

APPENDIX C
2011 Regulatory Financial Statements

2011 Regulatory Financial Statements

EGNB's 2011 Actuals have been filed as part of this Application and EGNB is seeking the Board's approval of the 2011 Regulatory Financial Statements, including the 2011 addition to the Deferral Account.

EGNB has prepared the 2011 Regulatory Financial Statements in a similar format and manner to the 2010 review. In the January 30, 2012 Board Decision regarding EGNB's 2010 Financial Review and 2012 Budget, the Board required that EGNB provide additional information relating to weather normalization, cost allocations and capitalization of O&M expenses in future financial filings. EGNB has provided the additional information required in response to the Board's directives.

The following documents have been provided in support of the review and approval of the 2011 Regulatory Financial Statements:

- Schedule 6 - 2011 Actuals
- Schedule 7 - 2011 Budget
- Schedule 8 - Weather Normalization Report
- Schedule 9 - Cost Allocation Report
- Schedule 10 - Capitalization of Operating and Maintenance Expenses Report

Operating and Maintenance Spending Target

In the May 16, 2011 decision regarding EGNB Financial Results and Natural Gas Sales at December 31, 2009, the Board established the requirement to assess EGNB's spending on a per GJ basis. In a letter dated November 17, 2011 the Board approved the O&M spending target of \$1.62/GJ for 2011. The actual EGNB O&M spending for 2011 is \$1.81/GJ. The primary reason for the variance is related to the Firm Service Agreement ("FSA") costs coming in \$862K over budget, coupled with a slightly lower (5%) than forecasted throughput (GJ). The lower throughput was in fact due to a warmer than normal winter, so on a weather normalized basis and in combination with the adjustment for the FSA costs, EGNB would have been under the target.

Due to poor market conditions, EGNB was unable to sell the excess capacity on the Maritime Northeast pipeline. Had EGNB been able to sell the excess capacity and met the projected FSA budget, the O&M spending for 2011 would have been \$1.66/GJ.

The risk sharing mechanism established regarding the FSA costs protects the ratepayer from paying an unfair or unjust portion of these costs and therefore EGNB proposes that this cost not be included in the O&M spending target going forward. The O&M spending target and actual spending for 2011 excluding the FSA costs would have been \$1.45/GJ.

Weather Normalization

In the January 30, 2012 decision, the Board required that: “In future years, should EGNB wish to focus on weather as an explanation for variations from the throughput forecast, pre-filed evidence on the subject must be presented which explains the weather normalization process and the underlying data and assumptions used in the calculations.” Weather has been used as an explanation for variations from the throughput forecast in the 2011 Budget. The weather normalization methodology is provided in Schedule 8. The 2011 degree days used for the weather normalization, by region, is provided in Table 1. The 2011 weather-normalized throughput and revenue for each class are provided in Table 2.

Cost Allocation Methodology

In the January 30, 2012 decision, the Board required EGNB to provide information regarding the methodology used to establish the appropriate charges to be allocated for the services delivered by Enbridge to EGNB that would be recoverable in rates. The total corporate allocations in 2011 Actuals, 2012 Forecast and 2013 Budget were determined using the methodology provided in Schedule 9.

Capitalization of Operating and Maintenance Expenses

In the past, EGNB capitalized some of its Operating and Maintenance (“O&M”) expenses to the Development O&M account. This practice was eliminated in 2012. Other O&M expenses were

capitalized to Property, Plant and Equipment (“PPE”) and this practice will continue. These changes have been reflected in the 2012 Forecast and 2013 Budget. The Board acknowledged this change, but required EGNB to be able to defend all capitalized items in accordance with Generally Acceptable Accounting Principles (“GAAP”). EGNB currently uses US GAAP and therefore it was assessed on that basis. PricewaterhouseCoopers was contracted by EGNB to review the O&M Expenses and cost centres to confirm that the percentage of the O&M Expenses and cost centres capitalized to PPE are in accordance with US GAAP. The study concluded that the capitalization approach and percentages capitalized to PPE are in accordance with US GAAP. The results of the study are provided in Schedule 10.

