

Schedule 3

2010 Revised Financial Statements with notes

Enbridge Gas New Brunswick
Balance Sheet for Regulatory Purposes
For the year ended December 31, 2010

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

(in thousands of dollars)

Assets	<u>2010</u>	<u>2009</u>
Regulated Assets		
Property, Plant and Equipment (Note 1)		
Gas Distributor Plant in Service - Net (includes AFUDC capitalized during 2010 of \$86.9)	\$ 156,205	\$ 147,529
Construction Work In Progress - Gas Distributor Plant	<u>1,651</u>	<u>1,382</u>
Total Property, Plant & Equipment	157,856	148,911
Deferred Charges		
Deferred Development Costs - Net (Note 2)	851	1,151
Development O&M Capitalized Costs - Net (Note 3)	96,409	88,378
Regulatory Deferral	<u>171,427</u>	<u>155,377</u>
Total Deferred Charges	268,687	244,906
Short Term Investments	<u>2,957</u>	<u>2,955</u>
Total Regulated Assets	<u>429,500</u>	<u>396,772</u>
Other Regulated Assets	<u>21,071</u>	<u>16,483</u>
Total Assets	<u>\$ 450,571</u>	<u>\$ 413,255</u>
Liabilities and Partner's Equity		
Partner's Equity	\$ 192,143	\$ 185,523
Long-term Advances from Associates and Affiliates (Note 4)	233,650	212,650
Other Regulated Liabilities	<u>24,778</u>	<u>15,082</u>
Total Liabilities and Equity	<u>\$ 450,571</u>	<u>\$ 413,255</u>

Rate Base for Regulatory Purposes – Note 9
Capital Structure for Regulatory Purposes – Note 10
Financial Statement Effects of Rate Regulation - Note 12

Enbridge Gas New Brunswick
Statement of Income for Regulatory Purposes
For the year ended December 31, 2010

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

(in thousands of dollars)

	<u>2010</u>	<u>2009</u>
Revenue		
Operating Revenue (Note 5)		
Gas distribution	\$ 38,466	\$ 26,162
Miscellaneous	264	281
Income from Investments	-	44
Allowance for Funds Used During Construction	<u>87</u>	<u>34</u>
	38,817	26,521
Installation Services		
Revenue	6,787	7,664
Cost of goods sold	<u>(5,790)</u>	<u>(6,221)</u>
	997	1,443
Total Revenue	<u>39,814</u>	<u>27,964</u>
Expenses		
Operating Expenses		
Operating and maintenance expenses (Note 6)	7,142	4,586
Bad debt expense	353	311
Amortization of Property, Plant and Equipment	5,637	5,035
Municipal and Other Taxes	1,088	1,053
Interest on Amounts Due to Associates & Affiliates and Other Interest (Note 7)	14,058	12,355
Amortization of Deferred Development Costs	<u>2,967</u>	<u>2,898</u>
Total Expenses	<u>31,245</u>	<u>26,238</u>
Income before Extraordinary Items, Regulatory Deferral and Return on Rate Base	8,569	1,726
Regulatory Deferral	<u>16,076</u>	<u>22,640</u>
Regulated Return on Equity (Note 8)	<u>\$ 24,645</u>	<u>\$ 24,366</u>

Details of Affiliate Transactions – Note 11

(in thousands of dollars)

