SECTION 3.0

2020 Budget

3.0 2020 Budget

As EGNB is seeking approval of its 2020 rates, EGNB is submitting a budget for 2020.

EGNB's 2020 Budget has been prepared taking into consideration historic trends, current market conditions, the current economic environment, deferral account repayments as per legislation and EGNB's current operations.

Details related to the assumptions made in the 2020 Budget can be found in Schedule 3.4.

Customer Attachments

The 2020 Budget is based on the attachment of 187 new customers. EGNB has estimated the loss of 72 customers (customers no longer on the distribution system as at December 31, 2020 due to permanent removal of service, red locks due to non-payment, seasonal locks or other temporary locks) in 2020 resulting in a total of 115 net new customers in 2020.

2018 Earnings Sharing Mechanism

As provided by Section 52.03(2) of the Gas Distribution Act, 1999 (GDA), EGNB is required to calculate any over-earnings in 2017, 2018 and 2019. In 2018, EGNB's earnings resulted in an actual return on equity in excess of 12.9%. EGNB is required to share half of that excess, i.e. "*the remaining amount shall be applied to reduce the revenue requirement of the general franchise holder for the following year and this reduction shall be applied to decrease rates and tariffs for one or more classes of customers other than the Small General Service class of customers for that year.*" (Section 52.03(2)(b)(ii)(B) of GDA). As a result, EGNB is to return $1.569M to customers other than SGS customers.

EGNB filed a letter with the Board on June 18, 2019 indicating that it would share this amount with customers in determining the 2020 revenue requirement and impact 2020 rates. That is reflected in the 2020 Budget.

Regulatory Deferral Account

As provided by Section 52.04(3) of the GDA, EGNB is to recover $100M of the regulatory deferral account (RDA) over 26 years beginning in 2020. As a result, the 2020 revenue requirement includes a repayment of $3.85M to the RDA.

Payment toward the remaining $44.5M of the RDA was made for 2017 according to the excess earnings mechanism and an additional payment is also anticipated for 2018 once approved by the Board.

EGNB proposes to recover the balance of the RDA by continuing to use an earnings sharing mechanism for 2020 and beyond, and proposes the following:

a) if the earnings above the approved ROE do not exceed 200 basis points, an amount equal to the excess earned above the approved ROE shall be credited towards the balance in the regulatory deferral account
b) if the earnings above the approved ROE exceed 200 basis points
    a. with respect to the portion of the difference that does not exceed 200 basis points, the portion shall be credited towards the balance in the regulatory deferral account
    b. with respect to the portion of the difference that exceeds 200 basis points
        i. an amount equal to half of the portion shall be credited towards the balance in the regulatory deferral account
        ii. the remaining amount shall be applied to reduce the revenue requirement of the general franchise holder at the next general rate application and this reduction shall be applied to decrease rates and tariffs for one or more classes of customers other than the Small General Service class of customers for the test year(s).

<u>Incentive Programs, Customer Retention Program and Propane Winback Program</u>

Growing and maintaining the customer base are both important for EGNB. EGNB plans to continue offering all of its programs for 2020 including the Residential and Commercial Incentive Programs, the Retention Program and the Propane Winback Program as approved by the Board. In Matter 398, the Board approved EGNB's proposal to use unspent approved budgets to be used in future years. As a result, only $150K in additional funds has been included in the 2020 Budget.

All the program parameters and conditions will continue for 2020 as approved in Matter 371. For complete details of the amounts available for each program, please refer to Schedule 3.8 - Reports for Incentive, Retention and Winback Programs.

Corporate Allocations

EGNB proposes to revise the corporate allocations methodology for the 2020 Budget. Corporate allocations will be impacted after the transaction with Liberty Utilities (Canada) LP (Liberty) has been completed. As the Liberty transaction is still pending, EGNB has used a six year average of previous Board approved corporate allocations including a 2% CPI increase. After the transaction is closed, 2021 corporate allocations will be based on the Liberty corporate allocations methodology. Details can be found in Schedule 3.7 – Corporate Allocations Report.

Marketing and Sales Expenses

Marketing and Sales O&M has decreased in the 2020 Budget. EGNB anticipates using the Board approved unused budgets from prior year programs as well as the Liberty funded Fuel for the Future Fund to assist EGNB's focus on customer additions and increasing load from existing customers.

Typical Customer

The typical customer used for budgeting purposes is now based on the average customer per rate class. Previously, EGNB used an average excluding outliers with either low or high consumption. Details can be found in Schedule 3.4 – 2020 Budget Assumptions

Corporate Tax

EGNB has engaged PricewaterhouseCoopers (PWC) to evaluate EGNB's tax position and liabilities. Tax expense has been set at $0 for 2020. Tax losses were generated early in EGNB's existence and carried forward. In recent years, as EGNB has overearned, the tax loss account has been reduced sooner than anticipated. EGNB will be liable for tax expense in 2021, final figures to be determined depending on actual 2019 and 2020 earnings. In order to reduce the unanticipated tax burden on ratepayers, EGNB is proposing to defer taxes payable for 2021 and 2022. The total amount deferred would be tracked in a variance account and included in revenue requirement starting in 2023 and amortized over 5 years. For additional details, please refer to Schedule 3.10 – Income Tax Variance Account.

Agent Billing and Collections ("ABC") Revenue

EGNB continues to provide Agent Billing and Collection services to any service provider applying to use EGNB's billing and/or collection services. EGNB is proposing to increase the current rates by a modest CPI increase of 2.0% for 2020 to recognize the increases in costs to provide these services. The table below provides details of the proposed changes.

	ABC Billing Rates	2020 Rates	Current rates	2020 Rate Increase
1	**ABC Billing Rates**	**2020 Rates**	**Current rates**	**2020 Rate Increase**
2	SGS	$ 1.47	$ 1.44	$ 0.03
3	MGS	2.54	2.49	0.05
4	LGS	5.92	5.80	0.12
5	CGS	4.85	4.75	0.09
6	ICGS	4.85	4.75	0.09
7	OPS	4.85	4.75	0.09
8	Additional Line item charge	0.86	0.84	0.02

The following documents have been provided in support of the 2020 Budget:

- Schedule 3.4 – 2020 Budget Assumptions
- Schedule 3.5 - 2020 Budget
- Schedule 3.6 - 2020 Budget to 2019 Budget Explanations
- Schedule 3.7 – Corporate Allocations Report
- Schedule 3.8 - Reports for Incentive, Retention and Winback Programs
- Schedule 3.9 – Business Improvement Projects 2018
- Schedule 3.10 - Income Tax Variance Account
- Schedule 3.11 – PwC Income Tax Report

2019 Forecast

The 2019 Forecast provides the bridge year for the development of the 2020 Budget. The following documents have been provided in support of the 2019 Forecast:

- Schedule 3.1 - 2019 Forecast
- Schedule 3.2 - 2018 and 2019 Budgets
- Schedule 3.3 - 2019 Forecast to Budget Explanations

SCHEDULE 3.1

2019 Forecast

Enbridge Gas New Brunswick
Forecasted Balance Sheet for Regulatory Purposes
As at December 31, 2019

1	**Notice to Reader: Subject to review by the New Brunswick Energy and Utilities Board**	
2	(in thousands of dollars)	
3	**Assets**	2019
4	**Regulated Assets**	
5	**Property, Plant and Equipment** (Note 2)	
6	**Gas Distributor Plant in Service - Net** (includes AFUDC capitalized during 2019 of $43.4K)	$ 178,197
7	**Construction Work In Progress - Gas Distributor Plant**	681
8	**Total Property, Plant & Equipment**	178,878
9	**Deferred Charges**	
10	**Deferred Development Costs - Net** (Note 3)	1,858
11	**Development O&M Capitalized Costs - Net** (Note 4)	80,450
12	**Total Deferred Charges**	82,308
13	**Short Term Investments**	2,971
14	**Total Regulated Rate Base Assets**	264,157
15	**Other Regulated Assets** (Note 5)	29,886
16	**Total Regulated Assets**	294,043
17	**Regulatory Deferral** (Note 1)	139,516
18	**Total Assets**	$ 433,559
19	**Liabilities and Partner's Equity**	
20	**Partner's Equity (Ratebase)** (Note 1)	$ 135,602
21	**Long-term Advances from Associates and Affiliates** (Note 6)	149,500
22	**Other Regulated Liabilities** (Note 7)	8,941
23		$ 294,043
24	**Partner's Equity (Regulatory Deferral)**	139,516
25	**Total Liabilities and Equity**	$ 433,559

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 Forecasted Income for Regulatory Purposes
As at December 31, 2019

1	**Notice to Reader: Subject to review by the New Brunswick Energy and Utilities Board**	
2	(in thousands of dollars)	
3		2019
4	**Revenue**	
5	**Operating Revenue** (Note 8)	
6	Gas distribution	$ 46,457
7	Miscellaneous	1,017
8	**Allowance for Funds Used During Construction**	43
9		47,517
10	**Service and Inspections**	
11	Revenue	653
12	Cost of goods sold	(350)
13		303
14	**Total Revenue**	47,820
15	**Expenses**	
16	**Operating Expenses**	
17	Operating and maintenance (Note 9)	11,216
18	Transportation (net)	1,973
19	Total Operating and maintenance expenses	13,189
20	Other Expenses	50
21	Bad debt expense	204
22	**Amortization of Property, Plant and Equipment**	6,227
23	**Municipal and Other Taxes**	1,275
24	**Interest on Amounts Due to Associates & Affiliates and Other Interest** (Note 10)	6,910
25	**Amortization of Deferred Development Costs**	2,931
26	**Total Expenses**	30,786
27	**Income before Extraordinary Items, Regulatory Deferral and Return on Rate Base**	17,034
28	**Regulatory Deferral**	-
29	**Income before Tax**	$ 17,034
30	**Regulated Return on Equity** (Note 11)	$ 17,034

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

Enbridge Gas New Brunswick
Notes to 2019 Forecasted Regulatory Financial Results
For the year ended December 31, 2019

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

The Public Utility's primary business activities are subject to regulation by the New Brunswick Energy and Utilities Board (EUB). The Public Utility 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 accepted accounting principles (GAAP) applicable to non-regulated operations. The ultimate recoverability of costs incurred is dependent upon the approval of the EUB.

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

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 Public Utility does not recognize gains and losses on the sale of Enbridge Utility Gas (EUG) 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.

Enbridge Inc., on behalf of the Public Utility, 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.

On December 16, 2016, the Government of New Brunswick enacted amendments to the Gas Distribution Act, 1999. The General Franchise Agreement was extended for an additional 25 years with an additional 25 year option. The new legislation modifies the current approach to setting rates from a combination of cost of service and market based rates to a cost of service approach only. The amendments allow for an annual increase of 3% for Small General Service customers to current EUB approved rates in each of 2018 and 2019 and a rate freeze for non-SGS customers at current EUB approved rates for 2018 and 2019, after which the EUB will set the rates based on the cost of service methodology. The regulatory deferral account was reduced to $144.5 million with $100 million to be included in revenue requirement over 26 years commencing in January 1, 2020 and ending on December 31, 2045. The remaining regulatory deferral account balance of $44.5 million is to be recovered as authorized by the EUB.

Enbridge Gas New Brunswick
Notes to 2019 Forecasted Regulatory Financial Results
For the year ended December 31, 2019

(in thousands of dollars)

Note 2 **Property, Plant & Equipment**

1				**2019**
2			**Accumulated**	**Net Book**
3		**Cost**	**Amortization**	**Value**
4	**Property, plant & equipment**			
5	General plant			
6	Computer hardware	$ 1,071	$ (481)	$ 590
7	Tools and work equipment	1,407	(1,180)	227
8	Office furniture and equipment	469	(342)	127
9	Transportation	2,215	(978)	1,237
10	Incentives	1,193	(237)	956
11	Leasehold improvements	113	(34)	79
12	Subtotal	6,468	(3,252)	3,216
13	Distribution plant			
14	Land	375	-	375
15	Rights of way and easements	189	-	189
16	Distribution mains	132,326	(36,348)	95,978
17	Street services	70,447	(20,218)	50,229
18	Meters and regulators	25,424	(6,188)	19,236
19	Stations	16,779	(7,805)	8,974
20	Subtotal	245,540	(70,559)	174,981
21	Total plant in service	252,008	(73,811)	178,197
22	Construction work in progress	681	-	681
23	**Total property, plant & equipment**	$ 252,689	$ (73,811)	$ 178,878

24 1 - Amortized over the term of the related leases.

Enbridge Gas New Brunswick
Notes to 2019 Forecasted Regulatory Financial Results
For the year ended December 31, 2019

(in thousands of dollars)

Note 3 **Deferred Development Costs - Net**

1					**2019**	
2			**Accumulated**		**Net Book**	**Rates of**
3		**Cost**	**Amortization**		**Value**	**Amortization**
4	Franchise fee	$ 1,500	$ (1,500)	$	-	5.00%
5	Intangible Software	2,233	(375)		1,858	4.96%
6	**Total deferred development costs, net**	$ 3,733	$ (1,875)	$	1,858	

Note 4 **Development O&M Capitalized Costs – Net**

7				**2019**	
8			**Accumulated**	**Net Book**	**Rates of**
9		**Cost**	**Amortization**	**Value**	**Amortization**
10	Development O&M capitalized costs	$ 114,953	$ (34,503)	$ 80,450	2.43%
11	**Total development O&M capitalized costs,**	$ 114,953	$ (34,503)	$ 80,450	

Enbridge Gas New Brunswick
Notes to 2019 Forecasted Regulatory Financial Results
For the year ended December 31, 2019

(in thousands of dollars)

Note 5 **Other Regulated Assets**

1		**2019**
2	Cash & Short Term Investments	$ 9,032
3	Accounts Receivable	19,341
4	Long term receivable	320
5	Inventory	1,193
6		$ 29,886

Enbridge Gas New Brunswick
Notes to 2019 Forecasted Regulatory Financial Results
For the year ended December 31, 2019

(in thousands of dollars)

Note 6 **Long-term Advances from Associates and Affiliates**

						2019 Cost of Debt		
1								
2								
3		**Issue Date**	**Maturity Date**		**Amount**	**Enbridge Inc.**	**EGNB**	**Regulated**
4	Promissory Note	12-Dec-12	9-Dec-19	$	-	4.63%	5.63%	5.63%
5	Promissory Note	12-Dec-12	12-Dec-21		14,000	3.50%	4.50%	4.50%
6	Promissory Note	8-Jan-13	8-Jan-20		7,500	3.67%	4.67%	4.67%
7	Promissory Note	30-Mar-15	29-Mar-19		-	3.45%	4.45%	4.45%
8	Promissory Note	15-Sep-15	15-Sep-19		-	3.84%	4.84%	4.84%
9	Promissory Note	15-Sep-15	15-Sep-20		18,000	4.23%	5.23%	5.23%
10	Promissory Note	8-Aug-16	9-Aug-21		20,000	3.55%	4.55%	4.55%
11	Promissory Note	15-Mar-17	15-Mar-22		5,000	3.02%	4.02%	4.02%
12	Promissory Note	15-Mar-17	15-Mar-22		21,000	3.02%	4.02%	4.02%
13	Promissory Note	15-Mar-17	15-Mar-24		25,000	3.60%	4.60%	4.60%
14	Promissory Note	9-Dec-19	9-Dec-24		15,000	4.00%	5.00%	5.00%
15	Promissory Note	1-Aug-19	31-Jul-24		6,000	4.00%	5.00%	5.00%
16	Promissory Note	15-Sep-19	15-Sep-24		18,000	4.00%	5.00%	5.00%
17	Total long-term advances							
18	from associates and affiliates			$	149,500	3.70%	4.70%	4.70%

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

Enbridge Gas New Brunswick
Notes to 2019 Forecasted Regulatory Financial Results
For the year ended December 31, 2019

(in thousands of dollars)

Note 7 **Other Regulated Liabilities**

1			**2019**
2	Rates variance	$	1,569
3	Accounts Payable		4,780
4	Long Term Payable		133
5	Long Term Deferred Post Employment Liabilities		2,459
6		$	8,941

Enbridge Gas New Brunswick
Notes to 2019 Forecasted Regulatory Financial Results
For the year ended December 31, 2019

(in thousands of dollars)

Note 8 **Operating Revenue**

a. Gas Distribution

		2019		
1				
2		**Revenue**	**Customers**	**Throughput**
3				**TJs**
4	Small General Service (SGS)	$ 7,937	8,352	613
5	Mid-General Service (MGS)	13,931	3,106	1,124
6	Large General Service (LGS)	12,743	358	1,592
7	Contract General Service (CGS)	5,434	90	800
8	Industrial Contract General Service (ICGS)	6,230	9	1,632
9	Off-Peak Service (OPS)	182	13	26
10	Total	$ 46,457	11,928	5,787

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

Enbridge Gas New Brunswick
Notes to 2019 Forecasted Regulatory Financial Results
For the year ended December 31, 2019

(in thousands of dollars)

Note 8 **Operating Revenue (continued)**

b. Miscellaneous

1		**2019**
2	Agent billing and collection	$ 194
3	Other miscellaneous revenue	823
4	**Total miscellaneous**	$ 1,017

5	**Details of Agent Billing and Collection Revenue**	
6	(in dollars)	
7		**2019**
8	Small General Service (SGS)	$ 136,648
9	Mid-General Service (MGS)	41,517
10	Large General Service (LGS)	11,932
11	Contract General Service (CGS)	2,311
12	Industrial Contract General Service (ICGS)	399
13	Off-Peak Service (OPS)	684
14	**Total agent billing and collection revenue**	$ 193,491

Enbridge Gas New Brunswick
Notes to 2019 Forecasted Regulatory Financial Results
For the year ended December 31, 2019

(in thousands of dollars)

Note 9 **Operating and Maintenance Expenses**

1		**2019**
2	Corporate management	$ 857
3	Corporate administration	215
4	Financial reporting	1,301
5	Information technology	1,300
6	Regulatory & upstream	749
7	Sales & marketing	1,731
8	Distribution & maintenance	5,309
9	Customer care	1,433
10	Human resources	1,897
11	Gas transportation and related activities	1,973
12	**Total prior to capitalization**	16,765
13	Property, plant & equipment	3,576
14	**Total capitalized**	3,576
15	**Total expense**	$13,189

Enbridge Gas New Brunswick
Notes to 2019 Forecasted Regulatory Financial Results
For the year ended December 31, 2019

(in thousands of dollars)

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

1			**2019**
2	Interest on long-term debt	$	6,895
3	AIDC - allowance for funds used during construction (debt component)		15
4	**Total interest on amounts due to associates & affiliates and other interest**	$	6,910

