

SCHEDULE 3.1

2013 Forecast

Enbridge Gas New Brunswick

5+7 Forecast Balance Sheet for Regulatory Purposes

As at December 31, 2013

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

(in thousands of dollars)

Assets	<u>2013</u>
Regulated Assets	
Property, Plant and Equipment (Note 2)	
Gas Distributor Plant in Service - Net (includes AFUDC capitalized during 2013 of \$11.0)	\$ 175,457
Construction Work In Progress - Gas Distributor Plant	<u>15</u>
Total Property, Plant & Equipment	175,472
Deferred Charges	
Deferred Development Costs - Net (Note 3)	425
Development O&M Capitalized Costs - Net (Note 4)	<u>97,196</u>
Total Deferred Charges	97,621
Short Term Investments	<u>2,959</u>
Total Regulated Rate Base Assets	276,052
Other Regulated Assets (Note 5)	<u>33,368</u>
Total Regulated Assets	<u>309,420</u>
Regulatory Deferral (Note 1)	<u>182,953</u>
Total Assets	<u>\$ 492,373</u>
Liabilities and Partner's Equity	
Partner's Equity (Ratebase) (Note 1)	134,559
Long-term Advances from Associates and Affiliates (Notes 1 and 6)	149,500
Other Regulated Liabilities (Note 7)	<u>25,361</u>
	<u>\$ 309,420</u>
Partner's Equity (Regulatory Deferral)	<u>182,953</u>
Total Liabilities and Equity	<u>\$ 492,373</u>

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 5+7 Forecast Income for Regulatory Purposes

For the year ended December 31, 2013

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

(in thousands of dollars)

	<u>2013</u>
Revenue	
Operating Revenue (Note 8)	
Gas distribution	\$ 42,302
Miscellaneous	357
Allowance for Funds Used During Construction	<u>11</u>
	42,670
Installation Service	
Revenue	818
Cost of goods sold	<u>(603)</u>
	215
Total Revenue	<u>42,885</u>
Expenses	
Operating Expenses	
Operating and maintenances (Note 9)	11,925
Transportation (net)	<u>1,937</u>
Total Operating and maintenance expenses	13,862
Bad debt expense	230
Amortization of Property, Plant and Equipment	7,233
Municipal and Other Taxes	1,194
Interest on Amounts Due to Associates & Affiliates and Other Interest (Note 10)	9,225
Amortization of Deferred Development Costs	<u>2,910</u>
Total Expenses	<u>34,654</u>
Income before Extraordinary Items, Regulatory Deferral and Return on Rate Base	8,231
Regulatory Deferral	<u>5,412</u>
Regulated Return on Equity (Note 11)	<u>\$ 13,643</u>

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

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Notes to 2013 5+7 Forecasted Regulatory Financial Results
For the year ended December 31, 2013

Note 1 Financial Statement Effects of Rate Regulation and Legislative Changes

The Partnership's primary business activities are subject to regulation by the New Brunswick Energy and Utilities Board (EUB). The Partnership follows accounting practices prescribed by its regulator or stipulated in approved ratemaking decisions that are subject to examination and approval by the EUB and are similar to those being used by other enterprises in the gas distribution industry in Canada. Accordingly, the timing and recognition of certain revenues and expenses may differ from that otherwise expected under generally 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 Partnership accounts for transactions or events and how they would be accounted for if the Partnership was not subject to rate regulation. The differences in accounting treatment include:

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

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

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

The Partnership had been subject to non-traditional regulation which recognized its immature nature. Unlike many similar utilities, the Partnership's rates were not set on a cost based methodology. Prior to October 1, 2012, the Partnership'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. This rate setting methodology had been approved by the EUB for use during the development period after which rates are expected to be cost based.