Table 1-Degree Days

2011 Degree Days

Fredericton	January	February	March	April	May	June	July	August	September	October	November	December	Total
Actual	810.70	722.90	602.30	392.70	215.20	-	-	-	-	280.20	412.80	636.50	4,073.30
Normal	851.00	722.00	639.00	375.00	184.00	-	-	-	-	302.00	452.00	715.00	4,240.00
Colder/(Warmer)	(40.30)	0.90	(36.70)	17.70	31.20	-	-	-	-	(21.80)	(39.20)	(78.50)	(166.70)
% Variance of Normal	-4.7%	0.1%	-5.7%	4.7%	17.0%	-	-	-	-	-7.2%	-8.7%	-11.0%	-3.9%
Moncton	January	February	March	April	May	June	July	August	September	October	November	December	Total
Actual	786.00	712.60	615.70	399.70	245.60	-	-	-	-	277.00	400.50	604.20	4,041.30
Normal	829.00	720.00	666.00	419.00	206.00	-	-	-	-	286.00	444.00	704.00	4,274.00
Colder/(Warmer)	(43.00)	(7.40)	(50.30)	(19.30)	39.60	-	-	-	-	(9.00)	(43.50)	(99.80)	(232.70)
% Variance of Normal	-5.2%	-1.0%	-7.6%	-4.6%	19.2%	-	-	-	-	-3.1%	-9.8%	-14.2%	-5.4%
Saint John	January	February	March	April	May	June	July	August	September	October	November	December	Total
Actual	791.50	701.50	600.70	409.30	237.50	-	-	-	-	273.00	401.60	578.30	3,993.40
Normal	797.00	703.00	637.00	404.00	215.00	-	-	-	-	284.00	431.00	670.00	4,141.00
Colder/(Warmer)	(5.50)	(1.50)	(36.30)	5.30	22.50	-	-	-	-	(11.00)	(29.40)	(91.70)	(147.60)
% Variance of Normal	-0.7%	-0.2%	-5.7%	1.3%	10.5%	-	-	-	-	-3.9%	-6.8%	-13.7%	-3.6%
Combined	January	February	March	April	May	June	July	August	September	October	November	December	Total
Actual	796.07	712.33	606.23	400.57	232.77	-	-	-	-	276.73	404.97	606.33	4,036.00
Normal	825.67	715.00	647.33	399.33	201.67	-	-	-	-	290.67	442.33	696.33	4,218.33
Colder/(Warmer)	(29.60)	(2.67)	(41.10)	1.23	31.10	-	-	-	-	(13.93)	(37.37)	(90.00)	(182.33)
% Variance of Normal	-3.6%	-0.4%	-6.3%	0.3%	15.4%	-	-	-	-	-4.8%	-8.4%	-12.9%	-4.3%