Note 11 **Regulated Return on Equity**

5			**2019**
6	Regulated return on equity - Calculated	$	13,069
7	Budgeted amount that exceeds 10.9%		3,937
8	AEDC - allowance for funds used during construction (equity component)		28
9	**Total regulated return on equity**	$	17,034

Enbridge Gas New Brunswick
Notes to 2019 Forecasted Regulatory Financial Results
For the year ended December 31, 2019

(in thousands of dollars)

Note 12 **Rate Base for Regulatory Purposes**

1		**2019**
2	**Property, plant & equipment**	
3	Cost	$ 252,008
4	Accumulated amortization	(73,811)
5	Net	178,197
6	**Deferred charges**	
7	Franchise fee, at cost	1,500
8	Accumulated amortization	(1,500)
9	Net	-
10	Development O&M capitalized costs	114,953
11	Accumulated amortization	(34,503)
12	Net	80,450
13	Intangible Software	2,233
14	Accumulated amortization	(375)
15	Net	1,858
16	Deferral account	-
17	**Total deferred charges**	82,308
18	**Term deposit**	2,971
19	**Working capital allowance**	1,578
20	**Total rate base**	$ 265,054
21	**Average rate base**	$ 266,426

Enbridge Gas New Brunswick
Notes to 2019 Forecasted Regulatory Financial Results
For the year ended December 31, 2019

(in thousands of dollars)

Note 13 **Capital Structure for Regulatory Purposes**

1		**2019**
2	**Capital structure**	
3	Long-term debt	$ 149,500
4	Equity	135,602
5	Total	$ 285,102
6	**Capital structure percentage**	
7	Long-term debt	52.44%
8	Equity	47.56%
9	Total	100.00%
10	**Capital structure average percentage for regulatory purposes**	
11	Long-term debt	55.00%
12	Equity	45.00%
13	Total	100.00%
14	**Weighted cost of capital for regulatory purposes**	
15	Long-term debt	2.59%
16	Equity	4.91%
17	Total	7.50%

Enbridge Gas New Brunswick
Notes to 2019 Forecasted Regulatory Financial Results
For the year ended December 31, 2019

(in thousands of dollars)

Note 14 **Details of Affiliate Transactions**

		Enbridge Inc.	Enbridge Employee Services Inc.	Enbridge Gas Distribution Inc.	Gazifère Inc.	Maritimes and Northeast Pipeline	Saint Lawrence Gas	Total Affiliate Consulting and Services	Total Consulting and Services	Affiliate Expenditure as Percent of Total Consulting and Services
1	**Consulting and Services**									
2	**For the period ending December 31, 2019**									
3	Corporate management	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 50	0%
4	Sales & marketing	-	-	-	-	-	-	-	$ 107	0%
5	Human resources	520	-	-	-	-	-	520	$ 531	98%
6	Distribution & maintenance	-	-	451	-	15	-	466	$ 1,124	41%
7	Budget & regulatory	-	-	-	-	-	-	-	$ 610	0%
8	Financial reporting	69	8	-	-	-	-	77	$ 199	39%
9	Customer care	-	-	-	914	-	-	914	$ 1,057	86%
10	Corporate administration	153	-	8	-	-	-	161	$ 161	100%
11	Gas transportation & related	-	-	128	-	100	-	228	$ 232	98%
12	Information technology	637	-	20	-	-	-	657	$ 657	100%
13	Recoveries	-	-	-	(56)	-	(67)	(123)	$ 15	-820%
14	**Total**	**$ 1,379**	**$ 8**	**$ 607**	**$ 858**	**$ 115**	**$ (67)**	**$ 2,900**	**$ 4,743**	61%

SCHEDULE 3.2

2018 and 2019 Budgets

Enbridge Gas New Brunswick
Budget Balance Sheet for Regulatory Purposes
As at December 31, 2018-19

1	**Notice to Reader: Subject to review by the New Brunswick Energy and Utilities Board**		
2	(in thousands of dollars)		
3	**Assets**	2018	2019
4	**Regulated Assets**		
5	**Property, Plant and Equipment** (Note 2)		
6	**Gas Distributor Plant in Service - Net** (includes AFUDC capitalized during 2018 and 2019 of $42.4 and $60.4 respectively)	$ 177,945	$ 182,217
7	**Construction Work In Progress - Gas Distributor Plant**	1,595	1,714
8	**Total Property, Plant & Equipment**	179,540	183,931
9	**Deferred Charges**		
10	**Deferred Development Costs - Net** (Note 3)	1,646	1,960
11	**Development O&M Capitalized Costs - Net** (Note 4)	83,242	80,450
12	**Total Deferred Charges**	84,888	82,410
13	**Short Term Investments**	2,956	2,956
14	**Total Regulated Rate Base Assets**	267,384	269,297
15	**Other Regulated Assets** (Note 5)	22,916	22,586
16	**Total Regulated Assets**	290,300	291,883
17	**Regulatory Deferral** (Note 1)	144,500	144,500
18	**Total Assets**	$ 434,800	$ 436,383
19	**Liabilities and Partner's Equity**		
20	**Partner's Equity (Ratebase)** (Note 1)	132,231	134,014
21	**Long-term Advances from Associates and Affiliates** (Note 6)	149,500	149,500
22	**Other Regulated Liabilities** (Note 7)	8,569	8,369
23		$ 290,300	$ 291,883
24	**Partner's Equity (Regulatory Deferral)**	144,500	144,500
25	**Total Liabilities and Equity**	$ 434,800	$ 436,383

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 Budgeted Income for Regulatory Purposes
As at December 31, 2018-19

1	**Notice to Reader: Subject to review by the New Brunswick Energy and Utilities Board**		
2	(in thousands of dollars)		
3		2018	2019
4	**Revenue**		
5	**Operating Revenue** (Note 8)		
6	Gas distribution	$ 46,081	$ 47,428
7	Miscellaneous	1,288	898
8	**Allowance for Funds Used During Construction**	42	60
9		47,411	48,386
10	**Service and Inspections**		
11	Revenue	624	624
12	Cost of goods sold	(377)	(377)
13		247	247
14	**Total Revenue**	47,658	48,633
15	**Expenses**		
16	**Operating Expenses**		
17	Operating and maintenance (Note 9)	12,159	12,038
18	Transportation (net)	1,587	1,586
19	Total Operating and maintenance expenses	13,746	13,624
20	Other Expenses	100	50
21	Bad debt expense	282	282
22	**Amortization of Property, Plant and Equipment**	6,183	6,516
23	**Municipal and Other Taxes**	1,261	1,274
24	**Interest on Amounts Due to Associates & Affiliates and Other Interest** (Note 10)	6,878	6,900
25	**Amortization of Deferred Development Costs**	2,942	2,940
26	**Total Expenses**	31,392	31,586
27	**Income before Extraordinary Items, Regulatory Deferral and Return on Rate Base**	16,266	17,047
28	**Regulatory Deferral**	-	-
29	**Income before Tax**	$ 16,266	$ 17,047
30	**Regulated Return on Equity** (Note 11)	$ 16,266	$ 17,047

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

Enbridge Gas New Brunswick
Notes to 2017 Forecasted Regulatory Financial Results
For the year ended December 31, 2017

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

The Public Utility's primary business activities are subject to regulation by the New Brunswick Energy and Utilities Board (EUB). The Public Utility 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 accepted accounting principles (GAAP) applicable to non-regulated operations. The ultimate recoverability of costs incurred is dependent upon the approval of the EUB.

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

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 Public Utility does not recognize gains and losses on the sale of Enbridge Utility Gas (EUG) 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.

Enbridge Inc., on behalf of the Public Utility, 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.

The Public Utility had been subject to non-traditional regulation which recognized its immature nature. Unlike many similar utilities, the Public Utility's rates were not set on a cost based methodology. Prior to October 1, 2012, the Public Utility's rates were set exclusively based upon a market based methodology, and were based on a targeted savings over alternate fuel for end use customers.

Enbridge Gas New Brunswick
Notes to 2017 Forecasted Regulatory Financial Results
For the year ended December 31, 2017

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

In December 2011, the Province of New Brunswick introduced legislation that outlined new rate classes, and a new rate setting methodology for the Public Utility.

On December 16, 2016, the Government of New Brunswick enacted amendments to the Gas Distribution Act, 1999. The General Franchise Agreement was extended for an additional 25 years with an additional 25 year option. The new legislation modifies the current approach to setting rates from a combination of cost of service and market based rates to a cost of service approach only. The amendments allow for an annual increase of 3% for Small General Service customers to current EUB approved rates in each of 2018 and 2019 and a rate freeze for non-SGS customers at current EUB approved rates for 2018 and 2019, after which the EUB will set the rates based on the cost of service methodology. The regulatory deferral account was reduced to $144.5 million with $100 million to be included in revenue requirement over 25 years commencing in January 1, 2020. The remaining regulatory deferral account balance of $44.5 million is to be recovered as authorized by the EUB.

Enbridge Gas New Brunswick
Notes to 2018-19 Budget Regulatory Financial Results
For the year ended December 31, 2018-19

(in thousands of dollars)

Note 2 **Property, Plant & Equipment**

Line				2018	2019	
2			Accumulated	Net Book	Net Book	Rates of
3		Cost	Amortization	Value	Value	Amortization
4	**Property, plant & equipment**					
5	General plant					
6	Computer hardware	$ 685	$ (196)	$ 489	$ 509	8.87%
7	Tools and work equipment	1,768	(1,355)	413	303	14.53%
8	Office furniture and equipment	224	(52)	172	147	6.41%
9	Transportation	1,955	(1,032)	923	1,161	6.32%
10	Incentives	786	(294)	492	1,101	20.00%
11	Leasehold improvements	260	(146)	114	135	1
12	Subtotal	5,678	(3,075)	2,603	3,356	
13	Distribution plant					
14	Land	375	-	375	375	-
15	Rights of way and easements	189	-	189	189	-
16	Distribution mains	131,132	(34,645)	96,487	96,542	1.64%
17	Street services	70,482	(19,936)	50,546	54,646	1.74%
18	Meters and regulators	24,508	(6,064)	18,444	18,285	7.63%
19	Stations	16,647	(7,346)	9,301	8,824	2.82%
20	Subtotal	243,333	(67,991)	175,342	178,861	
21	Total plant in service	249,011	(71,066)	177,945	182,217	
22	Construction work in progress	1,595	-	1,595	1,714	
23	**Total property, plant & equipment**	$ 250,606	$ (71,066)	$ 179,540	$ 183,931	

24 1 - Amortized over the term of the related leases.

Enbridge Gas New Brunswick
Notes to 2018-19 Budget Regulatory Financial Results
For the year ended December 31, 2018-19

(in thousands of dollars)

Note 3 **Deferred Development Costs - Net**

1				2018	2019	
2			Accumulated	Net Book	Net Book	Rates of
3		Cost	Amortization	Value	Value	Amortization
4	Franchise fee	$ 1,500	$ (1,450)	$ 50	$ -	5.00%
5	Intangible Software	4,167	(2,571)	1,596	1,960	4.96%
6	**Total deferred development costs, net**	$ 5,667	$ (4,021)	$ 1,646	$ 1,960	

Note 4 **Development O&M Capitalized Costs – Net**

7				2018	2019	
8			Accumulated	Net Book	Net Book	Rates of
9		Cost	Amortization	Value	Value	Amortization
10	Development O&M capitalized costs	$ 114,952	$ (31,710)	$ 83,242	$ 80,450	2.43%
11	**Total development O&M capitalized**	$ 114,952	$ (31,710)	$ 83,242	$ 80,450	

Enbridge Gas New Brunswick
Notes to 2018-19 Budget Regulatory Financial Results
For the year ended December 31, 2018-19

(in thousands of dollars)

Note 5 **Other Regulated Assets**

		2018	2019
1			
2	Cash & Short Term Investments	$ 3,567	$ 5,258
3	Accounts Receivable	17,762	15,739
4	Long term receivable	359	359
5	Inventory	1,228	1,230
6		$ 22,916	$ 22,586

Enbridge Gas New Brunswick
Notes to 2018-19 Budget Regulatory Financial Results
For the year ended December 31, 2018-19

(in thousands of dollars)

Note 6 **Long-term Advances from Associates and Affiliates**

				2018				2019			
1											
2					Cost of Debt				Cost of Debt		
3		Issue Date	Maturity Date	Amount	Enbridge Inc.	EGNB	Regulated	Amount	Enbridge Inc.	EGNB	Regulated
4	Promissory Note	9-Dec-09	9-Dec-19	15,000	4.63%	5.63%	5.63%	-	-	-	-
5	Promissory Note	12-Dec-12	12-Dec-22	14,000	3.50%	4.50%	4.50%	14,000	3.50%	4.50%	4.50%
6	Promissory Note	8-Jan-13	8-Jan-20	7,500	3.67%	4.67%	4.67%	7,500	3.67%	4.67%	4.67%
7	Promissory Note	30-Mar-15	29-Mar-19	6,000	3.45%	4.45%	4.45%	-	-	-	-
8	Promissory Note	30-Jun-15	15-Sep-19	18,000	3.84%	4.84%	4.84%	-	-	-	-
9	Promissory Note	30-Sep-15	14-Sep-20	18,000	4.23%	5.23%	5.23%	18,000	4.23%	5.23%	5.23%
10	Promissory Note	9-Aug-16	9-Aug-21	20,000	3.55%	4.55%	4.55%	20,000	3.55%	4.55%	4.55%
11	Promissory Note	15-Mar-17	15-Mar-22	5,000	3.02%	4.02%	4.02%	5,000	3.02%	4.02%	4.02%
12	Promissory Note	15-Mar-17	14-Mar-24	25,000	3.60%	4.60%	4.60%	25,000	3.60%	4.60%	4.60%
13	Promissory Note	15-Mar-17	15-Mar-22	21,000	3.02%	4.02%	4.02%	21,000	3.02%	4.02%	4.02%
14	Promissory Note	29-Mar-19	28-Mar-24	-	-	-	-	6,000	4.10%	5.10%	5.10%
15	Promissory Note	15-Sep-19	14-Sep-24	-	-	-	-	18,000	4.10%	5.10%	5.10%
16	Promissory Note	9-Dec-19	8-Dec-24	-	-	-	-	15,000	4.10%	5.10%	5.10%
17	Total long-term advances										
18	from associates and affiliates			$ 149,500	3.69%	4.69%	4.69%	$ 149,500	3.71%	4.71%	4.71%

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

Enbridge Gas New Brunswick
Notes to 2018-19 Budget Regulatory Financial Results
For the year ended December 31, 2018-19

(in thousands of dollars)

Note 7 **Other Regulated Liabilities**

		2018	2019
1			
2	Accounts Payable	$ 5,871	$ 5,671
3	Long Term Payable	143	143
4	Long Term Deferred Post Employment Liabilities	2,555	2,555
5		$ 8,569	$ 8,369

Enbridge Gas New Brunswick
Notes to 2018-19 Budget Regulatory Financial Results
For the year ended December 31, 2018-19

(in thousands of dollars)

Note 8 **Operating Revenue**

a. Gas Distribution

		2018			2019		
1		**2018**			**2019**		
2		**Revenue**	**Customers**	**Throughput**	**Revenue**	**Customers**	**Throughput**
3				**TJs**			**TJs**
4	Small General Service (SGS)	$ 7,735	8,213	613	$ 7,937	8,267	615
5	Mid-General Service (MGS)	13,961	3,158	1,123	14,417	3,251	1,159
6	Large General Service (LGS)	13,061	396	1,593	13,658	404	1,663
7	Contract General Service (CGS)	4,810	76	727	4,902	76	743
8	Industrial Contract General Service (ICGS)	6,363	9	1,725	6,363	9	1,725
9	Off-Peak Service (OPS)	151	16	23	151	16	23
10	Total	$ 46,081	11,868	5,804	$ 47,428	12,023	5,928

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

Enbridge Gas New Brunswick
Notes to 2018-19 Budget Regulatory Financial Results
For the year ended December 31, 2018-19

(in thousands of dollars)

Note 8 **Operating Revenue (continued)**

b. Miscellaneous

		2018	2019
1		**2018**	**2019**
2	Agent billing and collection	$ 175	$ 180
3	Other miscellaneous revenue	1,113	718
4	**Total miscellaneous**	$ 1,288	$ 898

5	**Details of Agent Billing and Collection Revenue**		
6	(in dollars)		
7		**2018**	**2019**
8	Small General Service (SGS)	$ 128,122	$ 130,427
9	Mid-General Service (MGS)	33,992	35,863
10	Large General Service (LGS)	10,190	10,590
11	Contract General Service (CGS)	1,867	1,940
12	Industrial Contract General Service (ICGS)	384	391
13	Off-Peak Service (OPS)	799	815
14	**Total agent billing and collection revenue**	$ 175,354	$ 180,026

Enbridge Gas New Brunswick
Notes to 2018-19 Budget Regulatory Financial Results
For the year ended December 31, 2018-19

(in thousands of dollars)

Note 9 **Operating and Maintenance Expenses**

1		**2018**	**2019**
2	Corporate management	$ 912	$ 928
3	Corporate administration	422	482
4	Financial reporting	1,176	1,152
5	Information technology	1,634	1,599
6	Regulatory & upstream	847	864
7	Sales & marketing	1,496	1,549
8	Distribution & maintenance	5,104	5,186
9	Customer care	1,436	1,465
10	Human resources	2,693	2,482
11	Gas transportation and related activities	1,587	1,586
12	**Total prior to capitalization**	17,307	17,293
13	Property, plant & equipment	3,561	3,670
14	**Total capitalized**	3,561	3,670
15	**Total expense**	$ 13,746	$ 13,623

Enbridge Gas New Brunswick
Notes to 2018-19 Budget Regulatory Financial Results
For the year ended December 31, 2018-19

(in thousands of dollars)

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

		2018	2019
1			
2	Interest on long-term debt	$ 6,864	$ 6,879
3	AIDC - allowance for funds used during construction (debt component)	14	21
4	**Total interest on amounts due to associates & affiliates and other interest**	$ 6,878	$ 6,900

Note 11 **Regulated Return on Equity**

		2018	2019
5			
6	Regulated return on equity - Calculated	$ 13,056	$ 13,135
7	Budgeted amount that exceeds 10.9%	3,182	3,872
8	AEDC - allowance for funds used during construction (equity component)	28	40
9	**Total regulated return on equity**	$ 16,266	$ 17,047

Enbridge Gas New Brunswick
Notes to 2018-19 Budget Regulatory Financial Results
For the year ended December 31, 2018-19

(in thousands of dollars)