Note 1 **Property, Plant & Equipment**

			<u>2010</u>	<u>2009</u>	
	Cost	Accumulated Amortization	Net Book Value	Net Book Value	Rates of Amortization
Property, plant & equipment					
General plant					
Computer hardware & software	\$ 3,865	\$ (3,021)	\$ 844	\$ 803	28.80%
Tools and work equipment	761	(217)	544	503	5.30%
Office furniture and equipment	494	(140)	354	340	4.40%
Transportation	1,117	(168)	949	710	11.80%
Communications	87	(26)	61	-	28.80%
Leasehold improvements	651	(324)	327	409	1
Subtotal	<u>6,975</u>	<u>(3,896)</u>	<u>3,079</u>	<u>2,765</u>	
Distribution plant					
Land	375	-	375	375	-
Rights of way and easements	166	-	166	156	-
Distribution mains	103,669	(13,944)	89,725	85,733	2.43%
Street services	45,827	(7,274)	38,553	35,434	3.83%
Meters and regulators	16,442	(2,847)	13,595	11,766	3.83%
Stations	13,302	(2,590)	10,712	11,300	4.40%
Subtotal	<u>179,781</u>	<u>(26,655)</u>	<u>153,126</u>	<u>144,764</u>	
Total plant in service	186,756	(30,551)	156,205	147,529	
Construction work in progress	<u>1,651</u>	<u>-</u>	<u>1,651</u>	<u>1,382</u>	-
Total property, plant & equipment	<u>\$ 188,407</u>	<u>\$ (30,551)</u>	<u>\$ 157,856</u>	<u>\$ 148,911</u>	

1 - Amortized over the term of the related leases.

(in thousands of dollars)

Note 2 **Deferred Development Costs - Net**

			<u>2010</u>	<u>2009</u>	
	Cost	Accumulated Amortization	Net Book Value	Net Book Value	Rates of Amortization
Franchise fee	\$ 1,500	\$ (850)	\$ 650	\$ 725	5.00%
Deferred carrying costs	1,784	(1,583)	201	426	20.00%
Total deferred development costs, net	<u>\$ 3,284</u>	<u>\$ (2,433)</u>	<u>\$ 851</u>	<u>\$ 1,151</u>	

Note 3 **Development O&M Capitalized Costs - Net**

			<u>2010</u>	<u>2009</u>	
	Cost	Accumulated Amortization	Net Book Value	Net Book Value	Rates of Amortization
Development O&M capitalized costs	\$ 105,913	\$ (9,504)	\$ 96,409	\$ 88,378	2.43%
Total development O&M capitalized costs, net	<u>\$ 105,913</u>	<u>\$ (9,504)</u>	<u>\$ 96,409</u>	<u>\$ 88,378</u>	

(in thousands of dollars)

Note 4 **Long-term Advances from Associates and Affiliates**

	Issue Date	Maturity Date	Amount	2010 Cost of Debt			2009 Cost of Debt			
				Enbridge Inc.	EGNB	Regulated	Amount	Enbridge Inc.	EGNB	Regulated
Promissory Note	6-Feb-01	6-Feb-11	6,150	6.33%	7.95%	7.33%	6,150	6.33%	7.95%	7.33%
Promissory Note	28-Jun-02	29-Jun-12	6,000	6.08%	7.89%	7.08%	6,000	6.08%	7.89%	7.08%
Promissory Note	23-Dec-02	24-Dec-12	7,500	6.50%	7.41%	7.50%	7,500	6.50%	7.41%	7.50%
Promissory Note	26-Jun-03	27-Jun-13	13,000	5.62%	6.96%	6.62%	13,000	5.62%	6.96%	6.62%
Promissory Note	30-Dec-03	30-Dec-13	14,000	5.34%	7.14%	6.34%	14,000	5.34%	7.14%	6.34%
Promissory Note	23-Mar-04	24-Mar-14	14,000	5.33%	6.69%	6.33%	14,000	5.33%	6.69%	6.33%
Promissory Note	30-Nov-04	28-Nov-14	21,000	5.69%	6.95%	6.69%	21,000	5.69%	6.95%	6.69%
Promissory Note	30-Mar-05	30-Mar-15	6,000	5.04%	6.93%	6.04%	6,000	5.04%	6.93%	6.04%
Promissory Note	28-Dec-05	28-Dec-15	14,000	4.59%	6.53%	5.59%	14,000	4.59%	6.53%	5.59%
Promissory Note	19-Dec-06	19-Dec-16	21,000	4.82%	6.52%	5.82%	21,000	4.82%	6.52%	5.82%
Promissory Note	20-Dec-07	20-Dec-17	29,000	5.54%	5.85%	6.54%	29,000	5.54%	5.85%	6.54%
Promissory Note	19-Dec-08	19-Dec-13	15,000	6.85%	7.85%	7.85%	15,000	6.85%	7.85%	7.85%
Promissory Note	25-Jun-09	25-Jun-14	25,000	4.37%	5.37%	5.37%	25,000	4.37%	5.37%	5.37%
Promissory Note	9-Dec-09	9-Dec-19	21,000	4.63%	5.63%	5.63%	21,000	4.63%	5.63%	5.63%
Promissory Note	24-Aug-10	24-Aug-15	12,000	3.22%	4.22%	4.22%	-			
Promissory Note	22-Sep-10	22-Sep-15	9,000	3.25%	4.25%	4.25%	-			
Total long-term advances from associates and affiliates			<u>\$ 233,650</u>	<u>5.26%</u>	<u>6.48%</u>	<u>6.26%</u>	<u>\$ 212,650</u>	<u>5.47%</u>	<u>6.74%</u>	<u>6.47%</u>

