

SCHEDULE 3.4

2017 Budget Assumptions

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The following assumptions were used by EGNB in the development of its 2017 Budget:

Budget Item	Assumption
Major Assumptions	
Cost of Capital	ROE of 10.9%, as approved by the Board in Cost of Capital proceeding (NBEUB 2010-003) 55/45 debt/equity ratio. Cost of debt maintained at Enbridge Inc. cost of borrowing plus 1%.
Inflation	Cost of living increase of 2.0% applied to salaries only.
Property, Plant & Equipment	
Computer Hardware	Detailed review of requirements, scheduled replacements and upgrades.
Computer Software	Detailed review of requirements and upgrades.
Tools and Work Equipment	Detailed review of requirements, scheduled replacements and improvements.
Office Furniture and Equipment	Detailed review of requirements and scheduled equipment replacements.
Transportation Equipment	Detailed review of requirements and scheduled replacements.
Communications Equipment	Detailed review of requirements and scheduled replacements.
Leasehold Improvements	Detailed review of requirements, scheduled replacements and improvements.
Land	No incremental land acquisitions.
Distribution Mains	Based on anticipated new mains to support attachments not on main in the communities currently served. at forecast costs, with allowance for main relocations and sewer conflict resolution. In-house construction model with EGNB crews and local contractors .
Street Services	Based on anticipated attachments at forecast unit rates.
Meters and Regulators	Based on anticipated attachments at forecast unit rates.
Stations	Based on historic station costs and anticipated station(s).

Review of 2015 Regulatory Financial Statements/2017 Rate Application

1	Budget Item	Assumption
2	Accumulated Amortization	Based on Board approved amortization rates.
3	Net Book Value	Cost less Accumulated Amortization.
4	Construction Work in Progress	There will be the same value of work in progress open at the end of 2017 as there was at the beginning
5		of 2017.
6	Deferred Charges	
7	Deferred Development Costs - Net	Deferred Development Costs less amortization at Board approved rate. Intangible software has been reclassified
8		from Property, Plant and Equipment to Deferred Costs.
9	Development O&M	There are no new forecast additions to Development O&M in 2017. Net change to Development O&M
10	Capitalized Costs - Net	resulting from amortization at Board approved rate.
11	Regulatory Deferral	2015 Actual Year End balance which EGNB is seeking approval from the Board. The Regulatory Deferral
12		Account has been excluded from rate base for purposes of calculating return in accordance with the 2012
13		legislative changes to the Gas Distribution Act, 1999.
14	Short Term Investments	Maritimes & Northeast Pipeline Firm Service Agreement security deposit remains constant.
15	Non-Ratebase Assets	
16	Cash, & Short Term	Estimated cash requirements based on an assessment of cash flow items.
17	Investments	
18	Accounts Receivable	30 days to receive cash for Distribution Revenue, Gas Sales and ABC, monthly forecast data relied upon.
19	Inventory	No significant changes in level of inventory forecasted.
20	Partners Equity	Assumed equity levels are forecasted to average approximately 45% for the year.
21	Long-term Advances from	Budget assumes outstanding promissory notes forecasted for the end of 2016 with one retirement and replacement
22	Associates and Affiliates	note in 2017 in the amount of \$5M on March 24th and an early retirement/replacement in July 2016 for December 2017
23		note in amount of \$20M.
24	Non-Ratebase Liabilities	
25	Short Term Indebtedness	No estimated short term borrowing required during 2017 to manage cash flow.

1 Budget Item	Assumption
2 Accounts Payable 3 4 5 6 7 8 9 10 11 12 13	30 days for payment on obligations related to: - 78% of O&M expenses excluding salary and benefits - property tax - firm service agreement - natural gas costs - installation and service activities - 100% of salary and benefits 60 days for payment on obligations related to: - 22% of O&M expenses excluding salaries and benefits - services, meters and stations - work in progress from property, plant and equipment - general plant
14 Long Term Deferred 15 Post Employment Liabilities	Forecast year-end balance for 2016 assumed to remain constant in 2017.
16 Average Rate Base 17	Forecast timing of additions for 2017 and the exclusion of the Regulatory Deferral Account as part of the regulated assets.
18 Capital Structure	Managing of debt/equity ratio to Board approved 55/45 structure during 2017.