Note 12 **Rate Base for Regulatory Purposes**

		2018	2019
1		**2018**	**2019**
2	**Property, plant & equipment**		
3	Cost	$ 249,011	$ 258,401
4	Accumulated amortization	(71,066)	(76,184)
5	Net	177,945	182,217
6	**Deferred charges**		
7	Franchise fee, at cost	1,500	1,500
8	Accumulated amortization	(1,450)	(1,500)
9	Net	50	-
10	Development O&M capitalized costs	114,952	114,952
11	Accumulated amortization	(31,710)	(34,502)
12	Net	83,242	80,450
13	Intangible Software	4,167	4,629
14	Accumulated amortization	(2,571)	(2,669)
15	Net	1,596	1,960
16	Deferral account	-	-
17	**Total deferred charges**	84,888	82,410
18	**Term deposit**	2,956	2,956
19	**Working capital allowance**	1,297	1,298
20	**Total rate base**	$ 267,086	$ 268,881
21	**Average rate base**	$ 266,192	$ 267,777

Enbridge Gas New Brunswick
Notes to 2018-19 Budget Regulatory Financial Results
For the year ended December 31, 2018-19

(in thousands of dollars)

Note 13 **Capital Structure for Regulatory Purposes**

		2018	2019
1		**2018**	**2019**
2	**Capital structure**		
3	Long-term debt	$ 149,500	$ 149,500
4	Equity	132,231	134,014
5	Total	$ 281,731	$ 283,514
6	**Capital structure percentage**		
7	Long-term debt	53.06%	52.73%
8	Equity	46.94%	47.27%
9	Total	100.00%	100.00%
10	**Capital structure average percentage for regulatory purposes**		
11	Long-term debt	55.00%	55.00%
12	Equity	45.00%	45.00%
13	Total	100.00%	100.00%
14	**Weighted cost of capital for regulatory purposes**		
15	Long-term debt	2.58%	2.59%
16	Equity	4.91%	4.91%
17	Total	7.49%	7.50%

Enbridge Gas New Brunswick

Notes to 2018-19 Budget Regulatory Financial Results
For the year ended December 31, 2018-19

(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.	Saint Lawrence Gas	Total Affiliate Consulting and Services	Total Consulting and Services	Affiliate Expenditure as Percent of Total Consulting and Services
1									
2	**For the period ending December 31, 2018**								
3	Corporate management	$ -	$ -	$ 158	$ -	$ -	$ 158	$ 208	76%
4	Sales & marketing	-	-	-	-	-	-	103	0%
5	Human resources	179	-	15	-	-	194	205	95%
6	Distribution & maintenance	-	-	425	-	-	425	1,113	38%
7	Budget & regulatory	-	-	-	-	-	-	710	0%
8	Financial reporting	12	20	28	-	-	60	159	38%
9	Customer care	-	-	-	914	-	914	1,057	86%
10	Corporate administration	362	-	8	-	-	369	369	100%
11	Gas transportation & related	-	-	128	-	-	128	132	97%
12	Information technology	915	-	11	-	-	926	1,111	83%
13	Recoveries	-	-	-	(171)	(225)	(395)	(395)	100%
14	**Total**	**$ 1,468**	**$ 20**	**$ 773**	**$ 743**	**$ (225)**	**$ 2,779**	**$ 4,772**	58%

	Consulting and Services	Enbridge Inc.	Enbridge Employee Services Inc.	Enbridge Gas Distribution Inc.	Gazifère Inc.	Saint Lawrence Gas	Total Affiliate Consulting and Services	Total Consulting and Services	Affiliate Expenditure as Percent of Total Consulting and Services
15									
16	**For the period ending December 31, 2019**								
17	Corporate management	$ -	$ -	$ 158	$ -	$ -	$ 158	$ 208	76%
18	Sales & marketing	-	-	-	-	-	-	103	0%
19	Human resources	179	-	15	-	-	194	205	95%
20	Distribution & maintenance	-	-	418	-	-	418	1,106	38%
21	Budget & regulatory	-	-	-	-	-	-	711	0%
22	Financial reporting	12	20	44	-	-	75	174	43%
23	Customer care	-	-	-	914	-	914	1,057	86%
24	Corporate administration	470	-	8	-	-	478	478	100%
25	Gas transportation & related	-	-	128	-	-	128	132	97%
26	Information technology	913	-	11	-	-	924	1,040	89%
27	Recoveries	-	-	-	(171)	(225)	(396)	(396)	100%
28	**Total**	**$ 1,574**	**$ 20**	**$ 782**	**$ 743**	**$ (225)**	**$ 2,893**	**$ 4,818**	60%

SCHEDULE 3.3

2019 Forecast to Budget Explanations

2019 Forecast to Budget

Overview

The 2019 Forecast is based on actual results as of April 30, 2019 with forecasts to the end of the year. For comparative purposes, variance explanations compare 2019 Forecast results to the 2019 Budget.

Revenue

The table below summarizes EGNB's 2019 Forecast gas distribution revenue, miscellaneous operating revenue, allowance for funds used during construction ("AFUDC") and services and inspection margin with comparisons to the 2019 Budget.

Table 1
Revenue

Line No.	(in thousands of dollars)	(1) 2019 Forecast	(2) 2019 Budget	(3)=(1)-(2) 2019 Variance
1	Operating Revenue			
2	Gas Distribution	$ 46,457	$ 47,428	$ (971)
3	Miscellaneous	1,017	898	119
4	Allowance for Funds Used During Construction	43	60	(17)
5		47,517	48,386	(869)
6	Services & Inspection			
7	Revenue	653	624	29
8	Cost of Goods Sold	(350)	(377)	27
9		303	247	56
10	Total Revenue	$ 47,820	$ 48,633	$ (813)

Operating Revenue

- Gas Distribution Revenue: gas distribution revenues are forecast to end 2019 $971K under budget due to lower consumption and fewer customers compared to Budget ($1.789 million), offset by colder than normal weather ($776K) and higher net contract demand and customer charges ($42K).

- Miscellaneous Operating Revenue: miscellaneous revenues are expected to end 2019 $119K over budget primarily due to higher interest income ($161K), late payment charges collected from customers ($21K) and ABC revenue ($13K), offset by lower other customer charges and fees ($76K).
- AFUDC is expected to be $17K under budget, primarily due to lower than expected monthly balances in the CWIP account, on which AFUDC is calculated.
- Services & Inspection Margin is expected to be $56K over budget due to lower than budgeted costs on servicing protection plans and other service work costs ($27K) and higher residential service work revenue ($29K).

Expenses

Below is a summary of EGNB's 2019 Forecast operating and maintenance expenses, bad debt expense, amortization of property, plant and equipment, municipal and other taxes, interest on amounts due to associates and affiliates and other interest and amortization of deferred development costs with comparisons to the 2019 Budget.

Table 2
Operating Expenses

Line No.	(in thousands of dollars)	(1) 2019 Forecast	(2) 2019 Budget	(3)=(1)-(2) 2019 Variance
1	Operating Expenses			
2	Operating and Maintenance Expenses	$13,189	$13,624	$ (435)
3	Bad Debt Expense	204	282	(78)
4	Amortization of Property, Plant and Equipment	6,227	6,516	(289)
5	Municipal and Other Taxes	1,275	1,274	1
6	Interest on Amounts Due to Associates and Affiliates and Other Interest	6,910	6,900	10
7	Other Expenses	50	50	-
8	Amortization of Deferred Development Costs	2,931	2,940	(9)
9	**Total Expenses**	$30,786	$31,586	$ (800)

Operating and Maintenance ("O&M") Expenses

EGNB manages its O&M expenses at an aggregate level where EGNB will try to offset increased costs in certain areas with cost reductions or savings in other areas of the organization.

EGNB has grouped its O&M expenses based on major cost categories rather than departments, as seen in the regulatory financial statement format filed with the Board.

Table 3

Operating and Maintenance Expenses

Line No.	(in thousands of dollars)	(1) 2019 Forecast	(2) 2019 Budget	(3)=(1)-(2) 2019 Variance
1	Labour and Benefits	$ 7,689	$ 8,239	$ (550)
2	Admin/Office Expenses	317	449	(132)
3	Computer and Telecom Services	269	305	(36)
4	Professional Consulting	1,468	1,405	63
5	Travel and Training	205	143	62
6	Advertising and Promotions	769	824	(55)
7	Tools and Safety	211	211	-
8	Fleet	412	377	35
9	Facilities	675	675	-
10	Insurance	94	145	(51)
11	NBEUB Assessments	410	530	(120)
12	Corporate Allocations	1,277	1,455	(178)
13	Service Level Agreements	996	950	46
14	Gas Transportation and Related Activities	1,973	1,586	387
15	**Total O&M Prior to Capitalization**	16,765	17,294	(529)
16	Property, plant & equipment	3,576	3,670	(94)
17	**Total Capitalized**	3,576	3,670	(94)
18	**Total O&M Expenses**	$ 13,189	$ 13,624	$ (435)

EGNB's 2019 Forecast O&M expenses, prior to capitalization, are expected to end the year $529K, or 3.1%, under budget, with the drivers for this variance being:

- Labour and Benefits are forecast to be $550K under budget due to reduced salaries and other compensation ($403K), lower than budgeted pension benefits ($143K) and reduced employee training and development ($4K).
- Admin/Office Expenses are forecast to be under budget by $132K due to removal of an inflation placeholder ($152K), offset by higher materials and office supplies ($11K), corporate activities ($6K) and postage and courier costs ($3K).

- Computer and Telecom Services are forecast to be under budget by $36K due to lower cell and telephone costs ($59K), offset by increased IT software maintenance ($22K) and computer equipment supplies ($1K)
- Professional Consulting expenses are forecast to be over budget by $63K due to increased legal fees ($24K), audit fees ($22K), professional consulting fees ($13K) and contract services ($4K).
- Travel and Training are forecast to be over budget by $62K due to an increase in accommodations and meals costs ($40K), ground transportation costs ($13K), airfare ($8K) and conference and training costs ($1K).
- Advertising and Promotions are forecast to be under budget by $55K primarily due to lower advertising costs.
- Fleet is forecast to be over budget by $35K due to increased fleet fuel and maintenance costs.
- Insurance is forecast to be under budget by $51K due to lower insurance allocation in 2019 from Enbridge Inc.
- NBEUB Assessments are forecast to end the year under budget by $120K due to lower than anticipated hearing activity and Public Intervenor costs.
- Corporate Allocations are forecast lower than budget by $178K due to decreased allocations for corporate information technology ($289K) and corporate shared services ($208K), offset by higher corporate HR ($261K) and treasury costs ($58K).
- Service Level Agreements (SLA) are higher than budget by $46K due to higher than expected recoveries ($267K), offset by reduced services from Enbridge Gas Distribution ($221K).
- Gas Transportation and Related Activities are forecast to be higher by $387K due to higher than anticipated tolls for capacity and recognizing abandonment surcharge on the Maritimes and Northeast Pipeline in 2019.

Amounts capitalized to Property, Plant and Equipment are forecast to be $94K under budget due to aggregate O&M spending in cost centers differing from budgeted spend and the associated different capitalization rates for each cost center.

<u>Other Operating Expenses</u>

Bad Debt Expense is forecast to be $78K under budget due to lower than budgeted Accounts Receivable balances being written off during the first four months of 2019.

Amortization of Property, Plant and Equipment is forecast to be $289K under budget mainly due to a decrease in capital expenditures planned for 2019.

Municipal and Other Taxes are forecast to be $1K over budget due to increases in the municipal property tax rates for 2018 ($5K), offset by lower than budgeted pipe length ($4K).

Interest on Amounts Due to Associates and Affiliates and Other Income are forecast to be $10K above budget primarily due to short term interest expense in the first four months of 2019.

Amortization of Deferred Development Costs is forecast to be $9K under budget due to timing of opening balances from budget to forecast ($15K), offset by higher than budgeted capital spend for software ($24K).

Rate Base

Information with respect to EGNB's year-end Rate Base and the levels of Property, Plant and Equipment, Development O&M capitalized costs, Working Capital allowance and other elements within rate base are provided below.

Table 4
Rate Base

Line No.	(in thousands of dollars)	(1) 2019 Forecast	(2) 2019 Budget	(3)=(1)-(2) 2019 Variance
1	Property, plant and equipment	$ 178,197	$ 182,217	$ (4,020)
2	Development O&M capitalized costs	80,450	80,450	-
3	Franchise fee	-	-	-
4	Intangible Software	1,858	1,960	(102)
5	Term deposit	2,971	2,956	15
6	Working capital allowance	1,578	1,298	280
7	Regulatory Deferral	-	-	-
8	Rate Base	$ 265,054	$ 268,881	$ (3,827)

Property, Plant and Equipment is forecast to be $4M under budget due to the timing of the opening balances from budget to forecast ($2M) and a decrease in capital expenditures planned for 2019 ($2M).

Intangible Software is forecast to be $102K under budget due to timing of opening balances from budget to forecast ($217K), offset by higher than budgeted capital spend for software ($115K).

Term deposit costs are forecast to be $15K over budget due to the timing of the payment of the interest earned.

Working Capital Allowance is forecast to be $280K over budget in 2019 due to higher than budgeted prepaid expense balance ($316K), offset by lower than budgeted inventory balances ($36K).

Other Regulated Assets & Liabilities

Information with respect to EGNB's Other Regulated Assets & Liabilities is provided below.

Table 5

Other Regulated Assets & Liabilities

Line No.	(in thousands of dollars)	(1) 2019 Forecast	(2) 2019 Budget	(3)=(1)-(2) 2019 Variance
1	**Other Regulated Assets**			
2	Cash and Short Term Investments	$ 9,032	$ 5,258	$ 3,774
3	Accounts Receivable	19,341	15,739	3,602
4	Inventory	1,193	1,230	(37)
5	Long term Receivable	320	359	(39)
6	**Total Other Regulated Assets**	$ 29,886	$ 22,586	$ 7,300
7	**Other Regulated Liabilities**			
8	Rates Variance	$ 1,569	$ -	$ 1,569
9	Accounts Payable	4,780	5,671	(891)
10	Long Term Payable	133	143	(10)
11	Long Term Deferred Post Employment Liabilities	2,459	2,555	(96)
12	**Total Other Regulated Liabilities**	$ 8,941	$ 8,369	$ 572

Other Regulated Assets & Liabilities are a function of the annual operations of EGNB and fluctuate with changes in operating revenues and expenses.

Cost of Capital Summary

Information with respect to EGNB's Cost of Capital is provided below.

Table 6
Cost of Capital

Line No.		(1) 2019 Forecast	(2) 2019 Budget	(3)=(1)-(2) 2019 Variance
1	Principal			
2	Debt	$ 149,500	$ 149,500	$ -
3	Equity	135,602	134,014	1,588
4	Return ($)			
5	Debt	6,895	6,879	16
6	Equity	13,069	13,134	(65)
7	Approved rates			
8	Debt	4.70%	4.71%	-0.01%
9	Equity	10.90%	10.90%	0.00%

EGNB finances its operations through a combination of equity and debt financing.

Equity is forecast to be $1.6M over budget primarily driven by forecasted earnings in 2019.

SCHEDULE 3.4

2020 Budget Assumptions

2020 Budgets Assumptions

The following assumptions were used by EGNB in the development of its 2020 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 3.0% applied to salaries.
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).

Budget Item	**Assumption**
Accumulated Amortization	Based on Board approved amortization rates.
Net Book Value	Cost less Accumulated Amortization.
Construction Work in Progress	There will be the same value of work in progress open at the end of 2020 as there was at the end of 2019.
Deferred Charges	
Deferred Development Costs - Net	Deferred Development Costs less amortization at Board approved rate. Intangible software has been reclassified from Property, Plant and Equipment to Deferred Costs.
Development O&M Capitalized Costs - Net	There are no new forecast additions to Development O&M in 2020. Net change to Development O&M resulting from amortization at Board approved rate.
Regulatory Deferral	Regulatory Deferral account in 2020 has been set at $139.5 million as per the Gas Distribution Act amendments dated December 16, 2016 (2016 balance of $144.5 million less 2017 and 2018 adjusting entries). The Regulatory Deferral Account has been excluded from rate base for purposes of calculating return.
Short Term Investments	Maritimes & Northeast Pipeline Firm Service Agreement security deposit remains constant.
Non-Ratebase Assets	
Cash, & Short Term Investments	Estimated cash requirements based on an assessment of cash flow items.
Accounts Receivable	30 days to receive cash for Distribution Revenue, Gas Sales and ABC, monthly forecast data relied upon.
Inventory	No significant changes in level of inventory forecasted.
Partners Equity	Assumed equity levels are forecasted to average approximately 45% for the year.
Long-term Advances from Associates and Affiliates	Budget assumes 2 retirements and 2 replacements of promissory notes in 2020.
Non-Ratebase Liabilities	
Short Term Indebtedness	No estimated short term borrowing required during 2020 to manage cash flow.

Budget Item	Assumption
Accounts Payable	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
Long Term Deferred Post Employment Liabilities	Forecast year-end balance for 2019 assumed to remain constant in 2020.
Average Rate Base	Forecast timing of additions for 2020 and the exclusion of the Regulatory Deferral Account as part of the regulated assets.
Capital Structure	Managing of debt/equity ratio to Board approved 55/45 structure during 2020.

Budget Item	Assumption
Operating Revenue	
Cumulative Customers	Forecast consists of total forecast customers to the end of 2019 (based on April 2019 actual results and additions/losses forecast for balance of 2019) plus additions forecast minus lost customers forecast for 2020, as shown below, based on a review of historic attachment rates and assessment of current market potential.