Table 2 – Weather-normalized Throughput and Revenue

<u>2011 GJ's</u>	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total
SGSRE	34,879	28,419	27,523	19,907	12,447	6,652	5,474	5,938	6,013	12,091	17,217	27,345	203,906
SGSRO	70,134	57,668	58,400	33,353	21,985	10,842	8,068	8,725	9,316	20,766	32,062	53,254	384,575
SGSC	57,938	50,535	46,254	30,975	15,397	7,979	6,158	5,677	15,034	8,521	26,465	44,225	315,156
GS	175,245	159,544	149,399	96,657	54,209	30,871	24,920	21,487	27,789	47,854	80,547	120,292	988,815
CGS	186,512	177,716	166,763	114,837	68,347	38,007	28,927	29,647	37,845	66,072	102,268	146,139	1,163,078
LFO	138,698	121,169	120,861	128,209	134,065	64,129	105,085	119,124	62,667	128,655	126,184	74,404	1,323,251
HFO	189,373	171,309	167,863	109,715	70,254	33,369	27,000	27,361	30,982	77,879	116,967	149,869	1,171,942
OPS	-	-	-	-	262	363	342	368	232	239	-	-	1,807
CLVOP	-	-	-	-	596	462	476	498	477	530	502	170	3,712
	852,779	766,360	737,063	533,653	377,563	192,675	206,449	218,826	190,356	362,610	502,212	615,698	5,556,243
<u>2011 WN GJ's (Adjusted)</u>	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total
SGSRE	35,719	29,179	28,398	20,011	11,152	6,652	5,474	5,938	6,013	12,492	18,433	28,481	207,942
SGSRO	71,430	60,190	59,291	33,089	18,974	10,842	8,068	8,725	9,316	21,884	35,890	55,445	393,145
SGSC	59,268	51,739	48,417	31,258	13,811	7,979	6,158	5,677	15,034	8,998	28,714	46,710	323,764
GS	180,425	159,562	156,588	98,863	49,484	30,871	24,920	21,487	27,789	49,463	86,869	130,630	1,016,953
CGS	191,436	179,060	174,360	116,522	62,796	38,007	28,927	29,647	37,845	68,181	110,098	159,485	1,196,362
LFO	139,301	121,299	122,444	127,917	130,466	64,129	105,085	119,124	62,667	129,625	127,934	77,942	1,327,933
HFO	194,677	171,529	175,117	108,393	63,766	33,369	27,000	27,361	30,982	80,786	124,095	163,683	1,200,757
OPS	2	-	-	-	261	363	342	368	232	241	-	-	1,810
CLVOP	-	-	-	-	569	462	476	498	477	550	537	193	3,762
	872,258	772,556	764,615	536,052	351,280	192,675	206,449	218,826	190,356	372,221	532,570	662,569	5,672,428
<u>Difference in GJ's</u>	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total
SGSRE	840	759	875	104	(1,295)	-	-	-	-	401	1,216	1,135	4,036
SGSRO	1,296	2,522	892	(265)	(3,011)	-	-	-	-	1,118	3,828	2,191	8,570
SGSC	1,331	1,204	2,163	284	(1,586)	-	-	-	-	477	2,249	2,486	8,607
GS	5,181	17	7,189	2,206	(4,725)	-	-	-	-	1,609	6,322	10,339	28,138
CGS	4,924	1,344	7,596	1,685	(5,551)	-	-	-	-	2,109	7,830	13,347	33,284
LFO	602	129	1,584	(293)	(3,599)	-	-	-	-	970	1,750	3,538	4,682
HFO	5,304	220	7,254	(1,322)	(6,489)	-	-	-	-	2,906	7,128	13,814	28,815
OPS	2	-	-	-	(1)	-	-	-	-	2	-	-	3
CLVOP	-	-	-	-	(27)	-	-	-	-	20	35	22	50
	19,480	6,196	27,553	2,399	(26,283)	-	-	-	-	9,612	30,357	46,871	116,185
<u>2011 Revenue</u>	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total
SGSRE	332,190	278,884	267,932	205,760	140,925	95,538	86,477	108,527	106,863	168,439	225,104	328,266	2,344,905
SGSRO	837,509	709,559	715,028	444,485	327,224	209,102	180,989	212,942	231,901	379,958	547,448	780,687	5,576,830
SGSC	584,060	607,315	555,252	383,893	205,202	117,201	101,991	109,791	234,527	142,500	380,519	631,648	4,053,900
GS	2,262,862	1,993,956	1,866,898	1,139,795	690,568	401,396	624,060	68,494	421,562	713,368	1,161,834	1,762,016	13,106,809
CGS	2,364,032	2,153,000	2,000,814	1,400,027	843,371	499,098	362,234	388,752	484,376	817,908	1,244,743	1,720,012	14,278,368
LFO	544,116	608,489	616,364	642,815	682,612	438,710	578,844	595,182	459,254	620,891	617,096	526,252	6,930,624
HFO	131,507	138,420	136,230	100,528	75,443	51,995	62,981	76,445	83,048	161,290	226,523	281,434	1,525,845
OPS	(103)	-	-	156	2,592	3,539	3,610	4,210	2,691	2,762	156	156	19,768
CLVOP	-	-	-	-	5,367	4,172	4,289	4,484	4,303	4,774	4,523	1,584	33,497
	7,056,173	6,489,622	6,158,518	4,317,460	2,973,304	1,820,751	2,005,476	1,568,826	2,028,525	3,011,890	4,407,946	6,032,055	47,870,546

Table 2 – Weather-normalized Throughput and Revenue (continue)