Review of 2015 Regulatory Financial Statements/2017 Rate Application

1 Budget Item	Assumption																																																																																																																
2 Operating Revenue																																																																																																																	
3 Cumulative Customers	Forecast consists of total forecast customers to the end of 2016 (based on May 2016 actual results and additions/losses forecast for balance of 2016) plus additions forecast minus lost customers forecast for 2017, as shown below, based on a review of historic attachment rates and assessment of current market potential.																																																																																																																
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1	Budget Item	Assumption
2	Distribution Revenue	Assumed throughput times assumed rates.
3	ABC Revenue	Number of ABC and AB customers plus capture of new additions based on historic data times existing rates
4		with inflationary increase of 2.1%.
5	Other Miscellaneous Revenue	- 0.2% interest on Maritimes & Northeast Pipeline Firm Service Agreement security deposit
6		- Late payment penalties budgeted at \$303K same as 2016 Budget
7		- Transactional services budgeted at \$36K same as 2016 Budget
8		- Red Lock Fees budgeted at \$25K as per EUB decision on Matter 306
9		- Single End User Franchisee Fees budgeted at \$400K same as 2016 Budget
10	Allowance for Funds Used	Based on 25% of CWIP eligible for allowance for funds used during construction (“AFUDC”) times the
11	During Construction	weighted average cost of capital (“WACC”)
12	Service and Inspection	
13	Revenue	Based on anticipated service work to be performed by EGNB.
14	Cost of Goods Sold	Service cost of goods sold (“COGS”) based on the percentage of revenue from historic experience.
15	Operating expenses	
16	Operating and Maintenance	Based on input by department managers for 2017.
17	Expenses	

1 Budget Item	Assumption
2 Capitalized to Property, 3 Plant and Equipment	<p>O&M budget capitalized based on the following percentage assumptions:</p> <p style="text-align: right;">2017</p> <p>Corporate management 23.1 %</p> <p>Corporate administration 23.7 %</p> <p>Financial reporting 23.7 %</p> <p>Information technology 14.0 %</p> <p>Regulatory 0.0 %</p> <p>Sales & Marketing</p> <p style="padding-left: 40px;">Sales 69.6 %</p> <p style="padding-left: 40px;">Marketing (except below items) 87.6 %</p> <p style="padding-left: 40px;">Marketing (Research) 25.0 %</p> <p style="padding-left: 40px;">Marketing (Sponsorships) 25.0 %</p> <p style="padding-left: 40px;">Incentives 100.0 %</p> <p style="padding-left: 40px;">Communications 23.1 %</p> <p>Distribution & maintenance</p> <p style="padding-left: 40px;">Const. & Maint. 9.9 %</p> <p style="padding-left: 40px;">Engineering QA 14.1 %</p> <p style="padding-left: 40px;">Planning & Tech. 37.6 %</p> <p style="padding-left: 40px;">Service 22.7 %</p> <p>Customer Experience</p> <p style="padding-left: 40px;">Customer Care 2.5 %</p> <p style="padding-left: 40px;">Logistics 23.5 %</p> <p style="padding-left: 40px;">Work Mgmt. Center 34.6 %</p> <p>Human resources 25.8 %</p> <p>Gas transportation and related activities 0.0 %</p>
28	<p>In 2012, capitalization of industry development O&M expenses to Development O&M had been eliminated.</p> <p>Incentives, previously capitalized to Development O&M, are now being capitalized to Property, Plant & Equipment. EGNB is budgeting \$100k for an incentive program in 2017.</p>
31	Bad debt expense 0.4% of yearly Distribution Revenue, Installation Revenue and Gas Sales Revenue.
32	Municipal and Other Taxes Existing tax rates applied to existing tax base plus additions.

1	Budget Item	Assumption
2	Amortization of Property, Plant 3 and Equipment	Based on Board approved amortization rates.
4	Amortization of Deferred 5 Development Costs	Based on Board approved amortization rate.
6	Regulatory Deferral	No additions to the Regulatory Deferral account in 2017 as a result of the lack of clarity provided in the 7 amendments to the Gas Distribution Act, 1999 regarding EGNB's ability to recover the deferral account.
8	Tax	Accumulated tax loss carry forward used in 2017.
9	Regulated Return on Equity	Average rate base times return on equity times equity proportion of capital structure.