2020 Forecast Customer Additions (net)

Customer Additions (net)	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	2020 Total
Small General	2	12	3	1	(3)	(3)	4	(1)	1	2	-	-	18
Mid General	8	5	5	8	5	6	5	8	13	10	9	10	92
Large General	1	-	(1)	-	1	(1)	1	-	1	1	1	1	5
Contract General	-	-	-	-	-	-	-	-	-	-	-	-	-
Industrial Contract General	-	-	-	-	-	-	-	-	-	-	-	-	-
OPS	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	11	17	7	9	3	2	10	7	15	13	10	11	115

New Customers	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	2020 Total
Small General	5	15	6	4	-	1	8	2	4	5	3	3	56
Mid General	14	11	7	8	5	7	7	8	14	13	13	13	120
Large General	1	1	-	-	2	1	2	-	1	1	1	1	11
Contract General	-	-	-	-	-	-	-	-	-	-	-	-	-
Industrial Contract General	-	-	-	-	-	-	-	-	-	-	-	-	-
OPS	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	20	27	13	12	7	9	17	10	19	19	17	17	187

Lost Customers	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	2020 Total
Small General	(3)	(3)	(3)	(3)	(3)	(4)	(4)	(3)	(3)	(3)	(3)	(3)	(38)
Mid General	(6)	(6)	(2)	-	-	(1)	(2)	-	(1)	(3)	(4)	(3)	(28)
Large General	-	(1)	(1)	-	(1)	(2)	(1)	-	-	-	-	-	(6)
Contract General	-	-	-	-	-	-	-	-	-	-	-	-	-
Industrial Contract General	-	-	-	-	-	-	-	-	-	-	-	-	-
OPS	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	(9)	(10)	(6)	(3)	(4)	(7)	(7)	(3)	(4)	(6)	(7)	(6)	(72)

Budget Item	Assumption
	Methodology and Underlying Assumptions of the Net Lost Customer Process "Lost Customer": A customer that is no longer consuming gas and has received a final bill. "Recovered Customer": A "Lost Customer" that has been recovered and is now consuming gas. "Maintained Customer": A customer with no change to their status within the specified period. Customer counts by class are reviewed on a monthly basis and are categorized as 1) New Attachment, 2) Maintained Customers, and 3) Lost Customers net of Recovered Customers. EGNB accounts for "Net Lost Customers" in budgets and forecasts, by adding together the Lost Customer forecast and Recovered Customer forecast. Both the Lost Customer forecast and the Recovered Customer forecast are determined using historical data averages by rate class.
Throughput	Existing Customers: The throughput forecast for existing customers is developed based on historic consumption for each customer, adjusted for normal weather. New Customers: The throughput for new customers is developed based on expected consumption for each customer that is forecasted to be attached based on either signed GJs or a standard profile and the time of year that they are forecast to be attached. The standard profile is based on the average customer. For new industrial customers (CGS, ICGS, OPS), throughput forecast is based on specific customer information provided at time of customer signing. For 2020:

Regulated Rate Class	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Annual Volume
Small General	11	12	12	8	6	3	5	3	1	2	5	9	77
Mid General	58	60	58	40	22	13	8	8	8	14	28	49	366
Large General	520	544	536	385	287	205	176	166	173	225	340	439	3996

Budget Item	Assumption
Rates	Distribution rates are set to recover EGNB's full revenue requirement less the excess earnings from 2018. The 2020 COS study has been used to set rates for all rate classes.

Budget Item	**Assumption**
Distribution Revenue	Assumed throughput times assumed rates.
ABC Revenue	Number of ABC and AB customers plus capture of new additions based on historic data times existing rates with inflationary increase of 2.0%.
Other Miscellaneous Revenue	- 0.2% interest on Maritimes & Northeast Pipeline Firm Service Agreement security deposit - Late payment penalties budgeted at $192K as calculated by average of 2017 and 2018 actuals - Transactional services budgeted at $28K as calculated by average of 2017 and 2018 actuals - Red Lock Fees budgeted at $15K as calculated by average of 2017 and 2018 actuals - Single End Use Franchise Fees budgeted at $436K similar to prior year actual plus 2.0% inflation
Allowance for Funds Used During Construction	Based on 15% of CWIP eligible for allowance for funds used during construction ("AFUDC") times the weighted average cost of capital ("WACC")
Service and Inspection	
Revenue	Based on anticipated service work to be performed by EGNB.
Cost of Goods Sold	Service cost of goods sold ("COGS") based on the percentage of revenue from historic experience.
Operating expenses	
Operating and Maintenance Expenses	Based on input by department managers for 2020.

1	**Budget Item**	**Assumption**		
2	Capitalized to Property,	O&M budget capitalized based on the following percentage assumptions:		
3	Plant and Equipment			**2020**
4		Corporate management		23.1 %
5		Corporate administration		23.7 %
6		Financial reporting		23.7 %
7		Information technology		14.0 %
8		Regulatory		0.0 %
9		Sales & Marketing		
10			Sales	69.6 %
11			Marketing (except below items)	87.6 %
12			Marketing (Research)	25.0 %
13			Marketing (Sponsorships)	25.0 %
14			Incentives	100.0 %
15			Communications	23.1 %
16		Distribution & maintenance		
17			Const. & Maint.	9.9 %
18			Engineering QA	14.1 %
19			Planning & Tech.	37.6 %
20			Service	22.7 %
21		Customer Experience		
22			Customer Care	2.5 %
23			Logistics	23.5 %
24			Work Mgmt. Center	34.6 %
25		Human resources		25.8 %
26		Gas transportation and related activities		0.0 %
27				
28		In 2012, capitalization of industry development O&M expenses to Development O&M had been eliminated.		
29		Incentives, previously capitalized to Development O&M, are now being capitalized to Property, Plant &		
30		Equipment. EGNB is budgeting $150k for incentive programs in 2020.		
31	Bad debt expense	0.25% 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.		

Budget Item	**Assumption**
Amortization of Property, Plant and Equipment	Based on Board approved amortization rates.
Amortization of Deferred Development Costs	Based on Board approved amortization rate.
Corporate Allocations	The approved EGNB corporate allocations methodology has not been used for 2020. A 6 year average of Board approved amounts + 2% CPI has been used. Full details available in Schedule 3.7 - Corporate Allocations Report.
Corporate Tax	Tax expense has been set at $0 for 2020. A proposal for a tax expense variance account has been proposed for 2021 and 2022. Please refer to Schedules 3.10 and 3.11 for details.
Regulatory Deferral	Regulatory Deferral account in 2020 has been set at $135.7 million as per the Gas Distribution Act amendments dated December 16, 2016 (2016 balance of $144.5 million less 2017, 2018 adjusting entries and the 2020 legislated amortization amount of $3.8M of the $100M balance.)
Regulated Return on Equity	Average rate base times return on equity times equity proportion of capital structure.

SCHEDULE 3.5

2020 Budget

Enbridge Gas New Brunswick
Budget Balance Sheet for Regulatory Purposes
As at December 31, 2020

1	**Notice to Reader: Subject to review by the New Brunswick Energy and Utilities Board**		
2	(in thousands of dollars)		
3	**Assets**		2020
4	**Regulated Assets**		
5	**Property, Plant and Equipment** (Note 2)		
6	**Gas Distributor Plant in Service - Net** (includes AFUDC capitalized during 2020 of $62K)	$	179,146
7	**Construction Work In Progress - Gas Distributor Plant**		681
8	**Total Property, Plant & Equipment**		179,827
9	**Deferred Charges**		
10	**Deferred Development Costs - Net** (Note 3)		2,276
11	**Development O&M Capitalized Costs - Net** (Note 4)		77,658
12	**Total Deferred Charges**		79,934
13	**Short Term Investments**		2,971
14	**Total Regulated Rate Base Assets**		262,732
15	**Other Regulated Assets** (Note 5)		32,971
16	**Total Regulated Assets**		295,703
17	**Regulatory Deferral** (Note 1)		135,670
18	**Total Assets**	$	431,373
19	**Liabilities and Partner's Equity**		
20	**Partner's Equity (Ratebase)** (Note 1)		139,109
21	**Long-term Advances from Associates and Affiliates** (Note 6)		149,500
22	**Other Regulated Liabilities** (Note 7)		7,094
23		$	295,703
24	**Partner's Equity (Regulatory Deferral)**		135,670
25	**Total Liabilities and Equity**	$	431,373

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 Budgeted Income for Regulatory Purposes
As at December 31, 2020

1	**Notice to Reader: Subject to review by the New Brunswick Energy and Utilities Board**		
2	(in thousands of dollars)		
3			2020
4	**Revenue**		
5	**Operating Revenue** (Note 8)		
6	Gas distribution	$	45,000
7	Miscellaneous		923
8	**Allowance for Funds Used During Construction**		62
9			45,985
10	**Service and Inspections**		
11	Revenue		638
12	Cost of goods sold		(334)
13			304
14	**Total Revenue**		46,289
15	**Expenses**		
16	**Operating Expenses**		
17	Operating and maintenance (Note 9)		11,191
18	Transportation (net)		1,768
19	Total Operating and maintenance expenses		12,959
20	Other Expenses		-
21	Bad debt expense		163
22	**Amortization of Property, Plant and Equipment**		6,817
23	**Municipal and Other Taxes**		1,275
24	**Interest on Amounts Due to Associates & Affiliates and Other Interest** (Note 10)		6,838
25	**Amortization of Deferred Development Costs**		2,913
26	**Amortization of Regulatory Deferral Account**		3,846
27	**Total Expenses**		34,811
28	**Income before Extraordinary Items, Regulatory Deferral and Return on Rate Base**		11,478
29	**Excess returned to customers**		1,569
30	**Income before Tax**	$	13,047
31	**Regulated Return on Equity** (Note 11)	$	13,047

Financial Statement Effects of Rate Regulation and Legislative Changes – Note 1
Details of Affiliate Transactions – Note 14
Excess returned to customers – earned in 2018; allowed earnings are line 31 but earnings included in rate setting are line 28, the lower amount, in order to return the excess from 2018 to rate payers

Enbridge Gas New Brunswick
Notes to 2020 Budgeted Regulatory Financial Results
For the year ended December 31, 2020

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

The Public Utility's primary business activities are subject to regulation by the New Brunswick Energy and Utilities Board (EUB). The Public Utility 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 accepted accounting principles (GAAP) applicable to non-regulated operations. The ultimate recoverability of costs incurred is dependent upon the approval of the EUB.

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

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 Public Utility does not recognize gains and losses on the sale of Enbridge Utility Gas (EUG) 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.

Enbridge Inc., on behalf of the Public Utility, 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.

Enbridge Gas New Brunswick
Notes to 2020 Budgeted Regulatory Financial Results
For the year ended December 31, 2020

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

On December 16, 2016, the Government of New Brunswick enacted amendments to the Gas Distribution Act, 1999. The General Franchise Agreement was extended for an additional 25 years with an additional 25 year option. The new legislation modifies the current approach to setting rates from a combination of cost of service and market based rates to a cost of service approach only. The regulatory deferral account was reduced to $144.5 million with $100 million to be included in revenue requirement over 26 years commencing on January 1, 2020 and ending on December 31, 2045. The remaining regulatory deferral account balance is to be recovered as authorized by the EUB.

	2020			
	Cost	**Accumulated Amortization**	**Net Book Value**	**Rates of Amortization**
Regulatory Deferral Account, Defined in Legislation	$ 100,000	$ (3,846)	$ 96,154	3.85%
Regulatory Deferral Account	39,516	-	39,516	0.00%
Regulatory Deferral Account, net	$ 139,516	$ (3,846)	$ 135,670	

Enbridge Gas New Brunswick
Notes to 2020 Budget Regulatory Financial Results
For the year ended December 31, 2020

(in thousands of dollars)

Note 2 **Property, Plant & Equipment**

1							**2020**
2					**Accumulated**		**Net Book**
3			**Cost**		**Amortization**		**Value**
4	**Property, plant & equipment**						
5	General plant						
6	Computer hardware	$	1,233	$	(534)	$	699
7	Tools and work equipment		867		(641)		226
8	Office furniture and equipment		186		(84)		102
9	Transportation		2,406		(1,116)		1,290
10	Incentives		1,100		(249)		851
11	Leasehold improvements		107		(56)		51
12	Subtotal		5,899		(2,680)		3,219
13	Distribution plant						
14	Land		375		-		375
15	Rights of way and easements		189		-		189
16	Distribution mains		135,310		(38,559)		96,751
17	Street services		72,596		(21,516)		51,080
18	Meters and regulators		25,871		(6,828)		19,043
19	Stations		16,779		(8,290)		8,489
20	Subtotal		251,120		(75,193)		175,927
21	Total plant in service		257,019		(77,873)		179,146
22	Construction work in progress		681		-		681
23	**Total property, plant & equipment**	$	257,700	$	(77,873)	$	179,827

24 1 - Amortized over the term of the related leases.

Enbridge Gas New Brunswick
Notes to 2020 Budget Regulatory Financial Results
For the year ended December 31, 2020

(in thousands of dollars)

Note 3 **Deferred Development Costs - Net**

		2020			
		Cost	Accumulated Amortization	Net Book Value	Rates of Amortization
4	Franchise fee	$ 1,500	$ (1,500)	$ -	5.00%
5	Intangible Software	2,772	(496)	2,276	4.96%
6	**Total deferred development costs, net**	$ 4,272	$ (1,996)	$ 2,276	

Note 4 **Development O&M Capitalized Costs – Net**

		2020			
		Cost	Accumulated Amortization	Net Book Value	Rates of Amortization
10	Development O&M capitalized costs	$ 114,953	$ (37,295)	$ 77,658	2.43%
11	**Total development O&M capitalized costs,**	$ 114,953	$ (37,295)	$ 77,658	

Enbridge Gas New Brunswick
Notes to 2020 Budget Regulatory Financial Results
For the year ended December 31, 2020

(in thousands of dollars)

Note 5 **Other Regulated Assets**

1			**2020**
2	Cash & Short Term Investments	$	14,193
3	Accounts Receivable		17,253
4	Long term receivable		320
5	Inventory		1,206
6		$	32,972

Enbridge Gas New Brunswick
Notes to 2020 Budget Regulatory Financial Results
For the year ended December 31, 2020

(in thousands of dollars)

Note 6 **Long-term Advances from Associates and Affiliates**

1						**2020**	
2						**Cost of Debt**	
3		**Issue Date**	**Maturity Date**	**Amount**	**Enbridge Inc.**	**EGNB**	**Regulated**
4	Promissory Note	12-Dec-12	12-Dec-21	$ 14,000	3.50%	4.50%	4.50%
5	Promissory Note	8-Jan-13	8-Jan-20	-	3.67%	4.67%	4.67%
6	Promissory Note	15-Sep-15	15-Sep-20	-	4.23%	5.23%	5.23%
7	Promissory Note	8-Aug-16	9-Aug-21	20,000	3.55%	4.55%	4.55%
8	Promissory Note	15-Mar-17	15-Mar-22	5,000	3.02%	4.02%	4.02%
9	Promissory Note	15-Mar-17	15-Mar-22	21,000	3.02%	4.02%	4.02%
10	Promissory Note	15-Mar-17	15-Mar-24	25,000	3.60%	4.60%	4.60%
11	Promissory Note	9-Dec-19	9-Dec-24	15,000	4.00%	5.00%	5.00%
12	Promissory Note	1-Aug-19	29-Mar-24	6,000	4.00%	5.00%	5.00%
13	Promissory Note	15-Sep-19	15-Sep-24	18,000	4.00%	5.00%	5.00%
14	Promissory Note	8-Jan-20	8-Jan-25	7,500	4.00%	5.00%	5.00%
15	Promissory Note	15-Sep-20	15-Sep-25	18,000	4.00%	5.00%	5.00%
16							
17	Total long-term advances						
18	from associates and affiliates			$ 149,500	3.67%	4.67%	4.67%

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

Enbridge Gas New Brunswick
Notes to 2020 Budget Regulatory Financial Results
For the year ended December 31, 2020

(in thousands of dollars)

Note 7 **Other Regulated Liabilities**

1			**2020**
2	Rates variance	$	-
3	Accounts Payable		4,502
4	Long Term Payable		133
5	Long Term Deferred Post Employment Liabilities		2,459
6		$	7,094

Enbridge Gas New Brunswick
Notes to 2020 Budget Regulatory Financial Results
For the year ended December 31, 2020

(in thousands of dollars)

Note 8 **Operating Revenue**

a. Gas Distribution

		2020		
1				
2		**Revenue**	**Customers**	**Throughput**
3				**TJs**
4	Small General Service (SGS)	$ 8,236	8,370	594
5	Mid-General Service (MGS)	13,704	3,198	1,141
6	Large General Service (LGS)	11,692	363	1,498
7	Contract General Service (CGS)	5,532	90	857
8	Industrial Contract General Service (ICGS)	5,685	9	1,606
9	Off-Peak Service (OPS)	151	13	25
10	Total	$ 45,000	12,043	5,721

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

Enbridge Gas New Brunswick
Notes to 2020 Budget Regulatory Financial Results
For the year ended December 31, 2020

(in thousands of dollars)

Note 8 **Operating Revenue (continued)**

b. Miscellaneous

1		**2020**
2	Agent billing and collection	$ 190
3	Other miscellaneous revenue	733
4	**Total miscellaneous**	$ 923

5	**Details of Agent Billing and Collection Revenue**	
6	(in dollars)	
7		**2020**
8	Small General Service (SGS)	$ 140,523
9	Mid-General Service (MGS)	35,583
10	Large General Service (LGS)	10,726
11	Contract General Service (CGS)	2,686
12	Industrial Contract General Service (ICGS)	407
13	Off-Peak Service (OPS)	698
14	**Total agent billing and collection revenue**	$ 190,623

Enbridge Gas New Brunswick
Notes to 2020 Budget Regulatory Financial Results
For the year ended December 31, 2020

(in thousands of dollars)

Note 9 **Operating and Maintenance Expenses**

1		**2020**
2	Corporate management	$ 933
3	Corporate administration	317
4	Financial reporting	1,282
5	Information technology	1,330
6	Regulatory & upstream	723
7	Sales & marketing	1,374
8	Distribution & maintenance	5,461
9	Customer care	820
10	Human resources	2,432
11	Gas transportation and related activities	1,768
12	**Total prior to capitalization**	16,440
13	Property, plant & equipment	3,481
14	**Total capitalized**	3,481
15	**Total expense**	$12,959

Enbridge Gas New Brunswick
Notes to 2020 Budget Regulatory Financial Results
For the year ended December 31, 2020

(in thousands of dollars)

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

1			**2020**
2	Interest on long-term debt	$	6,817
3	AIDC - allowance for funds used during construction (debt component)		21
4	**Total interest on amounts due to associates & affiliates and other interest**	$	6,838

Note 11 **Regulated Return on Equity**

5			**2020**
6	Regulated return on equity - Calculated	$	13,006
7	Budgeted amount that exceeds 10.9%		-
8	AEDC - allowance for funds used during construction (equity component)		41
9	**Total regulated return on equity**	$	13,047

Enbridge Gas New Brunswick
Notes to 2020 Budget Regulatory Financial Results
For the year ended December 31, 2020

(in thousands of dollars)

Note 12 **Rate Base for Regulatory Purposes**

1		**2020**
2	**Property, plant & equipment**	
3	Cost	$ 257,019
4	Accumulated amortization	(77,873)
5	Net	179,146
6	**Deferred charges**	
7	Franchise fee, at cost	1,500
8	Accumulated amortization	(1,500)
9	Net	-
10	Development O&M capitalized costs	114,953
11	Accumulated amortization	(37,295)
12	Net	77,658
13	Intangible Software	2,772
14	Accumulated amortization	(496)
15	Net	2,276
16	Deferral account	-
17	**Total deferred charges**	79,934
18	**Term deposit**	2,971
19	**Working capital allowance**	1,453
20	**Total rate base**	$ 263,504
21	**Average rate base**	$ 265,163

Enbridge Gas New Brunswick
Notes to 2020 Budget Regulatory Financial Results
For the year ended December 31, 2020

(in thousands of dollars)

Note 13 **Capital Structure for Regulatory Purposes**

1		**2020**
2	**Capital structure**	
3	Long-term debt	$ 149,500
4	Equity	139,109
5	Total	$ 288,609
6	**Capital structure percentage**	
7	Long-term debt	51.80%
8	Equity	48.20%
9	Total	100.00%
10	**Capital structure average percentage for regulatory purposes**	
11	Long-term debt	55.00%
12	Equity	45.00%
13	Total	100.00%
14	**Weighted cost of capital for regulatory purposes**	
15	Long-term debt	2.57%
16	Equity	4.91%
17	Total	7.48%

Enbridge Gas New Brunswick
Notes to 2020 Budget Regulatory Financial Results
For the year ended December 31, 2020

(in thousands of dollars)

Note 14 **Details of Affiliate Transactions**

		Enbridge Inc.	Enbridge Employee Services Inc.	Enbridge Gas Distribution Inc.	Gazifère Inc.	Saint Lawrence Gas	Total Affiliate Consulting and Services	Total Consulting and Services	Affiliate Expenditure as Percent of Total Consulting and Services
1	**Consulting and Services**								
2	**For the period ending December 31, 2020**								
3	Corporate management	$ -	$ -	$ -	$ -	$ -	$ -	$ 50	0%
4	Sales & marketing	-	-	-	-	-	-	107	0%
5	Human resources	254	-	-	-	-	254	223	114%
6	Distribution & maintenance	-	-	463	-	-	463	1,098	42%
7	Budget & regulatory	-	-	-	-	-	-	471	0%
8	Financial reporting	12	8	-	-	-	20	139	14%
9	Customer care	-	-	-	274	-	274	517	53%
10	Corporate administration	253	8	-	-	-	261	222	118%
11	Gas transportation & related	-	-	142	-	-	142	142	100%
12	Information technology	689	-	20	-	-	709	720	98%
13	Recoveries	-	-	-	-	-	-	(100)	0%
14	**Total**	**$ 1,208**	**$ 16**	**$ 625**	**$ 274**	**$ -**	**$ 2,123**	**$ 3,589**	59%

SCHEDULE 3.6

2020 Budget to 2019 Budget Explanations

2020 Budget

Overview

A complete list of 2020 Budget Assumptions can be found at Schedule 3.4 – 2020 Budget Assumptions.