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

(in thousands of dollars)

Note 5 **Operating Revenue**

a. **Gas Distribution**

	2010			2009		
	Revenue	Customers	Throughput TJs	Revenue	Customers	Throughput TJs
Small general service (SGS)	\$ 9,554	9,183	794	\$ 6,982	8,404	793
General service (GS)	10,299	1,325	935	7,559	1,507	1,063
Contract general service (CGS)	10,860	300	1,014	6,501	246	1,011
Contract large general service (CLGS-LFO)	7,000	25	1,380	4,680	24	1,367
Contract large general service (CLGS-HFO)	736	9	1,059	418	9	974
Off peak service	17	13	1	22	14	3
Total	\$ 38,466	10,855	5,183	\$ 26,162	10,204	5,211

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

(in thousands of dollars)

Note 5 **Operating Revenue (continued)**

b. Miscellaneous

	<u>2010</u>	<u>2009</u>
Agent billing and collection	\$ 124	\$ 125
Other miscellaneous revenue	140	156
Total miscellaneous	<u>\$ 264</u>	<u>\$ 281</u>

Details of Agent Billing and Collection Revenues

(in dollars)

	<u>2010</u>	<u>2009</u>
Agent billing and collection		
Small general service (SGS)	\$ 98,515	\$ 96,602
General service (GS)	16,008	18,902
Contract general service (CGS)	7,769	8,213
Agent billing		
Contract large general service (CLGS-LFO)	741	306
Contract large general service (CLGS-HFO)	368	396
Contract large volume service (CLVOPS)	-	-
Off peak service (OPS)	788	917
Total agent billing and collection revenue	<u>\$ 124,189</u>	<u>\$ 125,336</u>

(in thousands of dollars)

Note 6 **Operating and Maintenance Expenses**

	<u>2010</u>	<u>2009</u>
Corporate management	\$ 1,190	\$ 1,128
Corporate administration	1,134	984
Financial reporting	691	715
Information technology	972	919
Regulatory & upstream	1,982	1,372
Sales & marketing	7,150	6,872
Distribution & maintenance	5,669	5,763
Customer care	1,297	1,342
Human resources	1,769	1,786
Gas transportation and related activities	<u>1,144</u>	<u>1,141</u>
Total	<u>22,998</u>	<u>22,022</u>
Capitalized to:		
Property, plant & equipment	5,399	6,267
Development O&M capitalized costs	<u>10,457</u>	<u>11,169</u>
Total capitalized	<u>15,856</u>	<u>17,436</u>
Total	<u>\$ 7,142</u>	<u>\$ 4,586</u>

(in thousands of dollars)