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For the year ended December 31, 2013

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 Partnership. The legislation subsequently received proclamation on January 18, 2012, with the supporting Regulation being filed April 16, 2012. As a result of the legislation, effective March 1, 2012, the Partnership was directed to combine the Small General Service Residential Oil (SGSRO) and Small General Service Residential Electric (SGSRE) rate classes into a single Small General Service Residential (SGSR) class and apply the SGSRE distribution rate to all customers. In addition, effective October 1, 2012, the Partnership was directed to establish new rate classes for all customers, with rates to be based on the lesser of the market based rate, or the cost of service rate with an allowed multiplier to allow for a level of cross-subsidization with a revenue to cost ratio not exceeding 1.2:1 for any class of customer. The regulation also stipulated the target saving level and alternative fuel sources to be used in determining the market based rates.

The legislation noted above also provided direction with regards to the regulatory deferral account, which the EUB had historically approved to capture the difference between the Partnership's regulated revenues and its revenue requirement, which non-regulated enterprises would not recognize. Based on the legislative changes, the Partnership is no longer permitted to depreciate, amortize, earn a return on, or otherwise consider the regulatory deferral account when calculating its revenue requirement. In response to this legislation the Partnership has not considered the deferral account for the purpose of establishing the revenue requirement, however it will remain as an asset on Enbridge Gas New Brunswick balance sheet as it remains an asset of the Partnership for regulatory purposes. Similarly, the capital structure associated with the regulatory deferral account will also remain on the balance sheet, however, the debt and equity associated with the regulatory deferral account are not considered when calculating the allowed rate of return for the Partnership.

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Notes to 2013 5+7 Forecasted Regulatory Financial Results

For the year ended December 31, 2013

(in thousands of dollars)

Note 2 Property, Plant & Equipment

	Cost	Accumulated Amortization	2013 Net Book Value	Rates of Amortization
Property, plant & equipment				
General plant				
Computer hardware & software	\$ 3,103	\$ (2,429)	\$ 674	28.80%
Tools and work equipment	908	(314)	594	5.30%
Office furniture and equipment	501	(154)	347	4.40%
Transportation	1,311	(571)	740	25.00%
Incentives	91	(8)	83	20.00%
Leasehold improvements	991	(633)	358	1
Subtotal	6,905	(4,109)	2,796	
Distribution plant				
Land	375	-	375	-
Rights of way and easements	156	-	156	-
Distribution mains	123,160	(21,766)	101,394	2.43%
Street services	56,018	(12,554)	43,464	3.83%
Meters and regulators	22,406	(4,987)	17,419	3.83%
Stations	14,171	(4,318)	9,853	4.40%
Subtotal	216,286	(43,625)	172,661	
Total plant in service	223,191	(47,734)	175,457	
Construction work in progress	15	-	15	-
Total property, plant & equipment	\$ 223,206	\$ (47,734)	\$ 175,472	

1 - Amortized over the term of the related leases.

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Notes to 2013 5+7 Forecasted Regulatory Financial Results
For the year ended December 31, 2013

(in thousands of dollars)

Note 3 Deferred Development Costs - Net

			2013
	Cost	Accumulated Amortization	Net Book Value
Franchise fee	\$ 1,500	\$ (1,075)	\$ 425
Deferred carrying costs	<u>1,784</u>	<u>(1,784)</u>	<u>-</u>
Total deferred development costs, net	<u>\$ 3,284</u>	<u>\$ (2,859)</u>	<u>\$ 425</u>

Note 4 Development O&M Capitalized Costs – Net

			2013
	Cost	Accumulated Amortization	Net Book Value
Development O&M capitalized costs	\$ 114,952	\$ (17,756)	\$ 97,196
Total development O&M capitalized	<u>\$ 114,952</u>	<u>\$ (17,756)</u>	<u>\$ 97,196</u>

Enbridge Gas New Brunswick

Notes to 2013 5+7 Forecasted Regulatory Financial Results
For the year ended December 31, 2013

(in thousands of dollars)

Note 5 Other Regulated Assets

	<u>2013</u>
Cash & Short Term Investments	\$ 12,508
Accounts Receivable	15,247
Inventory	1,334
Long term receivable	<u>4,279</u>
	<u>\$ 33,368</u>

