

SCHEDULE 3.1

2014 Forecast

Enbridge Gas New Brunswick

3+9 Forecast Balance Sheet for Regulatory Purposes

As at December 31, 2014

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

(in thousands of dollars)

Assets	2014
Regulated Assets	
Property, Plant and Equipment (Note 2)	
Gas Distributor Plant in Service - Net (includes AFUDC capitalized during 2014 of \$19.2)	\$ 175,378
Construction Work In Progress - Gas Distributor Plant	745
Total Property, Plant & Equipment	176,123
Deferred Charges	
Deferred Development Costs - Net (Note 3)	350
Development O&M Capitalized Costs - Net (Note 4)	94,410
Total Deferred Charges	94,760
Short Term Investments	2,975
Total Regulated Rate Base Assets	273,858
Other Regulated Assets (Note 5)	31,287
Total Regulated Assets	305,145
Regulatory Deferral (Note 1)	181,648
Total Assets	\$ 486,793
Liabilities and Partner's Equity	
Partner's Equity (Ratebase) (Note 1)	131,237
Long-term Advances from Associates and Affiliates (Note 6)	161,750
Other Regulated Liabilities (Note 7)	12,158
	\$ 305,145
Partner's Equity (Regulatory Deferral)	181,648
Total Liabilities and Equity	\$ 486,793

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 3+9 Forecast Income for Regulatory Purposes

For the year ended December 31, 2014

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

(in thousands of dollars)

	<u>2014</u>
Revenue	
Operating Revenue (Note 8)	
Gas distribution	\$ 44,765
Miscellaneous	368
Allowance for Funds Used During Construction	<u>19</u>
	45,152
Service and Inspections	
Revenue	749
Cost of goods sold	<u>(601)</u>
	148
Total Revenue	<u>45,300</u>
Expenses	
Operating Expenses	
Operating and maintenance (Note 9)	11,656
Transportation (net)	<u>1,908</u>
Total Operating and maintenance expenses	13,564
Bad debt expense	278
Amortization of Property, Plant and Equipment	7,637
Municipal and Other Taxes	1,200
Interest on Amounts Due to Associates & Affiliates and Other Interest (Note 10)	8,543
Amortization of Deferred Development Costs	<u>2,877</u>
Total Expenses	<u>34,099</u>
Income before Extraordinary Items, Regulatory Deferral and Return on Rate Base	11,201
Regulatory Deferral	<u>2,331</u>
Income before Tax	<u>\$ 13,532</u>
Regulated Return on Equity (Note 11)	<u>\$ 13,532</u>

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

Enbridge Gas New Brunswick

Notes to 2014 3+9 Forecasted Regulatory Financial Results
For the year ended December 31, 2014

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. 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.

Enbridge Gas New Brunswick

Notes to 2014 3+9 Forecasted Regulatory Financial Results
For the year ended December 31, 2014

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. The legislation subsequently received proclamation on January 18, 2012, with supporting Rates and Tariffs Regulation being filed April 16, 2012.

In May 2013, in response to an appeal launched by EGNB, the New Brunswick Court of Appeal ruled that Section 4(1) of the legislation restricting the revenue to cost ratio to 1.2:1 was ultra vires.

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 Public Utility's regulated revenues and its revenue requirement, which non-regulated enterprises would not recognize. Based on the legislative changes, the Public Utility 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 Public Utility 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's balance sheet as it remains an asset of the Public Utility 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 Public Utility.

Enbridge Gas New BrunswickNotes to 2014 3+9 Forecasted Regulatory Financial Results
For the year ended December 31, 2014

(in thousands of dollars)

Note 2 Property, Plant & Equipment

			2014	
	Cost	Accumulated Amortization	Net Book Value	Rates of Amortization
Property, plant & equipment				
General plant				
Computer hardware & software	\$ 3,576	\$ (2,880)	\$ 696	28.80%
Tools and work equipment	1,713	(406)	1,307	20.00%
Office furniture and equipment	466	(208)	258	4.40%
Transportation	1,560	(868)	692	18.45%
Incentives	232	(32)	200	20.00%
Leasehold improvements	923	(712)	211	1
Subtotal	<u>8,470</u>	<u>(5,106)</u>	<u>3,364</u>	
Distribution plant				
Land	375	-	375	-
Rights of way and easements	159	-	159	-
Distribution mains	124,138	(24,584)	99,554	2.43%
Street services	59,133	(14,858)	44,275	3.83%
Meters and regulators	22,043	(3,589)	18,454	4.46%
Stations	14,386	(5,189)	9,197	4.40%
Subtotal	<u>220,234</u>	<u>(48,220)</u>	<u>172,014</u>	
Total plant in service	228,704	(53,326)	175,378	
Construction work in progress	<u>745</u>	<u>-</u>	<u>745</u>	-
Total property, plant & equipment	<u>\$ 229,449</u>	<u>\$ (53,326)</u>	<u>\$ 176,123</u>	

1 - Amortized over the term of the related leases.