For comparative purposes, variance explanations compare the 2020 Budget to the 2019 Budget.

Revenue

The table below summarizes EGNB's 2020 Budget gas distribution revenue, miscellaneous operating revenue, allowance for funds used during construction ("AFUDC") and services and inspection margin with comparisons to the 2019 Budget.

Table 1
Revenue

Line No.	(in thousands of dollars)	(1) 2020 Budget	(2) 2019 Budget	(3)=(1)-(2) Variance to 2019 Budget
1	Operating Revenue			
2	Gas Distribution	$ 45,000	$ 47,428	$ (2,428)
3	Miscellaneous	923	898	25
4	Allowance for Funds Used During Construction	62	60	2
5		45,985	48,386	(2,401)
6	Services & Inspection			
7	Revenue	638	624	14
8	Cost of Goods Sold	(334)	(377)	43
9		304	247	57
10	Total Revenue	$ 46,289	$ 48,633	$ (2,344)

Operating Revenue

- Gas Distribution Revenue: gas distribution revenues are budgeted to be $2.4M lower than the 2019 Budget due to a reduction in O&M costs and the reduction of rates as a result of the excess earnings sharing mechanism from 2018. EGNB has reduced its revenue requirement for 2020 compared to the 2019 Budget excluding Amortization of Regulatory Deferral Account. Distribution revenue is budgeted to recover the revenue requirement.

- Miscellaneous Operating Revenue: miscellaneous revenues are budgeted to be $25K over the 2019 budget due to an increase in other revenue of ($65K) and SEUF payments ($37K), offset by lower budgeted late payment penalties ($77K).
- AFUDC is budgeted to be $2K over the 2019 Budget primarily due to month over month fluctuations in the Construction Work in Progress balances.
- Services & Inspection Margin is expected to be $57K over budget due to lower budgeted costs on servicing protection plans and other service work costs ($43K) while generating higher residential service work revenue ($14K).

Expenses

For the 2020 Budget, EGNB has budgeted total expenses of $34.8 million. Below is a summary of EGNB's Operating and Maintenance expenses, Bad Debt expense, Amortization of Property, Plant and Equipment, Municipal and Other Taxes, Interest on Amounts Due to Associates and Affiliates and Other Interest and Amortization of Deferred Development Costs with comparisons to the 2019 Budget.

Table 2
Operating Expenses

Line No.	(in thousands of dollars)	(1) 2020 Budget	(2) 2019 Budget	(3)=(1)-(2) Variance to 2019 Budget
1	Operating Expenses			
2	Operating and Maintenance Expenses	$ 12,959	$ 13,624	$ (665)
3	Bad Debt Expense	163	282	(119)
4	Amortization of Property, Plant and Equipment	6,817	6,516	301
5	Municipal and Other Taxes	1,275	1,274	1
6	Interest on Amounts Due to Associates and Affiliates and Other Interest	6,838	6,900	(62)
7	Other Expenses	-	50	(50)
8	Amortization of Deferred Development Costs	2,913	2,940	(27)
9	Amortization of Regulatory Deferral Account	3,846	-	3,846
10	**Total Expenses**	$ 34,811	$ 31,586	$ 3,225

Operating and Maintenance ("O&M") Expenses

EGNB manages its O&M expenses, at an aggregate level, where EGNB will try to offset increased costs in certain areas with cost reductions or savings in other areas of the organization.

EGNB has grouped its O&M expenses based on major cost categories rather than departments, as seen in the regulatory financial statement format filed with the Board.

Table 3

Operating and Maintenance Expenses

Line No.	(in thousands of dollars)	(1) 2020 Budget	(2) 2019 Budget	(3)=(1)-(2) Variance to 2019 Budget
1	Labour and Benefits	$ 9,003	$ 8,239	$ 764
2	Admin/Office Expenses	288	449	(161)
3	Computer and Telecom Services	202	305	(103)
4	Professional Consulting	1,297	1,405	(108)
5	Travel and Training	224	143	81
6	Advertising and Promotions	323	824	(501)
7	Tools and Safety	162	211	(49)
8	Fleet	412	377	35
9	Facilities	660	675	(15)
10	Insurance	184	145	39
11	NBEUB Assessments	380	530	(150)
12	Corporate Allocations	1,027	1,455	(428)
13	Service Level Agreements	510	950	(440)
14	Gas Transportation and Related Activities	1,768	1,586	182
15	**Total O&M Prior to Capitalization**	16,440	17,294	(854)
16	Property, plant & equipment	3,481	3,670	(189)
17	**Total Capitalized**	3,481	3,670	(189)
18	**Total O&M Expenses**	$ 12,959	$ 13,624	$ (665)

EGNB's 2020 Budget O&M expenses reflect a $854K, or 4.9%, decrease in comparison to its 2019 Budget O&M expenses. The drivers for this variance are:

- Labour and Benefits are budgeted to be over the 2019 Budget by $764K due to an increase in salaries and other compensation primarily caused by bringing the customer service call centre in-house from Gazifère, additional resources in marketing and sales along with an amount for salary increases ($978K) and employee training & development ($2K), offset by a decrease in pensions and benefits ($141K) and other administrative costs ($75K).
- Admin/Office Expenses are budgeted to be under the 2019 Budget by $161K due to the removal of the inflationary placeholder in the 2019 budget ($152K), lower postage ($24K)

and printing and other administrative costs ($9K), offset by increased materials and supplies ($21K) and corporate activities ($3K).

- Computer and Telecom Services are budgeted to be under the 2019 Budget by $103K due to decreased telecom services costs ($57K) and cell phone costs ($55K), offset by IT software and maintenance costs ($9K).
- Professional Consulting is budgeted to be under the 2019 Budget by $108K due to a decrease in contract services ($94K), legal fees ($23K) and professional consulting ($18K), offset by an increase in audit fees ($27K).
- Travel and Training are budgeted to be over the 2019 Budget by $81K due to higher expected accommodations and meals costs ($37K), ground transportation costs ($36K) and airfare ($8K).
- Advertising and Public Relations are budgeted to be lower than the 2019 Budget by $501K due to decreased advertising spending costs ($452K) and sponsorships ($50K), offset by increased trade and civic memberships ($1K) in support of incentive programs.
- Tools and Safety are budgeted to be lower compared to the 2019 Budget by $49K due to reduced safety related campaign.
- Fleet expenses are budgeted to be over the 2019 Budget by $35K due to increased vehicle fuel and repair costs.
- Facilities expenses are budgeted to be lower compared to the 2019 Budget by $15K mainly due to decreases in office rent.
- Insurance is budgeted to be higher than the 2019 Budget by $39K primarily due to an anticipated increase in insurance expenses.
- NBEUB Assessments are budgeted to be under the 2019 Budget by $150K due to lower than anticipated hearing activity and Public Intervenor costs.
- Corporate Allocations are budgeted to be lower than the 2019 Budget by $428K due to decreased information technology costs ($342K), corporate HR ($47K), corporate shared services fees ($37K) and treasury costs ($2K).

- Service Level Agreements (SLA) are budgeted to be under the 2019 Budget by $440K due to decreased call center costs ($540K) and reduced services from Enbridge Gas Distribution ($296K), offset by loss of recoveries ($396K).
- Gas Transportation and Related Activities are budgeted to be higher than the 2019 Budget by $182K due to higher than budgeted tolls for capacity and recognizing abandonment surcharge on the Maritimes and Northeast Pipeline.

Amounts capitalized to Property, Plant and Equipment are budgeted to be $189K lower than the 2019 Budget due to aggregate O&M spending in cost centers differing from budgeted spend and the associated different capitalization rates for each cost center.

<u>Other Operating Expenses</u>

Bad Debt Expense is budgeted to decrease by $119K as compared to the 2019 Budget, primarily due to a decrease in 2020 expected revenues used to calculate the expense.

Amortization of Property, Plant and Equipment is budgeted to be $301K over the 2019 budget mainly due to an additional year of capitalized assets.

Municipal and Other Taxes are budgeted to be $1K over 2019 Budget due to increases in the municipal property tax rates for 2018 ($5K), offset by lower than budgeted pipe length ($4K).

Interest on Amounts Due to Associates and Affiliates and Other Interest are budgeted to decrease by $62K compared to the 2019 Budget due to a reduction in average rate base which is used to calculate EGNB's debt ratio.

Other expenses are budgeted to be $50K under the 2019 Budget due to no additional budget in the retention program as the program will continue with available prior year funds.

Amortization of Deferred Development Costs budgeted to be $27K lower compared to the 2019 Budget due to lower budgeted intangible additions.

Amortization of Regulatory Deferral Account is budgeted to be $3.8 million higher compared to the 2019 Budget due to legislation authorizing amortization of the regulatory deferral account from January 1, 2020 to December 31, 2045.

Rate Base

Information with respect to EGNB's year-end Rate Base and the levels of Property, Plant and Equipment, Development O&M Capitalized Costs, Working Capital Allowance and other elements within rate base are provided below.

Table 4
Rate Base

Line No.	(in thousands of dollars)	(1) 2020 Budget	(2) 2019 Budget	(3)=(1)-(2) Variance to 2019 Budget
1	Property, plant and equipment	$ 179,146	$ 182,217	$ (3,071)
2	Development O&M capitalized costs	77,658	80,450	(2,792)
3	Franchise fee	-	-	-
4	Intangible Software	2,276	1,960	316
5	Term deposit	2,971	2,956	15
6	Working capital allowance	1,453	1,298	155
7	Regulatory Deferral	-	-	-
8	Rate Base	263,504	$ 268,881	$ (5,377)

Property, Plant and Equipment is budgeted to be $3.1 million under 2019 Budget due to an additional year of amortization ($6.8 million) and timing of opening balances ($4 million), offset by expected 2020 additions ($7.7 million).

Development O&M Capitalized Costs are budgeted to decrease by $2.8 million as compared to the 2019 Budget due to the recognition of an additional year of amortization.

Intangible Software is budgeted to be $316K higher than 2019 Budget due to timing of opening balances of Intangible Software ($239K) and an increase in capital additions ($77K).

Term deposit costs are forecast to increase by $15K as compared to the 2019 Budget to reflect experience around the timing of the interest payments and interest rates.

Working Capital Allowance is budgeted to increase by $155K as compared to the 2019 Budget, primarily due to higher budgeted prepaid expense ($180K), offset by lower inventory balances ($25K).

Other Regulated Assets & Liabilities

Information with respect to EGNB's Other Regulated Assets & Liabilities is provided below.

Table 5
Other Regulated Assets & Liabilities

Line No.	(in thousands of dollars)	(1) 2020 Budget	(2) 2019 Budget	(3)=(1)-(2) Variance to 2019 Budget
1	**Other Regulated Assets**			
2	Cash and Short Term Investments	$ 14,192	$ 5,258	$ 8,934
3	Accounts Receivable	17,253	15,739	1,514
4	Inventory	1,206	1,230	(24)
5	Long term Receivable	320	359	(39)
6	**Total Other Regulated Assets**	$ 32,971	$ 22,586	$ 10,385
7	**Other Regulated Liabilities**			
8	Rates Variance	$ -	$ -	$ -
9	Accounts Payable	4,502	5,671	(1,169)
10	Long Term Payable	133	143	(10)
11	Long Term Deferred Post Employment Liabilities	2,459	2,555	(96)
12	**Total Other Regulated Liabilities**	$ 7,094	$ 8,369	$ (1,275)

Other Regulated Assets & Liabilities are a function of the annual operations of EGNB and fluctuate with changes in operating revenues and expenses.

Cost of Capital Summary

Information with respect to EGNB's Cost of Capital is provided below.

Table 6
Cost of Capital

Line No.		(1) 2020 Budget	(2) 2019 Budget	(3)=(1)-(2) Variance to 2019 Budget
1	Principal			
2	Debt	$ 149,500	$ 149,500	$ -
3	Equity	$ 139,110	$ 134,014	$ 5,096
4	Return ($)			
5	Debt	$ 6,817	$ 6,879	$ (62)
6	Equity	$ 13,006	$ 13,134	$ (128)
7	Approved rates			
8	Debt	4.67%	4.71%	-0.04%
9	Equity	10.90%	10.90%	0.00%

EGNB finances its operations through a combination of equity and debt financing.

Equity is budgeted to increase by $5.1M primarily driven by earnings.

Schedule 3.7

Corporate Allocations Report

Corporate Allocations

Purpose of the Document

This document was developed to set out the methodology used by EGNB to determine the allocation of costs from Enbridge Inc. (Enbridge) to EGNB recoverable in rates. The methodology has been used historically and in the development of the 2018 Actuals and the 2019 Forecast. As the sale to Liberty Utilities (Canada) LP (Liberty) announced in December 2018 has not yet closed, this document continues to be relevant. However, for EGNB's 2020 Budget, the methodology has been adjusted and is based on historical regulatory information as well as some input from Liberty which has been identified as a Transition Methodology.

After the Liberty transaction closes, some services currently provided by Enbridge will temporarily continue under a Transition Services Agreement for 12 to 24 months, some services will be brought in-house and other services will be provided by Liberty. Details will become clearer several months after close and be provided in the 2021 Rate Application.

As the future corporate allocations costs from Liberty are not yet determined, EGNB's 2020 Budget has used a Transition Methodology comprised of a six year weighted average of Board approved historical regulatory corporate allocations data, including a 2% CPI increase which can be found in Table 2.

Enbridge Corporate Allocations Methodology

Enbridge is a leader in energy transportation and distribution in North America and internationally. It operates the world's longest crude oil and liquids transportation pipeline and Canada's largest natural gas distribution company. It also operates natural gas transmission pipelines and midstream businesses in the United States and invests in international energy projects. Its activities are comprised of regulated and non-regulated businesses.

Enbridge believes in an "integrated" operating model which involves the corporate office effectively managing as an integral extension of the decision making and operating activities of its business units and affiliates (for the benefit of the business). The impact of this operating model results in a decrease in overall cost of each respective affiliate's operating and maintenance expenses due primarily to the potential for economies of scale. The resulting corporate cost allocations back to the affiliate are offset by a reduction in their own incurred costs. For management and regulatory purposes, these operating costs and benefits need to be tracked.

EGNB relies on the Enbridge name and reputation. The overall strength of Enbridge and how it is perceived in the market provides a foundation for the benefits that EGNB receives from being part of Enbridge, including relying on the strength of the Enbridge name in dealings with industry stakeholders and the public and gaining access to debt and equity financing. EGNB also benefits from shared resources.

EGNB believes that the cost allocation methodology policy applied by Enbridge to all its operating entities to allocate the corporate office costs is appropriate and fair.

EGNB methodology for recovery of Corporate Allocations

The objective of the methodology is to establish the appropriate charges to be allocated for services delivered in a given fiscal year by Enbridge to EGNB based on the criteria specified by the Board that would be recoverable in rates. The methodology is simple and practical to administer, transparent and supported by data and records.

EGNB has reviewed all the corporate allocations in accordance with directives in the January 30, 2012 Board decision and subsequent Board decisions that dealt with corporate allocations.

All current corporate allocation costs fall into three main groups:

- Corporate Governance;
- Information Technology (IT);
- Human Resources.

Corporate Governance

Corporate governance is the system by which EGNB is directed and controlled. This is accomplished with the development and consistent application of processes, policies, guidelines, laws and instructions across the organization. Corporate governance also includes the management of relationships among the many stakeholders involved and the goals for which EGNB is governed. EGNB's main external stakeholder groups are shareholders, debt holders, trade creditors, suppliers, customers and communities affected by its activities. EGNB's internal stakeholders are the board of directors, executives and other employees. Corporate governance works to ensure that an enterprise is directed and controlled in a responsible, professional and transparent manner with the purpose of safeguarding its long-term success and is intended to increase the confidence of shareholders and capital-market investors.

Information Technology

IT involves two functions: IT management and management of information systems. IT management is the management of all of the technology resources in accordance with EGNB requirements and priorities. These resources include tangible investments like computer hardware, software, data storage, networks and data centre facilities, as well as the staffing needed to maintain them. EGNB relies on Enbridge to manage these responsibilities and to provide basic management functions, such as budgeting, staffing, organizing and controlling, along with other aspects that are unique to technology, like change management, software design, systems security, network planning and technical support.

