SCHEDULE 3.11

EGNB Capitalization Study

April 28, 2015

Report in connection with Enbridge Gas New Brunswick Limited Partnership's (EGNB) Capitalization Study

To the Directors of EGNB

We have performed the procedures agreed with you and enumerated below with respect to the EGNB's Capitalization Study for 2015 (Capitalization Study) which is to determine what Operating and Maintenance expenses (O&M) and or Cost Centres and percentages of those O&M expenses and or Cost Centres are to be capitalized to Property, Plant and equipment (PP&E) in accordance with US Generally Accepted Accounting Principles (US GAAP), set forth in the accompanying Schedule of Allocated Costs by Cost Centre for 2015. The procedures are summarized as follows:

1. Obtain EGNB's Capitalization Approach contained in the Capitalization Study and discuss the identified O&M expenses and Cost Centres with management to ensure completeness of the identified O&M expenses and Cost Centres identified on the Schedule of Allocated Costs by Cost Centre for 2015;

2. Agree the amount of each O&M and Cost Centre on the Schedule of Allocated Costs for 2015 to EGNB's Budget for 2015;

3. Check the mathematical accuracy of the amounts and percentages allocated to Capital and to Existing Customer Base on the Schedule of Allocated Costs for 2015;

4. For each amount of the 2015 budget allocated to Capital on the Schedule of Allocated Costs for 2015, through enquiry, obtain explanations from department managers by department and verify that these activities meet the definition of direct or indirect costs that are eligible to be capitalized under US GAAP sections 970-360-25-2 and 970-360-25-3 and test the mathematical accuracy of the supporting budget to the percentages allocated on the Schedule of Allocated Costs for 2015; and

5. For each amount of the 2015 budget allocated to Capital on the Schedule of Allocated Costs for 2015, we will assess the explanations obtained through enquiry with department managers of these budget amounts by department, Cost Centre and or activity and verify that the explanations provided for the underlying budget activities plausibly support the percentages on the Schedule of Allocated Costs for 2015.

As a result of applying the procedures shown above, we report our findings below:

a. With respect to item 1, we obtained EGNB's Capitalization Approach contained in the Capitalization Study and through discussion found the identified O&M expenses and Cost Centres identified on the Schedule of Allocated Costs by Cost Centre for 2015 to be complete.

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b. With respect to item 2, we found that each O&M and Cost Centre on the Schedule of Allocated Costs for 2015 to be in agreement to EGNB's Budget for 2015.

c. With respect to item 3, we found the amounts and percentages allocated to Capital and to Existing Customer Base on the Schedule of Allocated Costs for 2015 to be mathematically accurate.

d. With respect to item 4, we found the explanations from department managers by department that the activities noted met the definition of direct or indirect costs that are eligible to be capitalized under US GAAP sections 970-360-25-2 and 970-360-25-3 and that the supporting budget to the percentages allocated on the Schedule of Allocated Costs for 2015 was mathematically accurate.

e. With respect to item 5, we found explanations obtained through enquiry with department managers of these budget amounts by department plausibly support the percentages and amounts of the 2015 budget allocated to Capital on the Schedule of Allocated Costs for 2015.

These procedures do not constitute an audit of EGNB's Capitalization Study, we express no opinion on the Capitalization Approach. Had we performed additional procedures or had we made an examination of EGNB's Capitalization Study other matters might have come to our attention that would have been reported to you.

Our report is solely for your information to be used in connection with EGNB's Capitalization Study that is to be presented to the New Brunswick Energy and Utilities Board and is not to be used for any other purpose. Any use that a third party makes of this report, or any reliance or decisions made based on it, are the responsibility of such third party. We accept no responsibility for any loss or damages suffered by any third party as a result of decisions made or actions taken based on this report.

PricewaterhouseCoopers LLP

Chartered Accountants

Enbridge Gas New Brunswick (“EGNB”)
Capitalization Study Update
2015

Analysis and Methodology

In July 2010, Management undertook a study of EGNB’s Operating and Maintenance (“O&M”) expenses. The study was done to understand the drivers of O&M costs and to establish the appropriateness and rates used to capitalize portions of these costs. In cases where the costs were not easily segregated, reasonable allocators were established. Costs were then allocated to three categories: “Capital”, “Customer/Industry Growth”, and “Existing Customer Base”.