Enbridge Gas New Brunswick

Notes to 2014 3+9 Forecasted Regulatory Financial Results
For the year ended December 31, 2014

(in thousands of dollars)

Note 3 Deferred Development Costs - Net

			2014	
	Cost	Accumulated Amortization	Net Book Value	Rates of Amortization
Franchise fee	\$ 1,500	\$ (1,150)	\$ 350	5.00%
Deferred carrying costs	1,784	(1,784)	-	20.00%
Total deferred development costs, net	\$ 3,284	\$ (2,934)	\$ 350	

Note 4 Development O&M Capitalized Costs – Net

			2014	
	Cost	Accumulated Amortization	Net Book Value	Rates of Amortization
Development O&M capitalized costs	\$ 114,952	\$ (20,542)	\$ 94,410	2.43%
Total development O&M capitalized	\$ 114,952	\$ (20,542)	\$ 94,410	

Enbridge Gas New Brunswick

Notes to 2014 3+9 Forecasted Regulatory Financial Results
For the year ended December 31, 2014

(in thousands of dollars)

Note 5 Other Regulated Assets

	<u>2014</u>
Cash & Short Term Investments	\$ 51
Accounts Receivable	27,895
Long term receivable	2,213
Inventory	<u>1,128</u>
	<u>\$ 31,287</u>

Enbridge Gas New Brunswick

Notes to 2014 3+9 Forecasted Regulatory Financial Results
For the year ended December 31, 2014

(in thousands of dollars)

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

	Issue Date	Maturity Date	Amount	2014 Cost of Debt		
				Enbridge Inc.	EGNB	Regulated
Promissory Note	30-Mar-05	30-Mar-15	6,000	5.04%	6.93%	6.04%
Promissory Note	30-Dec-05	30-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	24-Feb-14	28-Feb-18	25,000	4.16%	5.16%	5.16%
Promissory Note	24-Mar-14	24-Mar-24	5,000	3.69%	4.69%	4.69%
Promissory Note	24-Feb-14	26-Feb-18	33,250	4.00%	5.00%	5.00%
Total long-term advances from associates and affiliates			\$ 161,750	4.31%	5.37%	5.64%

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

Enbridge Gas New Brunswick

Notes to 2014 3+9 Forecasted Regulatory Financial Results
For the year ended December 31, 2014

(in thousands of dollars)

Note 7 Other Regulated Liabilities

	<u>2014</u>
Due to affiliated companies	\$ 1,094
Accounts Payable	7,945
Long Term Payable	2,118
Long Term Deferred Post Employment Liabilities	<u>1,001</u>
	<u>\$ 12,158</u>

Enbridge Gas New Brunswick

Notes to 2014 3+9 Forecasted Regulatory Financial Results
For the year ended December 31, 2014

(in thousands of dollars)

Note 8 Operating Revenue

a. Gas Distribution

	2014		
	Revenue	Customers	Throughput TJs
Small General Service (SGS)	\$ 9,646	10,231	922
Mid-General Service (MGS)	12,569	1,501	924
Large General Service (LGS)	8,839	425	1,104
Contract General Service (CGS)	5,986	100	1,117
Industrial Contract General Service (ICGS)	7,563	10	2,342
Off-Peak Service (OPS)	162	14	29
Total	\$ 44,765	12,281	6,438

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

Enbridge Gas New Brunswick

Notes to 2014 3+9 Forecasted Regulatory Financial Results
For the year ended December 31, 2014

(in thousands of dollars)

Note 8 Operating Revenue (continued)

b. Miscellaneous

	<u>2014</u>
Agent billing and collection	\$ 177
Other miscellaneous revenue	<u>191</u>
Total miscellaneous	<u>\$ 368</u>

Details of Agent Billing and Collection Revenue

(in dollars)