A primary focus of IT management is the value creation made possible by technology and the alignment of technology and business strategies. EGNB relies on Enbridge to provide this service. Its objective is to design and implement procedures, processes and routines that provide detailed reports in an accurate, consistent and timely manner. This includes Oracle Financials for financial reporting and employee expenses, Hyperion for budgeting, Peoplesoft for human resource management and other employee management systems for managing areas such as safety and training.

Enbridge has a strong base of knowledge and expertise in the areas described above. EGNB is able to tap into these resources cheaper due to economies of scale. This knowledge and strength extends from the senior leadership through to staff within Enbridge and the affiliates.

Human Resources

Human resource management is the management of an organization's workforce, or human resources. It is responsible for the attraction, selection, training, assessment and rewarding of employees, while also overseeing organizational leadership and cultures, and ensuring compliance with employment and labour laws. This function also addresses the development and execution of the total compensation strategy through managing the analysis, design, implementation, communication and automation of pay systems, perquisites, benefits and retirement programs. It also negotiates, executes and maintains all third party travel agreements as well as the development and oversight of employee expense reporting policies and existing corporate card programs.

Methodology Guiding Principles

The first step in the methodology is to demonstrate that the corporate cost allocations recoverable in rates are based on three guiding principles:

- *Cost Incurrence* - are the proposed charges prudently incurred by, or on behalf of the utility for the provision of a service required by ratepayers;
- *Cost Allocation* - if properly incurred, are the proposed charges allocated appropriately to the utility, based on the application of cost allocation factors as outlined in the Enbridge Cost Allocation Methodology policy; and
- *Cost Benefit* - do the benefits to the utility's ratepayers equal or exceed the costs.

In meeting the third principle of benefit to the utility's ratepayers, EGNB proposes that the following three categories support the basis for assessing quantifiable benefits:

- *Replacement benefits (RB*) - the services provided replace an equivalent service at equal or lower cost;
- *Synergistic or Linkage benefits (SB*) - the services allow the utility to reduce costs by means of being part of a larger organization and operating in concert for the procurement of products and services;
- *Direct benefits (DB)* - strategic actions and activities instituted by affiliates that produce direct value to the utility.

Cost Allocations

The corporate allocation costs determined to have been prudently incurred and a benefit to the ratepayer would be further evaluated and the corresponding percentages would be applied for regulatory purposes:

- *Direct Costs (DC)* – reflect flow through costs incurred when EGNB would need to perform the service directly and would be allocated at 100% to regulated operations;
- *Shared Costs (SC)* – reflect costs that would be allocated at 50% to regulated operations and 50% to shareholders;
- *Administrative Costs (AC)* –incurred as a result of a direct cost or shared cost and cannot be severed will be allocated at 10% to regulated operations and 90% to shareholders;
- Non-Applicable Costs *(N-AC)* – reflects costs that do not meet the three guiding principles and as a result are not allocated to the regulated operations.

Addition and Removal of Corporate Cost Allocations

As business requirements change so will corporate allocation costs. As a result, the addition, revision and removal of corporate cost allocations will be evaluated in the same manner as presented above and reviewed by the Board during the annual regulatory financial review process.

The following information has been provided in support of Corporate Allocations:

- Table 1 - 2018 Actuals and 2019 Forecast Current Methodology
- Table 2 – 2020 Budget Transition Methodology
- Table 3 – Affiliate Transactions

Table 1 – 2018 Actuals and 2019 Forecast Current Methodology

1	Name	% Allocated to Regulated Activities under Approved Method (306)	% Allocated to Regulated Activities under Approved Method (330)	2018 A Costs Allocated by Enbridge to EGNB (100%)	2018 A Amount included in Regulatory Statements	2018 A Amount in the proposed Methodology	2019 4+8 Costs Allocated by Enbridge to EGNB (100%)	2019 4+8 Amount in the Forecast with approved Methodology	2019 4+8 Amount in the approved Methodology
2	Audit Services (Calgary)	0%	0%	13,525	-	-	15,975	-	-
3	CEO	0%	0%	-	-	-	6,953	-	-
4	CIO	100%	100%	7,643	7,643	7,643	5,144	5,144	5,144
5	Compliance Group Law	25%	25%	3,080	770	770	3,232	808	808
6	Corporate Law Legal Fees	25%	25%	490	123	123	13,476	3,369	3,369
7	Corporate Secretarial Legal Fees	100%	0%	21,377	5,344	-	21,913	21,913	-
8	Corporate Admin	100%	100%	99,473	99,473	99,473	63,873	63,873	63,873
9	Corporate Aviation	0%	0%	3,136	-	-	16,532	-	-
10	Corporate Controller	25%	25%	17,878	4,469	4,469	19,821	4,955	4,955
11	Corporate HR	100%	100%	10,287	10,287	10,287	22,485	22,485	22,485
12	Corporate Law	25%	25%	15,292	3,823	3,823	25,320	6,330	6,330
13	Corporate Secretarial	0%	0%	26,547	-	-	25,036	-	-
14	Depreciation	100%	100%	332,284	332,284	332,284	231,093	231,093	231,093
15	EEP Charge (IT Share Services)	0%	0%	55,066	-	-	85,969	-	-
16	EFS Support	100%	100%	52,971	52,971	52,971	63,997	63,997	63,997
17	Employee Benefits	0%	0%	396,202	-	-	1,405	-	-
18	EGD Charge	0%	0%	82,140	-	-	60,385	-	-
19	EPI Charge	0%	0%	11,240	-	-	1,666	-	-
20	Enterprise Architecture	50%	50%	18,394	9,197	9,197	20,516	10,258	10,258
21	Executive VP People and Partners	0%	0%	29,666	-	-	43,705	-	-
22	HR Business Solutions Services	100%	100%	6,422	6,422	6,422	17,356	17,356	17,356
23	HR (BU/DEPT COSTS)		50%	15,837	7,919	7,918.61	16,488	8,244	8,244
24	HR EMPLOYEE SERVICES (CORP)		100%	18,997	18,997	18,997	22,635	22,635	22,635
25	HRIS Services	100%	100%	(1,554)	(1,554)	(1,554)	10,279	10,279	10,279
26	Insurance Premiums	100%	100%	77,033	77,033	77,033	90,925	90,925	90,925
27	Insurance Risk	100%	100%	2,348	2,348	2,348	3,555	3,555	3,555
28	Investor Relations	0%	0%	322	-	-	4,810	-	-
29	IT Planning and Governance	100%	100%	7,327	7,327	7,327	(1,753)	(1,753)	(1,753)
30	IT Security	100%	100%	43,979	43,979	43,979	79,751	79,751	79,751
31	IT Security Operations	100%	100%	16,927	16,927	16,927	2,057	2,057	2,057
32	Application Operations	25%	100%	0	0	0	-	-	-
33	IT ES EMC	50%	50%	8,557	4,279	4,279	7,755	3,878	3,878
34	IT Management	50%	50%	(133)	(66)	(66)	-	-	-
35	IT ISS SERVICE SUPPORT		100%	16,519	16,519	16,519	20,850	20,850	20,850
36	IT ISS NETWORK		100%	44,207	44,207	44,207	61,933	61,933	61,933
37	IT ISS CORE INFRASTRUCTURE		100%	80,725	80,725	80,725	51,194	51,194	51,194
38	Enterprise Communications & Community Partners	25%	25%	7,380	1,845	1,845	3,771	943	943
39	Public, Government & Aboriginal Affairs	25%	25%	13,213	3,303	3,303	9,916	2,479	2,479
40	Enterprise Safety & Operational Reliability	25%	25%	12,415	3,104	3,104	11,524	2,881	2,881
41	Public Web Systems	100%	100%	0	0	0	-	-	-
42	Records Management Law		25%	469	117	117	490	122	122
43	EI Rent & Leases	0%	0%	(29,753)	-	-	37,769	-	-
44	Stock Based Compensation (Indirect)	10%	10%	-	-	-	-	-	-
45	Stock Based Compensation (Direct)	100%	100%	-	-	-	144,234	144,234	144,234
46	Strategic Development	100%	100%	7,607	7,607	7,607	6,021	6,021	6,021
47	Total Compensation	50%	50%	1,597	799	799	469,678	234,839	234,839
48	Treasury	100%	100%	10,672	10,672	10,672	10,362	10,362	10,362
49	10053 - Risk Assessment		50%	11,279	5,639	5,639	6,779	3,389	3,389
50	10140 - IT ES Desktop Services		100%	28,352	28,352	28,352	28,598	28,598	28,598
51	10502 - Enterprise Operations		100%	(19)	(19)	(19)	-	-	-
52	30303 - Network Operations		100%	54	54	54	34,566	34,566	34,566
53	30304 - Productivity Services		100%	2,493	2,493	2,493	2,878	2,878	2,878
54	Public Affairs & Corp Comm		25%	10,015	2,504	2,504	9,294	2,323	2,323
55	Investment Review		0%	2,783	-	-	3,477	-	-
56	Corporate IT Projects		100%	26,586	26,586	26,586	32,041	32,041	32,041
57	Tax Services (Calgary)		0%	29,273	-	-	28,777	-	-
58	Consolidation Finance Services		100%	41,048	41,048	41,048	59,332	59,332	59,332
59	EnbridgeEmployeeServices		0%	42,905	-	-	104,900	-	-
60	General Cost pooling		0%	112,777	-	-	96,274	-	-
61	Spectra - Corporate		0%	271,019	-	-	364,839	-	-
62	CORPORATE DEVELOPMENT MANAGEMENT		25%	(6,489)	(1,622)	(1,622)	21,597	5,399	5,399
63	CC10076-CORPORATE SECURITY		25%	3,737	934	934	2,438	610	610
64				2,133,618	984,862	979,518	2,625,886	1,376,148	1,354,234

Table 2 – 2020 Budget Transition Methodology

1	Name	2013A Amount included in Regulatory Statements	2014A Amount included in Regulatory Statements	2015 A Amount included in Regulatory Statements	2016 A Amount included in Regulatory Statements	2017 A Amount included in Regulatory Statements	2018 A Amount included in Regulatory Statements	Weight Avg	Inflation 2%	Proposed 2020 Corporate Allocations
2	Audit Services -Shared fees (Toronto)	12,626	-	-	-	-	-	2,343	47	2,390
3	Treasury	-	-	3,240	10,914	11,440	10,672	5,681	114	5,795
4	Corporate IT Operations	-	3,012	17,094	8,576	1,945	-	5,405	108	5,513
5	IT LP ACQUISITIONS	-	-	-	2,121	-	-	345	7	352
6	IT ES Desktop Services	-	-	-	47,607	107,489	28,352	28,026	561	28,587
7	Enterprise Operations	-	-	-	26,572	28,174	(19)	8,533	171	8,704
8	Core Infrastructure	-	-	-	19,256	-	-	3,134	63	3,196
9	Network Operations	-	-	-	28,881	-	54	4,708	94	4,802
10	Productivity Services	-	-	-	2,865	0	2,493	836	17	853
11	Desktop Services	-	-	-	7,156	-	-	1,164	23	1,188
12	CIO	23,035	16,956	18,047	10,537	5,139	7,643	14,095	282	14,377
13	Depreciation	140,712	126,680	178,305	116,183	152,406	332,284	171,677	3,434	175,111
14	EFS Support	201,735	150,564	152,025	115,036	113,385	52,971	134,504	2,690	137,194
15	Enterprise Architecture	7,087	8,208	8,312	1,812	1,397	9,197	6,107	122	6,229
16	HRIS Services	-	66,060	61,932	57,076	85,469	(1,554)	44,424	888	45,313
17	IAM SYSTEMS	9,545	30,756	24,515	-	-	-	11,474	229	11,704
18	IT Planning and Governance	18,814	29,676	20,358	11,908	37,224	7,327	20,823	416	21,240
19	IT Security	13,348	27,276	10,573	37,240	24,636	43,979	25,252	505	25,757
20	IT Security Operations	-	12,468	42,905	39,558	57,468	16,927	27,687	554	28,240
21	IT Special Projects	-	-	26,342	-	-	-	4,963	99	5,062
22	IT ES EMC	-	8,778	12,414	6,697	5,050	4,279	6,270	125	6,395
23	IT Management	-	3,462	4,351	961	745	(66)	1,650	33	1,683
24	IT ISS SERVICE SUPPORT	-	-	54,765	54,586	90,267	16,519	35,148	703	35,851
25	IT ISS NETWORK	-	-	227,930	28,217	30,895	44,207	58,717	1,174	59,891
26	IT ISS CORE INFRASTRUCTURE	-	-	58,277	59,294	93,652	80,725	46,616	932	47,548
27	Risk Assessment	-	-	-	3,676	3,229	5,639	1,918	38	1,957
28	Corporate Performance Management	-	-	-	4,162	3,290	-	1,169	23	1,192
29	CORPORATE SECURITY		-		-	477	934	210	4	214
30	Compliance Group Law	16,618	25,329	16,931	15,841	875	770	13,284	266	13,550
31	CORPORATE DEVELOPMENT MANAGEMENT		-	515		-	(1,622)	(144)	(3)	(147)
32	Corporate Law Legal Fees	1,172	594	615	314	297	123	545	11	556
33	Corporate Secretarial Legal Fees	13,125	9,120	9,925	8,176	-	5,344	7,937	159	8,096
34	Corporate Controller	18,115	9,387	9,921	7,019	3,103	4,469	9,052	181	9,233
35	Corporate Law	-	-	1,659	1,501	3,396	3,823	1,632	33	1,665
36	Group VP Corporate Law	3,177	1,728	908	867	554	-	1,270	25	1,296
37	Insurance Premiums	366,642	181,439	158,939	178,140	137,639	-	177,540	3,551	181,091
38	Insurance Risk	1,261	1,404	5,800	5,088	5,172	2,348	3,509	70	3,579
39	Enterprise Communications & Community Partners	-	13,728	24,789	15,297	13,570	1,845	11,732	235	11,966
40	Public, Government & Aboriginal Affairs	-	2,699	3,308	1,561	1,703	3,303	2,069	41	2,110
41	Enterprise Safety & Operational Reliability	-	1,830	2,593	4,446	3,754	3,104	2,537	51	2,587
42	Public Web Systems	5,598	19,572	24,789	18,681	21,546	0	15,206	304	15,510
43	Records Management Law	-	-	740	768	429	117	346	7	353
44	Stock Based Compensation (Indirect)	117,434	7,290	-	18,472	16,379	-	28,451	569	29,020
45	Stock Based Compensation (Direct)	-	114,286	109,903	94,783	88,452	-	68,248	1,365	69,613
46	Corporate Admin	21,620	21,306	-	13,393	12,179	99,473	26,305	526	26,831
47	HR PMO	-	-	-	2,740	2,370	-	800	16	816
48	Records Management Program	-	-	-	1,847	897	-	435	9	443
49	Corporate HR	49,088	57,714	34,341	30,608	32,425	10,287	36,476	730	37,205
50	HR Business Solutions Services	-	22,728	18,996	18,380	20,804	6,422	14,391	288	14,679
51	HR (BU/DEPT COSTS)	-	-	1,969	3,186	3,200	7,919	2,544	51	2,595
52	HR CHANGE MANAGEMENT	-	-	2,643	4,836	-	-	1,285	26	1,311
53	HR EMPLOYEE SERVICES (CORP)	-	-	43,325	35,736	40,777	18,997	22,895	458	23,353
54	Labour Relations	-	3,873	-		-	-	640	13	653
55	Organizational Effectiveness	-	20,484	19,993	17,327	18,932	-	12,803	256	13,059
56	Strategic Development	-	16,920	15,794	12,291	16,501	7,607	11,369	227	11,597
57	Total Compensation	26,065	19,830	15,328	15,376	57,106	799	22,161	443	22,604
58	Public Affairs & Corp Comm	30,161	-	-	-	-	2,504	5,968	119	6,088
59	Corporate IT Projects	-	-	(1,069)	-	-	26,586	3,746	75	3,821
60	Consolidation Finance Services	-	-	-	-	-	41,048	6,095	122	6,217
61		1,096,977	1,035,156	1,444,045	1,227,565	1,355,836	907,829	1,184,007	23,680	1,207,687

Table 3 – Affiliate Transactions

1	2018 Actual, 2019 Forecast, 2020 Budget			
2	Affiliate Transactions			
3	**Service Level Agreement (SLA) - EGD**			
4		2018 Actual	2019 Forecast	2020 Budget
5				
6	Fleet	$ 458	$ 426	$ 426
7	IT Application Support	20	20	20
8	Nomination	137	128	142
9	Operations and Engineering Consulting	63	25	37
10	Risk Management	7	8	-
11		$ 685	$ 607	$ 625
12				
13	**Service Level Agreement - Gazifere**	$ 630	$ 858	$ 274
14				
15	**Service Level Agreement - St. Lawrence Gas**	$ (178)	$ (67)	$ -
16				
17	**Service Level Agreement - Maritimes and Northeast Pipelines**	$ 1,066	$ 115	$ -
18				
19	**Vendor Setup and Maintenance - EESI**	$ (10)	$ 8	$ 16
20				
21	**TOTAL Service Level Agreements**	**$ 2,193**	**$ 1,520**	**$ 914**
22				
23	**Corporate Allocations (Enbridge Inc)**			
24				
25	Compensation	$ 152	$ 520	$ 254
26	EFS Support	672	637	689
27	Insurance	77	94	184
28	Shared Services	33	59	72
29	Treasury	52	70	10
30		$ 985	$ 1,379	$ 1,209
31				
32	**Total SLA & Corporate Allocations**	**$ 3,177**	**$ 2,899**	**$ 2,123**
33				
34	**Functional View (Illustrative purposes only)**			
35		2018 Actual	2019 Forecast	2020 Budget
36				
37	Corporate	$ 559	$ 671	$ 769
38	Customer Care	823	914	374
39	Finance	18	78	18
40	Human Resources	34	465	254
41	Information Technology	675	657	708
42	Transportation	1,066	115	-
43				
44	**Total SLA & Corporate Allocations**	**$ 3,177**	**$ 2,899**	**$ 2,123**

Schedule 3.8

Reports for Incentive, Retention and Winback Programs

Growing and maintaining the customer base are both important for EGNB. EGNB plans to continue offering all of its programs for 2020 including the Residential and Commercial Incentive Programs, the Retention Program and the Propane Winback Program as approved by the Board. All the program parameters and conditions will continue for 2020 as approved in Matter 371.

In Matter 398, the Board approved EGNB's proposal to use unspent approved budgets for these programs in future years. As a result, only $150K in additional funds has been included in the 2020 Budget.

The table below provides the details for each of the programs including unspent amounts for each year and the amount currently available as at June 30, 2019 in bold and grey cells.