In an effort to transition to a cost of service environment, EGNB ceased capitalizing its O&M to “Customer/Industry Growth” commencing January 1, 2012. In the 2012 Budget, O&M was allocated to the remaining two categories: “Capital” and “Existing Customer Base”.

In April 2012, EGNB conducted a review of the 2010 Capitalization study and updated the study to discontinue the capitalization of O&M to “Customer/Industry Growth” to align with the budget as well as adjust the capitalization percentage rates applied to cost centres where necessary.

In May 2013, EGNB revised the 2010 Capitalization study to capture operational changes reflected in the 2013 budget. The May 2013 study resulted in some adjustments to capitalization percentages, however the methodology for allocating O&M costs has remained consistent with the prior capitalization study which was approved in Matter 225 on April 17, 2014 by the New Brunswick Energy and Utilities Board (NBEUB).

In February 2015, EGNB revised the 2013 Capitalization study to capture operational changes reflected in the 2015 budget. The February 2015 study has resulted in the overall decrease in capitalization percentage. The methodology for allocating O&M costs has remained consistent with the capitalization study prepared in 2013.

Table 1

Enbridge Gas New Brunswick
Capitalization Study Update 2015 - Summary

Department Name	Cost Centre	Capitalization % Allocated to Capital	Expense % Allocated to Existing Customer Base	Total	Employees by Dept 2015	2015 EUB Budget
Sales	25330	69.6%	30.4%	100.0%	6	$ 547,993
Marketing	25332	87.6%	12.4%	100.0%	0	$ 617,596
Work Management Center & Attachment	25337	34.6%	65.4%	100.0%	10	$ 581,809
Fleet & Facilities	25350	23.5%	76.5%	100.0%	0	$ 1,198,978
Construction & Maintenance	25351	9.9%	90.1%	100.0%	18	$ 1,756,080
Planning & Technical Services	25352	37.6%	62.4%	100.0%	8	$ 719,318
Service & Inspection	25353	22.7%	77.3%	100.0%	15	$ 955,293
Engineering QA	25354	14.1%	85.9%	100.0%	3	$ 396,607
Regulatory	25361	0.0%	100.0%	100.0%	0	$ 948,500
Customer Care	25362	2.5%	97.5%	100.0%	4	$ 1,224,557
Upstream	25363	0.0%	100.0%	100.0%	0	$ 123,576
Step 1: average		**23.7%**	**76.3%**	**100.0%**	**64**	**$ 9,070,307**
IT	25312	14.0%	86.0%	100.0%	7	$ 1,492,882
Finnancial Reporting	25311	23.7%	76.3%	100.0%	20	$ 1,084,856
Corporate Admin	25313	23.7%	76.3%	100.0%	0	$ 544,565
Step 2: average		**22.5%**	**77.5%**	**100.0%**	**91**	**$ 12,192,609**
Human Resources	25320	25.8%	74.2%	100.0%	0	$ 2,575,953
Step 3: average		**23.1%**	**76.9%**	**100.0%**	**91**	**$ 14,768,562**
Communications	25329	23.1%	76.9%	100.0%	0	$ 184,191
Corporate Management	25300	23.1%	76.9%	100.0%	6	$ 1,132,902
Totals		**23.1%**	**76.9%**	**100.0%**	**97**	**$ 16,085,655**

SMG		% Allocated to Capital	% Allocated to Existing Customer Base	Total	2015	2015 EUB Budget
Distribution Operations		18.7%	81.3%	100.0%	44	$ 3,827,298
Customer Experience		17.1%	82.9%	100.0%	14	$ 3,005,345
Marketing & Sales		#REF!	#REF!	#REF!	6	$ 1,349,780
Finance & Control		18.3%	81.7%	100.0%	27	$ 3,245,878
Human Resources & Regulatory		18.9%	81.1%	100.0%	0	$ 3,524,453
Management Group		23.1%	76.9%	100.0%	6	$ 1,132,902
Totals		**#REF!**	**#REF!**	**#REF!**	**97**	**$ 16,085,655**

As in previous capitalization studies, Cost Centres have been broken down into four steps.