<u>Rates</u>	<u>Jan</u>	<u>Feb</u>	<u>Mar</u>	<u>Apr</u>	<u>May</u>	<u>Jun</u>	<u>Jul</u>	<u>Aug</u>	<u>Sep</u>	<u>Oct</u>	<u>Nov</u>	<u>Dec</u>	
SGSRE	8,3846	8,3846	8,3846	8,3846	8,3846	8,3846	8,3846	10,5087	10,5087	10,5087	10,5087	10,5087	
SGSRO	10,7106	10,7106	10,7106	10,7106	10,7106	10,7106	10,7106	12,8347	12,8347	12,8347	12,8347	12,8347	
SGSC	11,5142	11,5142	11,5142	11,5142	11,5142	11,5142	11,5142	13,6383	13,6383	13,6383	13,6383	13,6383	
GS	12,4158	12,4158	12,4158	12,4158	12,4158	12,4158	12,4158	14,5399	14,5399	14,5399	14,5399	14,5399	
CGS	11,8155	11,8155	11,8155	11,8155	11,8155	11,8155	11,8155	11,8155	11,8155	11,8155	11,8155	11,8155	
LFO	6,4324	6,4324	6,4324	6,4324	6,4324	6,4324	6,4324	6,4324	6,4324	6,4324	6,4324	6,4324	
HFO	0,6329	0,6329	0,6329	0,6329	0,6329	0,6329	0,6329	1,6689	1,6689	1,6689	1,6689	1,6689	
OPS	9,3118	9,3118	9,3118	9,3118	9,3118	9,3118	9,3118	10,9049	10,9049	10,9049	10,9049	10,9049	
CLVOP	8,8616	8,8616	8,8616	8,8616	8,8616	8,8616	8,8616	8,8616	8,8616	8,8616	8,8616	8,8616	
<u>Difference in GJ's * Rates</u>	<u>Jan</u>	<u>Feb</u>	<u>Mar</u>	<u>Apr</u>	<u>May</u>	<u>Jun</u>	<u>Jul</u>	<u>Aug</u>	<u>Sep</u>	<u>Oct</u>	<u>Nov</u>	<u>Dec</u>	<u>Total</u>
SGSRE	7,047	6,368	7,335	868	(10,858)	-	-	-	-	4,214	12,779	11,931	39,682
SGSRO	13,881	27,009	9,550	(2,836)	(32,254)	-	-	-	-	14,347	49,127	28,120	106,943
SGSC	15,322	13,862	24,909	3,266	(18,257)	-	-	-	-	6,506	30,671	33,900	110,178
GS	64,321	217	89,261	27,387	(58,661)	-	-	-	-	23,397	91,916	150,323	388,162
CGS	58,174	15,881	89,752	19,911	(65,587)	-	-	-	-	24,920	92,520	157,697	393,268
LFO	3,874	832	10,188	(1,883)	(23,148)	-	-	-	-	6,240	11,258	22,758	30,118
HFO	3,357	139	4,591	(836)	(4,107)	-	-	-	-	4,850	11,896	23,054	42,943
OPS	17	-	-	-	(5)	-	-	-	-	17	-	-	29
CLVOP	-	-	-	-	(240)	-	-	-	-	177	307	197	441
	165,992	64,309	235,586	45,877	(213,118)	-	-	-	-	84,667	300,473	427,978	1,111,764
<u>2011 WN Revenue</u>	<u>Jan</u>	<u>Feb</u>	<u>Mar</u>	<u>Apr</u>	<u>May</u>	<u>Jun</u>	<u>Jul</u>	<u>Aug</u>	<u>Sep</u>	<u>Oct</u>	<u>Nov</u>	<u>Dec</u>	<u>Total</u>
SGSRE	339,236	285,252	275,267	206,628	130,067	95,538	86,477	108,527	106,863	172,653	237,882	340,197	2,384,588
SGSRO	851,390	736,568	724,577	441,649	294,970	209,102	180,989	212,942	231,901	394,305	596,575	808,807	5,683,773
SGSC	599,382	621,177	580,160	387,159	186,945	117,201	101,991	109,791	234,527	149,006	411,190	665,547	4,164,078
GS	2,327,183	1,994,173	1,956,160	1,167,183	631,907	401,396	624,060	68,494	421,562	736,765	1,253,750	1,912,339	13,494,971
CGS	2,422,206	2,168,881	2,090,566	1,419,938	777,785	499,098	362,234	388,752	484,376	842,828	1,337,264	1,877,709	14,671,636
LFO	547,990	609,321	626,552	640,933	659,463	438,710	578,844	595,182	459,254	627,131	628,353	549,010	6,960,742
HFO	134,864	138,559	140,820	99,692	71,337	51,995	62,981	76,445	83,048	166,140	238,419	304,487	1,568,788
OPS	(86)	-	-	156	2,587	3,539	3,610	4,210	2,691	2,779	156	156	19,797
CLVOP	-	-	-	-	5,126	4,172	4,289	4,484	4,303	4,951	4,830	1,782	33,937
	7,222,164	6,553,931	6,394,103	4,363,338	2,760,186	1,820,751	2,005,476	1,568,826	2,028,525	3,096,558	4,708,419	6,460,033	48,982,310