Residential Incentive				
	Budget	**TOTAL**	**Committed**	**Variance**
2017	100,000	100,000	88,250	11,750
2018	100,000	111,750	138,500	(26,750)
2019	250,000	223,250	38,650	**184,600**
2020	0			

Commercial Incentive				
	Budget	**TOTAL**	**Committed**	**Variance**
2017				
2018	250,000	250,000	49,700	200,300
2019	500,000	700,300	183,657	**516,643**
2020	100,000			

Propane Winback				
	Budget	**TOTAL**	**Committed**	**Variance**
2017				
2018	100,000	100,000	20,038	79,962
2019	50,000	129,962	44,150	**85,812**
2020	50,000			

Propane Retention				
	Budget	**TOTAL**	**Committed**	**Variance**
2017	100,000	100,000	60,101	39,899
2018	139,899	179,799	45,263	134,536
2019	50,000	184,536	25,690	**158,846**
2020	0			

Committed for 2019 includes totals to June 30, 2019. Previous year committed are the year end totals.

SCHEDULE 3.9

Business Improvement Projects 2018

Please find below details of the various business process improvement projects undertaken since the last general rate application.

1 **Process Improvement Summary - 2018**

	Project Name	Estimated annual hours saved	Brief Description
2	**Project Name**	**Estimated annual hours saved**	**Brief Description**
3	Billing adjustments green belt project	240	In depth study and review of various adjustments processed to map processes, eliminate waste, resolve billing issues and improve customer service
4	Commercial Sales tool	36	Developed a matrix for the sales department to pre-approve commercial customers within parameters for immediate signing to reduce wait time and improve sales process
5	One printing company for logo & mail out	0	Outsource both the logo printing and mail out to the same company
6	Individuals each fax/email completed locates	0	Work Management department faxing and email completed locates
7	Replace wooden stakes with flag shooters	150	Eliminate the use of wooden stakes by the locators. Replace with locate flags and flag shooters
8	Eliminate manual processing of EPPs	84	Process Equalized Payment Plans electronically
9	Security Deposits emailed to billing department	6	Consolidate security deposits emailed to billing department
10	EFT remittance send to right department	6	Customers now send EFT payment information directly to billing department
11	New electronic work ticket requirement for consumption issues	0	Electronic task created for issues related to consumption, improves records.
12	Automated template for payroll expense and liability reconciliation	24	Automated payroll template
13	COGS and revenue reconciliation	12	Automated template for GP to Oracle COGS reconciliation
14	myEGNB set up at time of account set up	0	Electronic billing arranged and implemented during account set up
15	Customer Care cancel own red locks	12	Customer Care trained to cancel red locks
16	Meter validation assignment for contractors	0	Improve efficiency of meter validations by assigning by area
17	Reception coverage	0	Implement a shared calendar to schedule and track reception area coverage
18	Add Annual Security Deposit Interest (INTD) transactions to the one time charges spreadsheet	48	Automate security deposit interest transactions by adding them to the one-time charges spreadsheet
19	Planning department records corrections and issues	0	Created a shared file for tracking records requiring a correction
20	Automated template for Hyperion upload	3	Build an automated template for budget and forecast upload to Hyperion
21	EGNB Billing Envelopes in the Warehouse	0	Complete 5S process for all the billing envelopes in the warehouse to identify and eliminate waste
22	Chargeback spreadsheet to Affiliates	3	Improved spreadsheet for chargeback calculations
23	Process for capturing win back customers	0	Customer service portal Task created for win back customers to move through attachment process
24	Mail EUG Temp letters in welcome packages for new customer	4	EUG Temp letters included in the new customer mail out
25		**628**	

Schedule 3.10

Income Tax Variance Account

On December 16, 2016, the Province of New Brunswick enacted amendments to the Gas Distribution Act, 1999 including the following provision:

> 52 (2.1) *"The Board may, in accordance with generally accepted public utility practice, make an order permitting the general franchise holder to create or establish a regulatory variance account in respect of the occurrence of an event for the purpose of minimizing the rate impact of the costs arising from the event.*

With this amendment, the concept of regulatory variance accounts was included in the regulatory framework.

In the Board's Decision dated June 23, 2000 in the Matter of an Application by Enbridge Gas New Brunswick Inc. for Approval of its Rates and Tariffs, the New Brunswick Energy and Utilities Board (Board) approved the inclusion of deemed payable income taxes in the cost of service, on the basis that it would have prevailed, in any year, as if the partnership had been a corporation.

EGNB requests that the Board approve the continuation of allowing deemed income taxes in the revenue requirement as typically determined in regulatory rate making. The inclusion of deemed income taxes in revenue requirements has precedent in New Brunswick. NB Power Transmission Corporation included payments in lieu of taxes, in the Matter of an Application dated June 21, 2002 by New Brunswick Power Corporation in connection with an Open Access Transmission Tariff. The Board, in its March 13, 2003 decision, allowed for the inclusion of the payment in lieu of taxes in revenue requirement.

In 2021, for the first time since its inception, EGNB will be in a position to pay deemed income taxes, as if it had been a corporation, based on the 2019 Forecast and 2020 Budget included in this filing. Previously, EGNB was able to utilize tax losses carried forward to offset the deemed income taxes payable. EGNB retained Price waterhouseCoopers LLP (PWC) to review the income taxes payable in each year in conjunction with the accumulated tax losses carried forward. In its conclusion, PWC has confirmed that EGNB will be in a position, to pay deemed income taxes in 2021, as if the partnership had been a corporation. PWC has indicated that EGNB has non-capital loss carry forward amounts of $32,204,351 to apply post 2018. PWC's report is included in support of this request.

EGNB is requesting a variance account for deemed income taxes for 2021 and 2022. With the potential impact of income taxes along with introduction of the deferral account into revenue requirement, EGNB is facing significant upward pressure on rates in the short term. In order to alleviate this pressure, EGNB intends to defer the deemed income tax expense for a two year period. After two years, EGNB will amortize those income taxes over a five year period.

EGNB's transactions in this proposed variance account will be reported at all future rate applications.

In summary, EGNB requests that deemed income taxes continue to be allowed for inclusion in revenue requirement and seeks approval of a variance account in relation to its deemed income taxes payable.

SCHEDULE 3.11

PwC Income Tax Report

SCHEDULE 3.11

PwC Income Tax Report

pwc

July 10, 2019

Mr. Dave Lavigne
Manager, Corporate Services
Enbridge Gas New Brunswick Limited Partnership
440 Wilsey Road, Suite 101
Fredericton NB E3B 7G5

Dear Mr. Lavigne:

In accordance with the signed engagement letter dated May 15, 2019, PricewaterhouseCoopers LLP ("PwC Canada", "we" or "us") completed the tax services described below for Enbridge Gas New Brunswick Limited Partnership ("you" or "the Partnership" or "EGNBLP").

Services provided:

1. Review of the excel files "EGNBLP Sch 1 from 2000 to 2018 Tax Dept. Copy.xlsx" and "Details of deemed tax loss carryforward up to December 31, 2019.xlsx" (collectively referred to as the "taxable income model");
2. Review of loss carryforward amounts and utilization of the non-capital losses within the taxable income model;
3. Review and discuss taxable income/loss reconciliation (Schedule 1) of amounts from the rate regulated financial statements to the net income (loss) for tax purposes with an appropriate EGNBLP employee;
4. Detailed review of EGNBLP's fixed asset tax calculations (Schedule 8 Capital Cost Allowance – "CCA") and supporting working papers (including descriptions/invoices of assets acquired and disposed of);
5. Tax research on identified areas of interest; and
6. Provide the required support regarding changes to the "taxable income model".

Assumption
In reviewing the taxable income model, we made the assumption that EGNBLP was a corporation for Canadian income tax purposes.

PricewaterhouseCoopers LLP
14 King Street, Suite 320, Saint John, New Brunswick, Canada E2L 1G2
T: +1 506 632 1810, F: +1 506 632 8997, www.pwc.com/ca

Mr. Dave Lavigne
Enbridge Gas New Brunswick Limited Partnership
July 10, 2019

Review of tax model
In reviewing the taxable income model, the following was noted:

1. **Review of taxable income/loss (Schedule 1) adjustments** – Discussed all the significant Schedule 1 adjustments with appropriate employees of EGNBLP. PwC also reviewed the 2017 trial balance and discussed specific general ledger accounts with appropriate EGNBLP's employees. Based on the discussions/review, no required changes were identified.
2. **Non-capital losses** – There were non-capital losses of $110,522,920 from the 2004 to the 2010 taxation years. In accordance with paragraph 111(1)(a) of the Canadian *Income Tax Act* (the "Act"), for the purposes of computing a taxpayer's taxable income for the year, there may be a deduction of non-capital losses for the 20 years immediately preceding and 3 taxation years immediately following the taxation year. For taxation years ending before March 23, 2004, however, non-capital losses carryforward for only 7 years (rather than 20 years). As well, for taxation years ending from March 23, 2004 through December 31, 2005, non-capital losses carryforward for only 10 years. The taxable income model correctly deducts the non-capital loss carryforwards, in calculating the taxable income for the 2011 to 2018 taxation years, in accordance with limitations of paragraph 111(1)(a).
3. **Charitable Donations** – the model had originally added back $632,172 of charitable donations when calculating taxable income, however no deduction was taken by EGNBLP. As charitable donations are only deductible in the year they are incurred, or 5 subsequent taxation years, $185,087 of the losses expired in the revised model, and $447,085 of the donations were deducted in the 2011 to 2018 taxation years.
4. **CCA Deduction** – The model had originally claimed significant amounts of tax depreciation or capital cost allowance ("CCA") each year, which is a discretionary deduction. The fixed asset tax depreciation calculation [Schedule 8 – "Capital Cost Allowance (CCA)"] on the Form T5013 – "Statement of Partnership Income" for the 2005 to 2018 taxation years were obtained and recalculated. The CCA amounts recalculated (for the 2005 to 2017 taxation years) in the Excel spreadsheet "Enbridge NB Updated Model version June 2019.xlsx" (tab – "CCA as Filed"), agreed with the CCA claimed in the original taxable income model.
5. A copy of the CCA calculations were copied to another Excel file +Enbridge NB Consolidated Workbook Sch 1 and Non-capital schedule 2.xlsx" - (the "CCA Amended" tab) in the spreadsheet and then revised as follows:
   a. No CCA was claimed for Class 8, 10, 12, 13, 45, 50, 51, or 52 in the 2010 to 2015 taxation years;
   b. The 2005 CCA claim for Class 10 was reduced, while no CCA was claimed for Class 12, 45 for 2005; and
   c. Class 1 CCA claims remained the same for all years expect for the 2014 and 2015 taxation years, in which the Class 1 CCA claims were reduced.

As noted below, the revisions to the CCA amounts are in accordance with the CRA's administrative positions and audit procedures (as noted below) and therefore we would expect that these amendments would be accepted by the CRA.

Review of the Non-Capital Losses

In accordance with the non-capital loss carryforward model, the corporation incurred non-capital losses from 2000 to 2010 and utilized those losses from 2011 to 2019. It was noted that in the original model that $55,698,461 of non-capital losses expired before being utilized.

Detailed Review of Fixed Assets - Schedule 8

PwC reviewed the following EGNBLP's fixed asset (Schedule 8) working papers:

- PPE 2018 Tax Back Up.xlsx; and
- PPE Tax Back Up 2017.pdf

The above working papers, reconcile EGNBLP's trial balance to fixed assets for tax purposes (Schedule 8). However, the working papers do not have sufficient detailed descriptions of the assets acquired, which would be required to determine if any of the costs that were capitalized for tax purposes, should have been treated as a current expense.

In reviewing the CCA calculations, it was noted that:

- in several taxation years, the calculation of Class 12 assets did not include the reduction in CCA claimed for the half year rule, in the year of acquisition; and
- the CCA calculation for Class 13 property used the declining balance method, rather than the straight-line method of calculating the CCA for the class.

Class 12

As computer software is included in Class 12(o), it is not exempt from the half year rule, when calculating CCA in the year of acquisition, as it does not meet any of the exceptions listed in ITR 1100(2)(a)(iii). Therefore, the Class 12 CCA was overstated in several of the years by the original model. In the revised taxable income model, no Class 12 CCA was claimed in 2010 to 2015 and the 2016 and subsequent taxation year's Class 12 CCA was calculated correctly. For the taxation years prior to 2010, the excess Class 12 CCA claimed was added to the non-capital loss balance and not deducted until 2016 or subsequently[1].

Class 13

EGNBLP had an opening Class 13 balance in 2005 of $143,815 and from 2005 to 2018 it had $1,113,964 of Class 13 additions.

In accordance with Section 1 of Schedule III of the Income Tax Regulations ("ITR"), the amount that can be deducted in a taxation year in respect of the capital cost of a Class 13 property is the lesser of:

a) a prorated portion of the capital cost incurred in a particular taxation year; of a particular leasehold interest; and

[1] Class 12 CCA rate is 100%, with the half year rule applying in the year of acquisition. Therefore, 50% of the cost is supposed to be deducted in the year of acquisition, and the remaining balance in the second year. The Class 12 assets acquired prior to 2010 would be fully depreciated for tax purposes before they were deducted in 2016.

b) the undepreciated capital cost to the taxpayer as of the end of the taxation year of property of the class.

Section 2 of Schedule III of the ITR, states that the prorated portion for the year of the capital cost, is the lesser of:

a) 1/5 of the capital cost of the property; and

b) the amount determined by dividing the capital cost by the number of 12 month periods (not exceeding 40 such periods) falling within the period of the commencement of the lease, and the day the lease terminates.

Accordingly, the cost of the leasehold interest should be amortized on a straight line basis over the term of the lease. However, as the term of the lease was not available at the time of this report, to be conservative, the calculation of CCA for Class 13 property remained using the declining balance method. At the end of 2018, the ending Class 13 UCC balance was $269,259, which will be deducted in subsequent taxation years.

UCC Classes
Based on the knowledge of the business, the UCC classes and additions appear to be reasonable, however detailed descriptions of the assets was not available to verify costs were allocated to the correct UCC classes.

Class	CCA Rate	Description of Assets	2005 to 2018 Additions
1	4%	Building	$77M
8	20%	Office Furniture and equipment	$ 2M
10	30%	Vehicles	$ 3M
12	100%	Computer Application Software	$ 4M
13	20%	Leasehold Interest	$ 1M
45/50/52 (depending on the year of acquisition)	45% / 55% / 100%	Computer and System Software	$ 2M
51		Pipeline	$51M

Mr. Dave Lavigne
Enbridge Gas New Brunswick Limited Partnership
July 10, 2019

Capital versus Current Expense

"The concept of capital is not defined in the Act; accordingly, we must turn to the judgments of the courts."[2]

"The courts in recent years have tended to be more liberal in classifying renovation work as a current expense rather than a capital outlay."[3]

Based on recent court decisions, when determining whether an expenditure is capital in nature (due to the acquisition or improvement of depreciable property) or currently deductible (because it is in respect of the maintenance or repair of property), the following guidelines provided in CRA's Folio Views - S3-F4-C1 – "General Discussion of Capital Cost Allowance" should be utilized:

(a) *Enduring Benefit* — Decisions of the courts indicate that when an expenditure on a tangible depreciable property is made "with a view to bringing into existence an asset or advantage for the enduring benefit of a trade", then that expenditure normally is looked upon as being of a capital nature. Where, however, it is likely that there will be recurring expenditures for replacement or renewal of a specific item because its useful life will not exceed a relatively short time, this fact is one indication that the expenditures are of a current nature.

(b) *Maintenance or Betterment* — Where an expenditure made in respect of a property serves only to restore it to its original condition, that fact is one indication that the expenditure is of a current nature. This is often the case where a floor or a roof is replaced. Where, however, the result of the expenditure is to materially improve the property beyond its original condition, such as when a new floor or a new roof clearly is of better quality and greater durability than the replaced one, then the expenditure is regarded as capital in nature. Whether or not the market value of the property is increased as a result of the expenditure is not a major factor in reaching a decision. In the event that the expenditure includes both current and capital elements and these can be identified, an appropriate allocation of the expenditure is necessary. Where only a minor part of the expenditure is of a capital nature, the Department is prepared to treat the whole as being of a current nature.

(c) *Integral Part or Separate Asset* — Another point that may have to be considered is whether the expenditure is to repair a part of a property or whether it is to acquire a property that is itself a separate asset. In the former case the expenditure is likely to be a current expense and in the latter case it is likely to be a capital outlay. For example, the cost of replacing the rudder or propeller of a ship is regarded as a current expense because it is an integral part of the ship and there is no betterment; but the cost of replacing a lathe in a factory is regarded as a capital expenditure because the lathe is not an integral part of the factory but is a separate marketable asset. Between such clear-cut cases there are others where a

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[2] "The Deductibility of Building Repair and Renovation Costs", John W. Durnford, 45(3) Canadian Tax Journal 395 -416 (1997)
[3] "The Deductibility of Building Repair and Renovation Costs", John W. Durnford, 45(3) Canadian Tax Journal 395 -416 (1997)

replaced item may be an essential part of a whole property yet not an integral part of it. Where this is so, other factors such as relative values must be taken into account.

(d) *Relative Value* — The amount of the expenditure in relation to the value of the whole property or in relation to previous average maintenance and repair costs often may have to be weighed. This is particularly so when the replacement itself could be regarded as a separate, marketable asset. While a spark plug in an engine may be such an asset, one would never regard the cost of replacing it as anything but an expense; but where the engine itself is replaced, the expenditure not only is for a separate marketable asset but also is apt to be very substantial in relation to the total value of the property of which the engine forms a part, and, if so, the expenditure likely would be regarded as capital in nature. On the other hand, the relationship of the amount of the expenditure to the value of the whole property is not, in itself, necessarily decisive in other circumstances, particularly where a major repair job is done which is an accumulation of lesser jobs that would have been classified as current expense if each had been done at the time the need for it first arose; the fact that they were not done earlier does not change the nature of the work when it is done, regardless of its total cost.

(e) *Acquisition of Used Property* — Where used property is acquired by a taxpayer and at the time of acquisition it requires repairs or replacements to put it in suitable condition for use, the cost of such work is regarded as capital in nature even though, in other circumstances, it would be treated as current expense.

(f) *Anticipation of Sale* — Repairs made in anticipation of the sale of a property or as a condition of the sale are regarded as capital in nature. On the other hand, where the repairs would have been made in any event and the sale was negotiated during the course of the repairs, or after their completion, the cost should be classified as though no sale was contemplated.