Step 1:

Managers of cost centres included in the first level completed forms to allocate O&M costs into the two categories identified above; costs that could be easily identified were allocated accordingly, and other costs were determined based on logical allocators (eg. employee time). (Appendix A)

These cost centres were:

- Sales
- Marketing
- Work Management Center and Attachment

- Fleet and Facilities
- Construction and Maintenance
- Planning and Technical Services
- Service and Inspection
- Engineering QA
- Regulatory
- Customer Care
- Upstream

Step 2:

Cost centres (IT, Financial Reporting, and Corporate Administration) whose main function is to provide support or service to other departments must allocate costs based on the results of the "front line" cost centres.

- IT was allocated to the two categories using the results from all other cost centres, which were then prorated by the number of computers per cost centre. A circular reference is created for departments in Levels 3 and 4, which was refined several times until all cost centres achieved a 100% total allocation.
- Financial Reporting was allocated to the two categories based solely on the weighted average of the Level 1 results (weighted by 2015 forecast dollars).
- Corporate Administration was allocated among the two categories based on two methods; weighted average of Level 1 cost centers by 2015 forecast dollars, and weighted average of Level 1 cost centres by number of employees, depending on which driver for the costs was determined to be appropriate.

Step 3:

- Human Resources was allocated by using the total salaries in the cost centres in Levels 1 & 2 and applying the allocations for the respective cost centres, and taking an overall weighted average of the two categories.

Table 2

Enbridge Gas New Brunswick
Capitalization Study Update 2015 - Human resrouces

Department Name	Cost Centre	Total Salary O&M	Capitalization %	Expense %	
			% Allocated to Capital	% Allocated to Existing Customer Base	Total
Sales	25330	$ 448,836	69.6%	30.4%	100.0%
Work Management Center & Attachment	25337	$ 559,945	34.6%	65.4%	100.0%
Construction & Maintenance	25351	$ 954,442	9.9%	90.1%	100.0%
Planning & Technical Services	25352	$ 551,476	37.6%	62.4%	100.0%
Service & Inspection	25353	$ 846,465	22.7%	77.3%	100.0%
Engineering QA	25354	$ 215,223	14.1%	85.9%	100.0%
Customer Care	25362	$ 165,339	2.5%	97.5%	100.0%
IT	25312	$ 430,697	14.0%	86.0%	100.0%
Finnancial Reporting	25311	$ 787,405	23.7%	76.3%	100.0%
Human Resources Total		$ 4,959,827	25.8%	74.2%	100.0%

Step 4:

- Corporate Management and Communications were allocated based on the averages of the first three levels. As Corporate Management and Communications is responsible for the overall organization it was felt that this would be the most appropriate method of allocation.

Conclusion

The Capitalization rates resulting from the study are a fair representation of the current business environment. EGNB will review the study on an ongoing basis to verify that the current and projected capitalization rates are still applicable and will make changes where necessary.

Additional information (2013 vs. 2015 results)

In 2015, fewer customer attachments resulted in reduced capitalization rates, the effect was most visible in the following five departments:

- Sales: More time was allocated in communicating with existing customers.
- Marketing: Some research focused more on retaining customers.
- Fleet & Facilities: The capitalization rate of this department reflects the capitalization rate of "working" department. The working departments allocated less time in capital, resulting in less capitalization in Fleet & Facilities.
- Construction & Maintenance: the reduction in capitalization rate was a result from fewer construction hours as a result of fewer customer attachments.
- IT: Similar to Fleet & Facilities, the capitalization rate of this department reflected the capitalization rate of "working" department. Reduction of capitalization rate in IT was the result of the overall decrease in working departments.