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Notes to 2013 5+7 Forecasted Regulatory Financial Results
For the year ended December 31, 2013

(in thousands of dollars)

Note 6 Long-term Advances from Associates and Affiliates

	Issue Date	Maturity Date	Amount	2013 Cost of Debt		
				Enbridge Inc.	EGNB	Regulated
Promissory Note	23-Mar-04	24-Mar-14	5,000	5.33%	6.69%	6.33%
Promissory Note	30-Nov-04	28-Nov-14	21,000	5.69%	6.95%	6.69%
Promissory Note	30-Mar-05	30-Mar-15	6,000	5.04%	6.93%	6.04%
Promissory Note	28-Dec-05	28-Dec-15	14,000	4.59%	6.53%	5.59%
Promissory Note	19-Dec-06	19-Dec-16	18,000	4.82%	6.52%	5.82%
Promissory Note	20-Dec-07	20-Dec-17	20,000	5.54%	5.85%	6.54%
Promissory Note	9-Dec-09	9-Dec-19	15,000	4.63%	5.63%	5.63%
Promissory Note	22-Sep-10	22-Sep-15	4,000	3.25%	4.25%	4.25%
Promissory Note	30-Dec-11	30-Dec-21	14,000	3.50%	4.50%	4.50%
Promissory Note	8-Jan-13	8-Jan-20	7,500	3.67%	4.67%	4.67%
Promissory Note	31-Dec-13	31-Dec-23	25,000	3.40%	4.40%	4.40%
Total long-term advances from associates and affiliates			<u>\$ 149,500</u>	<u>5.04%</u>	<u>6.26%</u>	<u>6.04%</u>

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

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Notes to 2013 5+7 Forecasted Regulatory Financial Results
For the year ended December 31, 2013

(in thousands of dollars)

Note 7 **Other Regulated Liabilities**

	<u>2013</u>
Due to affiliated companies	\$ 11,747
Accounts Payable	9,527
Long Term Payables	3,061
Long Term Deferred Post Employment Liabilities	<u>1,026</u>
	<u>\$ 25,361</u>

Enbridge Gas New Brunswick

Notes to 2013 5+7 Forecasted Regulatory Financial Results
For the year ended December 31, 2013

(in thousands of dollars)

Note 8 Operating Revenue

a. Gas Distribution

	2013		
	Revenue	Customers	Throughput TJs
Small General Service (SGS)	\$ 12,404	10,151	901
Mid-General Service (MGS)	11,156	1,495	916
Large General Service (LGS)	7,534	399	1,079
Contract General Service (CGS)	4,822	93	1,061
Industrial Contract General Service (ICGS)	6,199	10	2,185
Off-Peak Service (OPS)	187	15	45
Total	\$ 42,302	12,163	6,187

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

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Notes to 2013 5+7 Forecasted Regulatory Financial Results
For the year ended December 31, 2013

(in thousands of dollars)

Note 8 Operating Revenue (continued)

b. Miscellaneous

	<u>2013</u>
Agent billing and collection	\$ 174
Other miscellaneous revenue	<u>183</u>
Total miscellaneous	<u>\$ 357</u>

Details of Agent Billing and Collection Revenue

(in dollars)

	<u>2013</u>
Small General Service (SGS)	\$ 136,994
Mid-General Service (MGS)	21,095
Large General Service (LGS)	12,603
Contract General Service (CGS)	2,521
Industrial Contract General Service (ICGS)	413
Off-Peak Service (OPS)	<u>719</u>
Total agent billing and collection revenue	<u>\$ 174,345</u>

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Notes to 2013 5+7 Forecasted Regulatory Financial Results
For the year ended December 31, 2013

(in thousands of dollars)