Note 7 **Interest on Amounts Due to Associates & Affiliates and Other Interest**

	<u>2010</u>	<u>2009</u>
Interest on long-term debt	\$ 13,959	\$ 12,164
Other interest expense	67	180
AIDC - allowance for funds used during construction (debt component)	32	11
Total interest on amounts due to associates & affiliates and other interest	<u>\$ 14,058</u>	<u>\$ 12,355</u>

Note 8 **Regulated Return on Equity**

	<u>2010</u>	<u>2009</u>
Regulated return on equity	\$ 24,590	\$ 24,344
AEDC - allowance for funds used during construction (equity component)	55	22
Total regulated return on equity	<u>\$ 24,645</u>	<u>\$ 24,366</u>

(in thousands of dollars)

Note 9 **Rate Base for Regulatory Purposes**

	<u>2010</u>	<u>2009</u>
Property, plant & equipment		
Cost	\$ 186,756	\$ 172,216
Accumulated amortization	(30,551)	(24,687)
Net	<u>156,205</u>	<u>147,529</u>
Deferred charges		
Franchise fee, at cost	1,500	1,500
Accumulated amortization	(850)	(775)
Net	<u>650</u>	<u>725</u>
Development O&M capitalized costs	105,913	95,456
Accumulated amortization	(9,504)	(7,078)
Net	<u>96,409</u>	<u>88,378</u>
Deferred carrying costs, at cost	1,784	1,784
Accumulated amortization	(1,583)	(1,358)
Net	<u>201</u>	<u>426</u>
Deferral account	<u>171,427</u>	<u>155,377</u>
Total deferred charges	268,687	244,906
Term deposit	2,957	2,955
Working capital allowance	<u>1,859</u>	<u>1,757</u>
Total rate base	<u>\$ 429,708</u>	<u>\$ 397,147</u>
Average rate base	<u>\$ 410,675</u>	<u>\$ 374,523</u>

(in thousands of dollars)

Note 10 **Capital Structure for Regulatory Purposes**

	<u>2010</u>	<u>2009</u>
Capital structure		
Long-term debt	\$ 233,650	\$ 212,650
Equity	192,143	185,523
Total	<u>\$ 425,793</u>	<u>\$ 398,173</u>

Capital structure percentage

Long-term debt	54.87%	53.41%
Equity	45.13%	46.59%
Total	<u>100.00%</u>	<u>100.00%</u>

Capital structure average percentage for regulatory purposes

Long-term debt	53.92%	50.00%
Equity	46.08%	50.00%
Total	<u>100.00%</u>	<u>100.00%</u>

Weighted cost of capital for regulatory purposes

Long-term debt	3.38%	3.25%
Equity	5.99%	6.50%
Total	<u>9.37%</u>	<u>9.75%</u>

(in thousands of dollars)

Note 11 **Details of Affiliate Transactions**

	Enbridge Operational Services	Enbridge Inc.	Enbridge Commercial 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, 2010								
Corporate management	\$ -	\$ 27	\$ -	\$ 31	\$ -	\$ 58	\$ 293	20%
Sales & marketing	-	-	-	148	-	148	1,497	10%
Human resources	-	22	-	74	-	96	240	40%
Distribution & maintenance	-	-	-	432	-	432	1,149	38%
Budget & regulatory	-	-	-	1	-	1	1,874	0%
Financial reporting	-	35	-	20	-	55	195	28%
Customer care	-	-	-	46	603	649	676	96%
Corporate administration	-	1,047	-	10	-	1,057	1,057	100%
Gas transportation & related	104	-	-	-	-	104	95	109%
Information technology	-	131	-	279	-	410	519	79%
Total	\$ 104	\$ 1,262	\$ -	\$ 1,041	\$ 603	\$ 3,010	\$ 7,595	40%
For the period ending December 31, 2009								
Corporate management	\$ -	\$ 69	\$ -	\$ 32	\$ -	\$ 101	\$ 265	38%
Sales & marketing	-	-	-	-	-	-	982	0%
Human resources	-	45	-	23	-	68	204	33%
Distribution & maintenance	-	5	-	624	-	629	1,562	40%
Budget & regulatory	-	-	-	3	-	3	1,307	0%
Financial reporting	-	30	-	20	-	50	185	27%
Customer care	-	-	-	31	586	617	647	95%
Corporate administration	-	987	-	5	-	992	992	100%
Gas transportation & related	60	-	-	-	-	60	60	100%
Information technology	-	158	31	256	-	445	537	83%
Total	\$ 60	\$ 1,294	\$ 31	\$ 994	\$ 586	\$ 2,965	\$ 6,741	44%