Table 3

Year	Department Name	Cost Centre	% Allocated to Capital	% Allocated to Existing Customers	Employees by Dept	Costs
2015	Sales	25330	69.6%	30.4%	6	$ 547,992.94
2013	Sales	25330	88.8%	11.2%	5	$ 534,702.55

Year	Department Name	Cost Centre	% Allocated to Capital	% Allocated to Existing Customers	Employees by Dept	Costs
2015	Marketing	25332	87.6%	12.4%	0	$ 617,595.92
2013	Marketing	25332	94.0%	6.0%	0	$ 426,365.30

Year	Department Name	Cost Centre	% Allocated to Capital	% Allocated to Existing Customers	Employees by Dept	Costs
2015	Fleet & Facilities	25350	23.5%	76.5%	0	$ 1,198,978.34
2013	Fleet & Facilities	25350	32.1%	67.9%	0	$ 1,230,710.17

Year	Department Name	Cost Centre	% Allocated to Capital	% Allocated to Existing Customers	Employees by Dept	Costs
2015	Construction & Maintenance	25351	9.9%	90.1%	18	$ 1,756,080.23
2013	Construction & Maintenance	25351	15.1%	84.9%	18	$ 1,916,068.43

Year	Department Name	Cost Centre	% Allocated to Capital	% Allocated to Existing Customers	Employees by Dept	Costs
2015	IT	25312	14.0%	86.0%	7	$ 1,492,881.66
2013	IT	25312	23.1%	76.9%	7	$ 1,114,443.90

Table 4

2015 - Summary

SMG	% Allocated to Capital	% Allocated to Existing Customer Base	2015 employees	Costs
Distribution Operations	18.7%	81.3%	44	$ 3,827,298
Customer Experience	17.1%	82.9%	14	$ 3,005,345
Marketing & Sales	71.5%	28.5%	6	$ 1,349,780
Finance & Control	18.3%	81.7%	27	$ 3,245,878
Human Resources & Regulatory	18.9%	81.1%	0	$ 3,524,453
Senior Mgmt Group	23.1%	76.9%	6	$ 1,132,902
Totals	**23.1%**	**76.9%**	**97**	**$ 16,085,655**

2013 - Summary

SMG	% Allocated to Capital	% Allocated to Existing Customer Base	2013 employees	Costs
Distribution Operations	21.0%	79.0%	44	$ 3,891,044
Customer Experience	24.2%	75.8%	17	$ 3,049,415
Marketing & Sales	80.7%	19.3%	5	$ 1,276,648
Finance & Control	25.2%	74.8%	22	$ 3,128,616
Human Resources & Regulatory	25.2%	74.8%	0	$ 3,948,848
Senior Mgmt Group	25.9%	74.1%	9	$ 1,661,388
Totals	**28.7%**	**71.3%**	**97**	**$ 16,955,960**

2015 Changes over 2013

SMG	% Allocated to Capital	% Allocated to Existing Customer Base	Change in employees	Costs
Distribution Operations	-2.3%	2.3%	0	$ (63,747)
Customer Experience	-7.1%	7.1%	-3	$ (44,071)
Marketing & Sales	-9.2%	9.2%	1	$ 73,132
Finance & Control	-6.9%	6.9%	5	$ 117,262
Human Resources	-6.3%	6.3%	0	$ (424,395)
Senior Mgmt Group	-2.8%	2.8%	-3	$ (528,486)
Totals	**-5.6%**	**5.6%**	**0**	**$ (870,305)**

The overall average Capitalization drops from 28.7% in 2013 to 23.1% in 2015. This change was primarily due to fewer customer attachments in 2015.

In 2015, all fleet and vehicle costs were accounted for in the Fleet and Facilities budget which was previously named the Logistics department budget. The fleet and vehicle costs were allocated by averaging the time of the employees who operate the vehicles by the overall fleet costs. In cases where a vehicle was not assigned to one individual in particular the department average was used.

Construction and Maintenance continues to operate with the in-house model established in 2013. Incentives programs were eliminated in 2013 and have not been resumed as of this date. In 2013, a Communications department was formed as well as a Work Management Center.

The Work management Center, in addition to its individual new costs, absorbed the costs of the Attachments department and the Installations department. These changes from 2013 remain unchanged for 2015. The capitalization rate in 2015 saw a reduction of 5.6% from 2013. The main driver of this change was fewer customer attachments which has reduced the amount of employee's work time related to capital.