Note 9 Operating and Maintenance Expenses

	<u>2013</u>
Corporate management	\$ 1,661
Corporate administration	1,008
Financial reporting	896
Information technology	1,114
Regulatory & upstream	1,041
Sales & marketing	1,277
Distribution & maintenance	5,807
Customer care	1,134
Human resources	3,018
Gas transportation and related activities	<u>1,937</u>
Total	<u>18,893</u>
Capitalized to:	
Property, plant & equipment	5,031
Development O&M capitalized costs	<u>-</u>
Total capitalized	<u>5,031</u>
Total	<u><u>\$ 13,862</u></u>

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Notes to 2013 5+7 Forecasted Regulatory Financial Results
For the year ended December 31, 2013

(in thousands of dollars)

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

	<u>2013</u>
Interest on long-term debt	\$ 9,220
AIDC - allowance for funds used during construction (debt component)	5
Total interest on amounts due to associates & affiliates and other interest	<u>\$ 9,225</u>

Note 11 Regulated Return on Equity

	<u>2013</u>
Regulated return on equity	\$ 13,637
AEDC - allowance for funds used during construction (equity component)	6
Total regulated return on equity	<u>\$ 13,643</u>

Enbridge Gas New Brunswick

Notes to 2013 5+7 Forecasted Regulatory Financial Results

For the year ended December 31, 2013

(in thousands of dollars)

Note 12 Rate Base for Regulatory Purposes

	<u>2013</u>
Property, plant & equipment	
Cost	\$ 223,191
Accumulated amortization	<u>(47,734)</u>
Net	175,457
Deferred charges	
Franchise fee, at cost	1,500
Accumulated amortization	<u>(1,075)</u>
Net	425
Development O&M capitalized costs	114,952
Accumulated amortization	<u>(17,756)</u>
Net	97,196
Deferred carrying costs, at cost	1,784
Accumulated amortization	<u>(1,784)</u>
Net	-
Deferral account	<u>-</u>
Total deferred charges	97,621
Term deposit	2,959
Working capital allowance	<u>2,512</u>
Total rate base	<u>\$ 278,549</u>
Average rate base	<u>\$ 278,007</u>

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Notes to 2013 5+7 Forecasted Regulatory Financial Results
For the year ended December 31, 2013

(in thousands of dollars)

Note 13 **Capital Structure for Regulatory Purposes**

	<u>2013</u>
Capital structure	
Long-term debt	\$ 149,500
Equity	<u>134,559</u>
Total	<u><u>\$ 284,059</u></u>
Capital structure percentage	
Long-term debt	52.63%
Equity	<u>47.37%</u>
Total	<u><u>100.00%</u></u>
Capital structure average percentage for regulatory purposes	
Long-term debt	55.00%
Equity	<u>45.00%</u>
Total	<u><u>100.00%</u></u>
Weighted cost of capital for regulatory purposes	
Long-term debt	3.04%
Equity	<u>4.91%</u>
Total	<u><u>7.95%</u></u>

Enbridge Gas New Brunswick

Notes to 2013 5+7 Forecasted Regulatory Financial Results
For the year ended December 31, 2013

(in thousands of dollars)

Note 14 **Details of Affiliate Transactions**

Consulting and Services	Enbridge Inc.	Enbridge Gas Distribution Inc.	Gazifère Inc.	Total Affiliate Consulting and Services	Total Consulting and Services	Affiliate Expenditure as Percent of Total Consulting and Services
For the period ending December 31, 2013						
Corporate management	\$ 23	\$ 104	\$ -	\$ 127	\$ 798	16%
Sales & marketing	-	2	-	2	580	0%
Human resources	26	79	-	105	170	62%
Distribution & maintenance	-	573	-	573	1,664	34%
Budget & regulatory	-	3	-	3	926	0%
Financial reporting	4	23	-	27	217	12%
Customer care	-	-	816	816	847	96%
Corporate administration	909	7	-	916	916	100%
Gas transportation & related	-	109	-	109	110	99%
Information technology	249	169	-	418	531	79%
Total	\$ 1,211	\$ 1,069	\$ 816	\$ 3,096	\$ 6,758	46%