculated	\$ 13,200
7 Disallowed return as per Matter 306	(2,062)
8 AEDC - allowance for funds used during construction (equity component)	10
9 Total regulated return on equity	<u><u>\$ 11,148</u></u>

Enbridge Gas New BrunswickNotes to 2016 Forecasted Regulatory Financial Results
For the year ended December 31, 2016

(in thousands of dollars)

Note 12 Rate Base for Regulatory Purposes

1		<u>2016</u>
2	Property, plant & equipment	
3	Cost	\$ 235,238
4	Accumulated amortization	<u>(61,963)</u>
5	Net	173,275
6	Deferred charges	
7	Franchise fee, at cost	1,500
8	Accumulated amortization	<u>(1,300)</u>
9	Net	200
10	Development O&M capitalized costs	114,952
11	Accumulated amortization	<u>(26,126)</u>
12	Net	88,826
13	Intangible Software	3,255
14	Accumulated amortization	<u>(2,437)</u>
15	Net	818
16	Deferral account	<u>-</u>
17	Total deferred charges	89,844
18	Term deposit	2,970
19	Working capital allowance	<u>2,063</u>
20	Total rate base	<u>\$ 268,152</u>
21	Average rate base	<u>\$ 269,113</u>

Enbridge Gas New Brunswick

Notes to 2016 Forecasted Regulatory Financial Results
For the year ended December 31, 2016

(in thousands of dollars)

Note 13 Capital Structure for Regulatory Purposes

1	<u>2016</u>
2 Capital structure	
3 Long-term debt	\$ 149,500
4 Equity	<u>129,032</u>
5 Total	<u><u>\$ 278,532</u></u>
6 Capital structure percentage	
7 Long-term debt	53.67%
8 Equity	<u>46.33%</u>
9 Total	<u><u>100.00%</u></u>
10 Capital structure average percentage for regulatory purposes	
11 Long-term debt	55.00%
12 Equity	<u>45.00%</u>
13 Total	<u><u>100.00%</u></u>
14 Weighted cost of capital for regulatory purposes	
15 Long-term debt	2.79%
16 Equity	<u>4.91%</u>
17 Total	<u><u>7.70%</u></u>

Enbridge Gas New Brunswick

Notes to 2016 Forecasted Regulatory Financial Results

For the year ended December 31, 2016

(in thousands of dollars)

Note 14 Details of Affiliate Transactions

Consulting and Services	Enbridge Inc.	Enbridge Employee Services Inc.	Enbridge Gas Distribution Inc.	Gazifère Inc.	Total Affiliate Consulting and Services	Total Consulting and Services	Affiliate Expenditure as Percent of Total Consulting and Services
For the period ending December 31, 2016							
Corporate management	\$ -	\$ -	\$ 155	\$ -	\$ 155	\$ 386	40%
Sales & marketing	-	-	-	-	-	175	0%
Human resources	156	-	20	-	175	186	94%
Distribution & maintenance	-	-	459	-	459	1,266	36%
Budget & regulatory	-	-	1	-	1	765	0%
Financial reporting	11	14	90	-	114	214	53%
Customer care	-	-	-	846	846	1,076	79%
Corporate administration	332	-	6	-	337	337	100%
Gas transportation & related	-	-	125	-	125	143	88%
Information technology	682	-	11	-	693	832	83%
Total	\$ 1,180	\$ 14	\$ 866	\$ 846	\$ 2,906	\$ 5,382	54%