	<u>2014</u>
Small General Service (SGS)	\$ 138,544
Mid-General Service (MGS)	21,216
Large General Service (LGS)	13,485
Contract General Service (CGS)	2,760
Industrial Contract General Service (ICGS)	413
Off-Peak Service (OPS)	<u>671</u>
Total agent billing and collection revenue	<u>\$ 177,089</u>

Enbridge Gas New Brunswick

Notes to 2014 3+9 Forecasted Regulatory Financial Results
For the year ended December 31, 2014

(in thousands of dollars)

Note 9 Operating and Maintenance Expenses

	<u>2014</u>
Corporate management	\$ 1,123
Corporate administration	527
Financial reporting	1,096
Information technology	1,411
Regulatory & upstream	1,065
Sales & marketing	1,626
Distribution & maintenance	5,712
Customer care	1,155
Human resources	3,218
Gas transportation and related activities	<u>1,908</u>
Total prior to capitalization	<u>18,841</u>
Property, plant & equipment	<u>5,277</u>
Total capitalized	<u>5,277</u>
Total expense	<u><u>\$ 13,564</u></u>

Enbridge Gas New Brunswick

Notes to 2014 3+9 Forecasted Regulatory Financial Results
For the year ended December 31, 2014

(in thousands of dollars)

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

	<u>2014</u>
Interest on long-term debt	\$ 8,535
AIDC - allowance for funds used during construction (debt component)	8
Total interest on amounts due to associates & affiliates and other interest	<u>\$ 8,543</u>

Note 11 Regulated Return on Equity

	<u>2014</u>
Regulated return on equity	\$ 13,521
AEDC - allowance for funds used during construction (equity component)	11
Total regulated return on equity	<u>\$ 13,532</u>

Enbridge Gas New Brunswick

Notes to 2014 3+9 Forecasted Regulatory Financial Results
For the year ended December 31, 2014

(in thousands of dollars)

Note 12 Rate Base for Regulatory Purposes

	<u>2014</u>
Property, plant & equipment	
Cost	\$ 228,704
Accumulated amortization	<u>(53,326)</u>
Net	175,378
Deferred charges	
Franchise fee, at cost	1,500
Accumulated amortization	<u>(1,150)</u>
Net	350
Development O&M capitalized costs	114,952
Accumulated amortization	<u>(20,542)</u>
Net	94,410
Deferred carrying costs, at cost	1,784
Accumulated amortization	<u>(1,784)</u>
Net	-
Deferral account	<u>-</u>
Total deferred charges	94,760
Term deposit	2,975
Working capital allowance	<u>2,083</u>
Total rate base	<u>\$ 275,196</u>
Average rate base	<u>\$ 275,661</u>

Enbridge Gas New Brunswick

Notes to 2014 3+9 Forecasted Regulatory Financial Results
For the year ended December 31, 2014

(in thousands of dollars)

Note 13 **Capital Structure for Regulatory Purposes**

	<u>2014</u>
Capital structure	
Long-term debt	\$ 161,750
Equity	<u>131,237</u>
Total	<u><u>\$ 292,987</u></u>
 Capital structure percentage	
Long-term debt	55.21%
Equity	<u>44.79%</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	3.10%
Equity	<u>4.91%</u>
Total	<u><u>8.01%</u></u>

Enbridge Gas New Brunswick

Notes to 2014 3+9 Forecasted Regulatory Financial Results
For the year ended December 31, 2014

(in thousands of dollars)

Note 14 **Details of Affiliate Transactions**

Consulting and Services	Enbridge Inc.	Enbridge Pipeline 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, 2014							
Corporate management	\$ -	\$ -	\$ 99	\$ -	\$ 99	\$ 254	39%
Sales & marketing	-	-	-	-	-	1,093	0%
Human resources	120	-	86	-	206	336	61%
Distribution & maintenance	-	-	581	-	581	1,138	51%
Budget & regulatory	-	-	-	-	-	953	0%
Financial reporting	-	69	105	-	174	328	53%
Customer care	-	-	-	816	816	841	97%
Corporate administration	450	-	8	-	459	459	100%
Gas transportation & related	-	-	104	-	104	109	95%
Information technology	503	-	183	-	686	808	85%
Total	\$ 1,074	\$ 69	\$ 1,166	\$ 816	\$ 3,126	\$ 6,318	49%