(in thousands of dollars)

Note 12 Financial Statement Effects of Rate Regulation

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

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

The Partnership is subject to non-traditional regulation which recognizes its immature nature. Unlike many similar utilities, the Partnership's rates are market, not cost, based. Rates charged by the Partnership are based on a targeted savings over alternate fuel for end use customers. This rate setting methodology has been approved by the EUB for use during the development period after which rates are expected to be cost based. The EUB has approved a regulatory deferral account to capture the difference between the Partnership's regulated revenues and its revenue requirement which non-regulated enterprises would not recognize.

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

As prescribed by the EUB, the Partnership does not recognize gains and losses on the sale of natural gas in the statement of income and uses a purchase gas variance account to defer the gain or loss on sale. Non-regulated enterprises would normally account for the gain or loss in the statement of income or comprehensive income.

As allowed by the EUB, the Partnership capitalizes certain operating and maintenance expenses incurred during the Partnership's development period. Non-regulated enterprises may expense certain of these costs in the period incurred.

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

(in thousands of dollars)

I&S Profitability Margin

	<u>2010</u>
Revenues as per regulatory financial statements	\$ 6,787
Revenue adjustment for warranty provision	23
Less: Cost of goods sold	
COGS as per regulatory financial statements	\$ 5,790
Billing services	\$ 3
Adjustment for Utility labour costs	<u>57</u>
	60
Adjusted net margin	<u>\$ 5,850</u> \$ 960
Less: Allocated expenses	
O&M expenses	\$ 1,296
Cost of capital	98
Depreciation	85
Bad debt expense	<u>106</u>
	1,585
Total net revenue (loss)	<u><u>\$ (625)</u></u>

(in thousands of dollars)

System Expansion Portfolio Test

	<u>2010</u>
Item Capital	
1 Main	\$ 4,321
2 Service Line/ Meter	3,495
3 Sales Incentive	4,064
4 O&M Capitalized to Main	1,949
5 O&M Capitalized to Service Line / Meter	3,449
6 O&M Capitalized to Development O&M	6,393
7 Total Capital	<u>23,671</u>
8 Cost of Capital	9.35%
Depreciation Rates	
9 Main, Sales Incentives & Development O&M	2.43%
10 Service Line/ Meter	3.83%
Net Annual Impact on Revenue Requirement	
Energy (GJs)	335,657
Revenue	\$ 3,686
Less:	
Depreciation: Mains ((item 1 + item 4) * item 9)	152
Depreciation: Service Line/ Meter ((item 2 + item 5) * item 10)	266
Depreciation: Sales Incentive (item 3 * item 9)	99
Depreciation: Development O&M (item 6 * item 9)	155
Cost of Capital (item 7 * item 8)	2,214
Annual Impact	<u>\$ 800</u>

(in thousands of dollars)

Development Period Test

	<u>2010</u>
Revenue Requirement	\$ 55,788
Capitalized O&M Expenses ¹	11,791
1 year amortization of Deferral Account ²	<u>5,713</u>
Total Revenue Requirement	\$ 73,291
Total Gas Distribution Revenues	<u>38,466</u>
Excess/(Shortfall)	<u>\$ (34,825)</u>

¹ Capitalized O&M amount does not include capitalized incentives

² Assumes 30 year amortization period