

April 30, 2019

**By E-mail**

Ms. Kathleen Mitchell  
New Brunswick Energy and Utilities Board  
PO Box 5001  
15 Market Square, Suite 1400  
Saint John, New Brunswick  
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**RE: Enbridge Gas New Brunswick's Regulatory Financial Results for 2018**

Enbridge Gas New Brunswick ("EGNB") is pleased to file its regulatory financial results for the fiscal year ended December 31, 2018. The following information has been provided in this financial submission:

Appendix A - 2018 Regulatory Financial Statements with Notes

Balance Sheet for Regulatory Purposes

Statement of Income for Regulatory Purposes

Notes to the Financial Statements:

- Note 1 Financial Statement Effects of Rate Regulation and Legislative Changes
- Note 2 Property, Plant & Equipment
- Note 3 Deferred Development Costs- Net
- Note 4 Development O&M Capitalized Costs – Net
- Note 5 Other Regulated Assets
- Note 6 Long-term Advances from Associates and Affiliates
- Note 7 Other Regulated Liabilities
- Note 8 Operating Revenue
- Note 9 Operating and Maintenance Expenses
- Note 10 Interest on Amounts Due to Associates & Affiliates and Other Interest
- Note 11 Regulated Return on Equity
- Note 12 Rate Base for Regulatory Purposes
- Note 13 Capital Structure for Regulatory Purposes
- Note 14 Details of Affiliate Transactions
- Note 15 Service & Inspection Profitability Margin
- Note 16 System Expansion Portfolio Test

Appendix B – Details of Adjustments for Regulatory Financial Statements

Appendix C – Details of Bad Debt Expenses

Appendix D – Reports for the Retention, Incentive and Winback Programs

EGNB Limited Partnership Audited Financial Statements – CONFIDENTIAL

### **2018 Regulatory Financial Statements**

EGNB has prepared the 2018 Regulatory Financial Statements in a similar format and manner to the 2017 submission. EGNB is seeking the Board's approval of the 2018 Regulatory Financial Statements.

### **SEP Test**

The SEP test for 2018 has been passed with a revenue/cost ratio of 190% and details can be found in Appendix A at Note 16.

### **Return on Equity and the Gas Distribution Act**

As described in the Gas Distribution Act, 1999 at section 52.03(2), EGNB is required to calculate any over-earnings in 2017, 2018 and 2019. In 2018, the earnings have resulted in an actual return on equity in excess of 12.9%. EGNB is required to share half of that excess with customers in rate classes other than the SGS class. The details of the calculation are found in the table below. EGNB will file a proposal with the Board describing how it proposes to deal with those excess earnings by June 15, 2019.

	2018A	2018B
1 Actual return on equity as per Statement of Income	18,567	16,266
AEDC - allowance for funds used during construction		
2 (equity component)	5	28
3 Allowed Rate of Return (Note 1)□	13,033	13,057
4 Excess earnings ( Line 4 = Line 1 - Line 2 - Line 3 )	<u>\$ 5,530</u>	<u>\$ 3,181</u>
<u>Sharing Mechanism</u>		
5 <=200bps (12.9%) - EGNB keeps excess (Note 2)	2,391	2,396
6 > 200bps balanced shared 50/50	3,138	786
7 Excess applied to deferral account (line 5 + 50% of line 6)	3,960	2,789
8 Excess returned to customers (50% of line 6)	\$ 1,569	\$ 393

Average Rate Base	\$ 265,706	\$ 266,192
Allowed Rate of Return (Rate Base x 45% x 10.9%)	\$ 13,033	\$ 13,057

Average Rate Base	\$ 265,706	\$ 266,192
Allowed Rate of Return (Rate Base x 45% x 12.9%)	\$ 15,424	\$ 15,452

Average Rate Base	\$ 265,706	\$ 266,192
Rate Base funded by equity (Average Rate Base x 45%)	\$ 119,568	\$ 119,786
Actual percentage return on equity	15.53%	13.58%

The financial results filed with the Board are subject to review and approval by the Board.

If you have any questions or require additional information, please do not hesitate to contact me.



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Enclosures

cc: Gilles Volpé, EGNB  
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