The following are the relevant leading cases in determining whether expenditures are on account of income or capital:

1. **ATCO Electrical Ltd. v the Queen (2007 CarswellNAT 1145)** – the court found that while any given transformer might remain useful for 33 years, at any given moment there will always be another, somewhere in the system, that needs to be replaced. In these circumstances, the benefit of replacing non-functional transformers is anything but enduring; rather, the effect of the replacement was simply to preserve the status quo of the original network (a transformer is a component part of the asset (network) rather than an asset. Therefore the taxpayer's argument that the transformer replacement expenditures are analogous to the costs associated with the sort of on-going maintenance repairs concluded in Rainbow Pipe Line that should be treated as current expenses. Therefore the replacement of the transformers was found to be a current expense.
2. **Canada Steamship Lines v Minister of National Revenue (66 DTC 5205)** – the court stated that "it is impossible to accept the view that the cost of such repairs (replacement of the ships floors and walls) ceases to be a current expense and becomes a capital outlay merely because the repairs required are very extensive or because their costs are substantial".

3. **Marklib Investments II-A Limited v the Queen (2000 DTC 1413)** - repairs of $3.5 million were to keep the building in good operating condition, no new building had resulted as a result of the expenditures. The repairs included a garage restoration ($970,000), roof replacement ($176,000), tile work in common areas ($88,550), lighting fixtures ($96,065), and new windows ($1,035,000), which the court found were all on account of income.
4. **Gold Bar Developments Ltd. v. the Queen (87 DTC 5152)** - the taxpayer corporation constructed an apartment building in 1966. In 1979, an inspection revealed that, as a result of inferior work by the original brick sub-contractor, the bricks were falling loose from the walls and the entire brick facing on one wall had become unsound. The taxpayer carried out the necessary repairs but used metal cladding instead of replacing the original brick or using brick veneer. The court found that the taxpayer was entitled to deduct the cost of the repairs. The expenditure was not so substantial as to constitute a replacement of the asset since it represented less than three per cent of the value of the asset. The court did not accept that the taxpayer must ignore advancements in building techniques and technology in carrying out the work. Finally, the court was not satisfied that the use of metal cladding, rather than brick, improved the appearance of the building.
5. **Roger S. Lewin v. the Queen (2009 DTC 1001) –** the court found that the cost of replacing a deck was a deductible expense, even though the same materials were not being used. In the case, the Appellant was simply replacing a deck that was 20 years old and that needed to be replaced. The deck was restored to its original condition with some changes. The previous deck had a fiberglass covering to protect the surface of the deck from the elements and the new deck had a vinyl covering to protect the surface from the elements. As well vinyl lattice instead of wood lattice was used in the area below the deck, a concrete step was installed instead of a wooden step, aluminium railings were used instead of wood railings and a vented soffit was installed under the walkway.
6. **Shabro Investments Limited v. the Queen (79 DTC 5104)** - the cost of overcoming a structural design deficiency in the original structure is on account of capital, however, the cost of replacing parts damaged due to the structural design deficiency are current expenses.

Technical Interpretation 9415927 - "Expenditures - Current or Capital - GAAP" - supports the courts' findings in both *Gold Bar Developments* and *Roger S. Lewin* cases in that repairs do not become disqualified as deductions "merely because they are carried out in light of technology unknown when the original structure was built".

Note that in Canderel Limited, Appellant v. Her Majesty The Queen, Respondent (1998 CarswellNat 80), the Supreme Court of Canada allowed the taxpayer to treat items as current expenses for tax purposes (tenant inducements) that were treated as capital items for accounting purposes.

As EGNBLP was not able to provide detailed descriptions of the costs added to fixed assets for tax purposes (Schedule 8), a detailed analysis based on CRA's administrative policies provided in Folio Views - S3-F4-C1 – "General Discussion of Capital Cost Allowance, current case law, and the above noted technical interpretation, could not be completed. Based on PwC's previous experience in similar reviews, and some immaterial additions (2014 Class 10 - $4,752; Class 13 - $319) identified, it is likely some current expenses were capitalized for tax purposes. However, costs that could potentially be reclassified from capital to current, would decrease the CCA claims and increase the non-capital loss balance.

Research

Revising CCA Claim in non-taxable years
In accordance with both CRA's Information Circular 84-1 - "Revision of Capital Cost Allowance Claims and Other Permissive Deductions" and the CRA Audit Manual - Chapter, 12.0, a taxpayer request to revise the amount of CCA claimed in a non-taxable year (i.e. *because of a non-capital loss in that year, or the application of a non-capital loss of another year) will be allowed.*

Specifically, paragraph 10 ("Revisions requested in non-taxable years") of 84-1 – "Revision of Capital Cost Allowance Claims and Other Permissive Deductions", states:

> *"Where a taxpayer requests a revision of capital cost allowance claimed in a taxation year for which a notification that no tax is payable had been issued (eg because of a non-capital loss in that year, the application of a non-capital loss of another year, or the fact that income was exempt from tax in that year), such request will be allowed provided there is no change in the tax payable for the year or any other year filed, including one that is statute barred, for which the time has expired for filing a notice of objection. Such request will not be allowed, however, where after February 24, 1977 the Minister has issued a notice of determination pursuant to subsection 152(1.1). A taxpayer who wishes to revise the capital cost allowance in a year for which a notice of determination has been issued should do so within 90 days from the day of mailing the notice of determination for that year."*

Also, in accordance with the "CRA Audit Manual - Chapter, 12.0 -- Specific Audit Guidelines and Checklists", the "circumstances for revising capital cost allowance and permissive deductions", states:

> "CCA and other permissive deductions can be revised in many circumstances, including:
>
> - ...revisions of CCA for a tax year with a nil assessment, provided additional tax is not assessable, including statute-barred years that may be affected by the revision."

Calculation of Class 12 CCA
Income Tax Regulation 1100 states:

(1) For the purposes of paragraphs 8(1)(j) and (p) and 20(1)(a) of the Act, the following deductions are allowed in computing a taxpayer's income for each taxation year:

> (a) rates subject to subsection (2), such amount as the taxpayer may claim in respect of property of each of the following classes in Schedule II not exceeding in respect of property
>
> > ...(xii) of Class 12, 100 per cent,

(2) Property acquired in the year [Half-year rule]
The amount that a taxpayer may deduct for a taxation year under subsection (1) in respect of property of a class in Schedule II is to be determined as if the undepreciated capital cost to the taxpayer at the end of the taxation year (before making any deduction under subsection (1) for the taxation year) of property of the class were reduced by an amount equal to 50 per cent of the amount, if any, by which:

> …to the undepreciated capital cost to the taxpayer of property of a class in Schedule II, other than
>
> > (iii) property included in paragraph (1)(v), in paragraph (w) of Class 10 or in any of paragraphs (a) to (c), (e) to (i), (k), (l) and (p) to (s) of Class 12,

Income Tax Regulations Schedule II states that:

Class 12 (100 per cent)
> …(o) computer software acquired after May 25, 1976, but not including systems software and property that is described in paragraph (s);

As computer software is included in Class 12(o), it is not exempt from the half year rule, when calculating CCA in the year of acquisition, as it does not meet any of the exceptions listed in ITR 1100(2)(a)(iii).

Revisions to the income tax model
As noted above, the EGNBLP's income tax model was updated to:

a) Deduct $447,085 of charitable donations, not previously deducted by the model,
b) not to claim the maximum CCA for the 2005 taxation year, and
c) not to claim CCA for the 2010 to 2015 taxation years on all UCC classes, except Class 1.

As CCA is considered a discretionary deduction, in accordance with the CRA administrative position, a taxpayer is allowed to change the amount of CCA claimed for a taxation year, as long as it does not change the taxable income for the year, or any subsequent taxation year.

As EGNBLP has not had taxable income (after the deducting available non-capital losses) in any year, the entity would be eligible to adjust the CCA claim, as outlined above.

As a result of the above noted revisions to the CCA, the following occurs:

a) $13,352,801 of non-capital losses that previously expired, no longer expire;
b) the amount not claimed as CCA in 2005, and from 2010 to 2015, increases the UCC balances; and
c) the amounts added back to the UCC balances are partially deducted in 2011 and subsequent taxation years.

In effect, from a tax perspective, the changes to the model allow EGNBLP to deduct some of the charitable donations made, and more of the capital costs incurred. No other changes in EGNBLP's income tax model were identified.

Conclusion

As a result of the revision to EGNBLP's income tax model, the entity would have $32,204,351 of non-capital losses (see **Appendix A**) and $133,668,582 of UCC at the end of 2018. As a result of these increased tax balances, the entity would not be taxable until 2021, instead of 2020 as expected in the original model.

In accordance with EGNBLP's income tax model, from 2000 to 2003, the entity incurred $42,345,660 of non-capital losses that expired. However, the entity only deducted $4,446,621 of CCA in those same years, therefore the majority of the losses would have expired, even if CCA was adjusted in the income tax model. As the information returns that were filed with the CRA, for these taxation years were not available at the time of the preparation of this report, it was not possible to adjust the model accurately.

Appendix A

EGNB LP Taxable Income Model

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Net Income per FS	1,878,912	4,464,887	5,654,452	6,929,000	5,805,868	9,508,839	14,292,889	17,995,020	21,784,806	24,600,217
Depreciation & Amortization	100,000	2,755,820	4,477,254	4,985,142	5,825,167	6,674,789	5,382,576	4,830,804	7,011,717	7,780,918
Donations		85,576	33,677	20,752	30,632	14,450	25,310	4,041	29,475	37,487
Deduction of Charitable Donations										
Political Donations		3,387	1,515	9,000	738	2,700	1,404	4,753	6,250	6,052
Interest and Penalties					2,232					
Club Dues				13,079	3,470			500	8,211	4,928
M&E	34,333	17,435	51,496	77,866	57,640	37,057	33,720	39,277	38,879	26,547
Non-deductible X-mas					4,750	5,130	4,798	5,415	7,033	6,790
Write down of Capital Property										
Write down of Regulatory Receivable										
OCI Addition										
DB Pension Provision										
Non-Deductible OPEB accounting provision										
Non-Deductible Admin Expenses			1,855	3,059						
Non-Taxable Regulatory Deferral	(145,000)	(354,279)								
Bad debt Expense		8,000	5,000	17,000						
Gas Purchase Variance Addition						902,557	146,698	1,207,405	1,971,360	1,799,536
Warranty Provision								692,955	758,812	
Deferred Revenue							374,748			23,270
Loss (Gain) on Disposal of Assets					(1,078)	(962)	(2,275)	(6,952)	(962)	(73)
CCA	(31,351)	(698,500)	(1,576,359)	(2,140,411)	(2,808,262)	(3,016,907)	(4,107,728)	(4,631,754)	(5,113,553)	(5,765,803)
CEC	(343,271)	(322,347)	(300,387)	(280,323)	(261,941)	(243,315)	(226,358)	(211,156)	(196,375)	(184,456)
Allowance for funds during Construction	(388,520)	(1,168,029)	(158,239)	(101,889)	(281,405)	(105,799)	(112,585)	(70,144)	(29,077)	
Capitalized Interest Cost										
Regulatory deferral included in Income		(9,156,254)	(15,208,660)	(16,316,458)	(19,252,794)	(21,735,123)	(19,149,578)	(15,802,437)	(15,045,648)	(22,738,779)
Capitalized Admin. Overhead		(1,917,346)	(4,407,164)	(8,633,810)	(8,675,644)	(12,115,060)	(14,953,729)	(22,708,204)	(24,857,229)	(14,154,976)
Carrying Cost on Deferred Charges	(771,609)									(33,740)
Financing Issue Costs par. 20(1)(e)	(61,529)	(64,351)	(64,351)	(64,351)	(64,351)	(266,570)	(263,749)	(310,442)	(356,710)	(356,710)
Deductible Representation Costs	(3,715,139)									
Gas Purchase Variance Deduction					(902,557)	(146,698)	(1,207,405)	(1,971,360)	(1,799,536)	(67,194)
Reserves from FS								(374,748)	(692,955)	(758,812)
DB Pension Funding										
OPEB Funding										
OCI Deduction										
Deferred Expenses Deductible	(4,344,157)	(1,240,071)								
Other										
Taxable Income	**(7,787,332)**	**(7,586,072)**	**(11,489,911)**	**(15,482,345)**	**(20,517,536)**	**(20,484,912)**	**(19,761,265)**	**(21,307,026)**	**(16,475,501)**	**(9,774,797)**

Appendix A

EGNB LP Taxable Income Model

	2010	2011	2012	2013	2014	2015	2016	2017	2018
Net Income per FS	24,908,678	20,832,296	(276,062,026)	9,761,102	3,909,605	17,468,278	12,861,792	16,851,102	19,793,854
Depreciation & Amortization	8,579,059	9,331,058	7,804,337	7,546,082	8,027,805	8,257,359	7,004,680	6,291,531	6,438,926
Donations	24,706	40,173	43,437	38,350	35,401	44,834	39,738	40,412	43,721
Deduction of Charitable Donations		(161,192)	(43,437)	(38,350)	(35,401)	(44,834)	(39,738)	(40,412)	(43,721)
Political Donations	1,359	2,431							
Interest and Penalties									
Club Dues	7,897	2,970	8,430	6,591	10,021	550	250	3,300	7,380
M&E	24,032	35,424	27,185	28,621	11,315	23,402	27,605	32,994	42,586
Non-deductible X-mas	6,413	6,413	5,550	5,320	5,000				
Write down of Capital Property			277,295,000						
Write down of Regulatory Receivable			6,174,000						
OCI Addition			301,000		2,185,000		639,000	-	-
DB Pension Provision				929,586	1,300,020	852,600	900,520	1,025,213	843,900
Non-Deductible OPEB accounting provision			75,676	135,998	110,684	117,000			119,367
Non-Deductible Admin Expenses									
Non-Taxable Regulatory Deferral									
Bad debt Expense									
Gas Purchase Variance Addition	167,795								
Warranty Provision									
Deferred Revenue									
Loss (Gain) on Disposal of Assets			(4,884)	(2,898)		(4,500)	3,015	(15,000)	(1,269)
CCA	(5,996,054)	(4,704,620)	(4,516,240)	(4,335,557)	(2,295,134)	(3,994,957)	(9,370,027)	(7,832,337)	(7,634,182)
CEC	(172,069)	(160,025)	(148,823)	(138,405)	(130,453)	(121,322)	(112,829)		
Allowance for funds during Construction									
Capitalized Interest Cost	(86,900)	(65,381)	(185,385)	(18,168)	(2,781)	(1,588)	(11,385)	(7,714)	(2,961)
Regulatory deferral included in Income	(15,926,000)	(8,535,259)							
Capitalized Admin. Overhead	(13,624,567)	(11,781,005)	(5,738,371)	(4,379,487)	(3,719,490)	(3,603,134)	(2,968,463)	(2,859,276)	(2,721,965)
Carrying Cost on Deferred Charges									
Financing Issue Costs par. 20(1)(e)	(92,961)	(92,961)							
Deductible Representation Costs									
Gas Purchase Variance Deduction		(100,601)							
Reserves from FS	(23,270)								
DB Pension Funding				(790,186)	(2,043,820)		(39,143)	(1,254,606)	(671,569)
OPEB Funding				(13,202)	(39,000)			(51,368)	(16,800)
OCI Deduction				(2,749,000)		(988,000)			
Deferred Expenses Deductible									
Other					(3,579)				
Taxable Income	**(2,201,882)**	**4,649,721**	**5,035,449**	**5,986,397**	**7,325,192**	**18,005,688**	**8,935,015**	**12,183,840**	**16,197,267**

Appendix A

EGNB LP Taxable Income Model

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
2000 Tax Non- Capital losses Applied	7,787,332									
2001 Tax Non- Capital losses Applied		7,586,072								
2002 Tax Non- Capital losses Applied			11,489,911							
2003 Tax Non- Capital losses Applied				15,482,345						
2004 Tax Non- Capital losses Applied					20,517,536					
2005 Tax Non- Capital losses Applied						20,484,912				
2006 Tax Non- Capital losses Applied							19,761,265			
2007 Tax Non- Capital losses Applied								21,307,026		
2008 Tax Non- Capital losses Applied									16,475,501	
2009 Tax Non- Capital losses Applied										9,774,797
2010 Tax Non- Capital losses Applied										
Non-taxable losses carry Forward	**7,787,332**	**7,586,072**	**11,489,911**	**15,482,345**	**20,517,536**	**20,484,912**	**19,761,265**	**21,307,026**	**16,475,501**	**9,774,797**

Appendix A

EGNB LP Taxable Income Model

	2010	2011	2012	2013	2014	2015	2016	2017	2018
2000 Tax Non- Capital losses Applied									
2001 Tax Non- Capital losses Applied									
2002 Tax Non- Capital losses Applied									
2003 Tax Non- Capital losses Applied									
2004 Tax Non- Capital losses Applied		(4,649,721)	(5,035,449)	(5,986,397)	(4,845,968)				
2005 Tax Non- Capital losses Applied					(2,479,224)	(18,005,688)			
2006 Tax Non- Capital losses Applied							(8,935,015)	(10,826,249)	
2007 Tax Non- Capital losses Applied								(1,357,590)	(16,197,267)
2008 Tax Non- Capital losses Applied									
2009 Tax Non- Capital losses Applied									
2010 Tax Non- Capital losses Applied	2,201,882								
Non-taxable losses carry Forward	**2,201,882**	**(4,649,721)**	**(5,035,449)**	**(5,986,397)**	**(7,325,192)**	**(18,005,688)**	**(8,935,015)**	**(12,183,840)**	**(16,197,267)**

Appendix A

EGNB LP Taxable Income Model

	Non-Capital Losses Incurred	Non-Capital Losses Utilized	Non-Capital Losses Carrryforward	Non-Capital Losses Expired
2000 Tax Non- Capital losses Applied	7,787,332			(7,787,332)
2001 Tax Non- Capital losses Applied	7,586,072			(7,586,072)
2002 Tax Non- Capital losses Applied	11,489,911			(11,489,911)
2003 Tax Non- Capital losses Applied	15,482,345			(15,482,345)
2004 Tax Non- Capital losses Applied	20,517,536	(20,517,536)	0	
2005 Tax Non- Capital losses Applied	20,484,912	(20,484,912)	0	
2006 Tax Non- Capital losses Applied	19,761,265	(19,761,265)	0	
2007 Tax Non- Capital losses Applied	21,307,026	(17,554,857)	(3,752,170)	
2008 Tax Non- Capital losses Applied	16,475,501	-	(16,475,501)	
2009 Tax Non- Capital losses Applied	9,774,797	-	(9,774,797)	
2010 Tax Non- Capital losses Applied	2,201,882		(2,201,882)	
Non-taxable losses carry Forward	**152,868,580**	**(78,318,569)**	**(32,204,351)**	**(42,345,660)**