

SCHEDULE 3.1

2015 Forecast

Enbridge Gas New Brunswick

8+4 Forecast Balance Sheet for Regulatory Purposes

As at December 31, 2015

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

2 (in thousands of dollars)

3	Assets	2015
4	Regulated Assets	
5	Property, Plant and Equipment (Note 2)	
6	Gas Distributor Plant in Service - Net (includes AFUDC capitalized during 2015 of \$13.0)	\$ 174,749
7	Construction Work In Progress - Gas Distributor Plant	1,001
8	Total Property, Plant & Equipment	175,750
9	Deferred Charges	
10	Deferred Development Costs - Net (Note 3)	275
11	Development O&M Capitalized Costs - Net (Note 4)	91,618
12	Total Deferred Charges	91,893
13	Short Term Investments	2,968
14	Total Regulated Rate Base Assets	270,611
15	Other Regulated Assets (Note 5)	23,025
16	Total Regulated Assets	293,636
17	Regulatory Deferral (Note 1)	178,269
18	Total Assets	<u>\$ 471,905</u>
19	Liabilities and Partner's Equity	
20	Partner's Equity (Ratebase) (Note 1)	133,572
21	Long-term Advances from Associates and Affiliates (Note 6)	149,500
22	Other Regulated Liabilities (Note 7)	10,564
23	Total Liabilities and Equity	<u>\$ 293,636</u>
24	Partner's Equity (Regulatory Deferral)	178,269
25	Total Liabilities and Equity	<u>\$ 471,905</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 8+4 Forecasted Income for Regulatory Purposes

For the year ended December 31, 2015

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

2 (in thousands of dollars)

3		<u>2015</u>
4	Revenue	
5	Operating Revenue (Note 8)	
6	Gas distribution	\$ 48,279
7	Miscellaneous	536
8	Allowance for Funds Used During Construction	<u>13</u>
9		48,828
10	Service and Inspections	
11	Revenue	798
12	Cost of goods sold	<u>(516)</u>
13		<u>282</u>
14	Total Revenue	<u>49,110</u>
15	Expenses	
16	Operating Expenses	
17	Operating and maintenance (Note 9)	12,051
18	Transportation (net)	<u>1,420</u>
19	Total Operating and maintenance expenses	13,471
20	Bad debt expense	529
21	Amortization of Property, Plant and Equipment	7,915
22	Municipal and Other Taxes	1,232
23	Interest on Amounts Due to Associates & Affiliates and Other Interest (Note 10)	7,911
24	Amortization of Deferred Development Costs	<u>2,868</u>
25	Total Expenses	<u>33,926</u>
26	Income before Extraordinary Items, Regulatory Deferral and Return on Rate Base	15,184
27	Regulatory Deferral	<u>(1,877)</u>
28	Income before Tax	<u>\$ 13,307</u>
29	Regulated Return on Equity (Note 11)	<u>\$ 13,307</u>

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

Enbridge Gas New Brunswick

Notes to 2015 Forecasted Regulatory Financial Results
For the year ended December 31, 2015

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

2 The Public Utility's primary business activities are subject to regulation by the New Brunswick Energy
3 and Utilities Board (EUB). The Public Utility follows accounting practices prescribed by its regulator or
4 stipulated in approved ratemaking decisions that are subject to examination and approval by the EUB
5 and are similar to those being used by other enterprises in the gas distribution industry in Canada.
6 Accordingly, the timing and recognition of certain revenues and expenses may differ from that otherwise
7 expected under generally accepted accounting principles (GAAP) applicable to non-regulated
8 operations. The ultimate recoverability of costs incurred is dependent upon the approval of the EUB.

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

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

21 As prescribed by the EUB, the Public Utility does not recognize gains and losses on the sale of Enbridge
22 Utility Gas (EUG) in the statement of income and uses a purchase gas variance account to defer the
23 gain or loss on sale. Non-regulated enterprises would normally account for the gain or loss in the
24 statement of income or comprehensive income.

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

30 The Public Utility had been subject to non-traditional regulation which recognized its immature nature.
31 Unlike many similar utilities, the Public Utility's rates were not set on a cost based methodology. Prior to
32 October 1, 2012, the Public Utility's rates were set exclusively based upon a market based methodology,
33 and were based on a targeted savings over alternate fuel for end use customers. This rate setting
34 methodology had been approved by the EUB for use during the development period after which rates
35 are expected to be cost based.

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Notes to 2015 Forecasted Regulatory Financial Results
For the year ended December 31, 2015

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

2 In December 2011, the Province of New Brunswick introduced legislation that outlined new rate classes,
3 and a new rate setting methodology for the Public Utility. The legislation subsequently received
4 proclamation on January 18, 2012, with the supporting Rates and Tariffs Regulation being filed April 16,
5 2012.

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

Enbridge Gas New BrunswickNotes to 2015 Forecasted Regulatory Financial Results
For the year ended December 31, 2015

(in thousands of dollars)

Note 2 Property, Plant & Equipment

			2015	
	Cost	Accumulated Amortization	Net Book Value	Rates of Amortization
4 Property, plant & equipment				
5 General plant				
6 Computer hardware & software	\$ 3,493	\$ (3,131)	\$ 362	28.80%
7 Tools and work equipment	1,764	(915)	849	20.00%
8 Office furniture and equipment	479	(227)	252	4.40%
9 Transportation	1,679	(1,158)	521	18.45%
10 Incentives	236	(113)	123	20.00%
11 Leasehold improvements	749	(566)	183	1
12 Subtotal	<u>8,400</u>	<u>(6,110)</u>	<u>2,290</u>	
13 Distribution plant				
14 Land	375	-	375	-
15 Rights of way and easements	189	-	189	-
16 Distribution mains	125,612	(27,771)	97,841	2.43%
17 Street services	62,238	(16,772)	45,466	3.83%
18 Meters and regulators	22,656	(4,255)	18,401	4.46%
19 Stations	16,064	(5,877)	10,187	4.40%
20 Subtotal	<u>227,134</u>	<u>(54,675)</u>	<u>172,459</u>	
21 Total plant in service	235,534	(60,785)	174,749	
22 Construction work in progress	<u>1,001</u>	<u>-</u>	<u>1,001</u>	-
23 Total property, plant & equipment	<u>\$ 236,535</u>	<u>\$ (60,785)</u>	<u>\$ 175,750</u>	

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

Enbridge Gas New Brunswick

Notes to 2015 Forecasted Regulatory Financial Results
For the year ended December 31, 2015

(in thousands of dollars)

Note 3 Deferred Development Costs - Net

			<u>2015</u>		
	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net Book Value</u>	<u>Rates of Amortization</u>	
1					
2					
3					
4	Franchise fee	\$ 1,500	\$ (1,225)	\$ 275	5.00%
5	Deferred carrying costs	1,784	(1,784)	-	20.00%
6	Total deferred development costs, net	<u>\$ 3,284</u>	<u>\$ (3,009)</u>	<u>\$ 275</u>	

Note 4 Development O&M Capitalized Costs – Net

			<u>2015</u>		
	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net Book Value</u>	<u>Rates of Amortization</u>	
7					
8					
9					
10	Development O&M capitalized costs	\$ 114,952	\$ (23,334)	\$ 91,618	2.43%
11	Total development O&M capitalized	<u>\$ 114,952</u>	<u>\$ (23,334)</u>	<u>\$ 91,618</u>	

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Notes to 2015 Forecasted Regulatory Financial Results
For the year ended December 31, 2015

(in thousands of dollars)

Note 5 Other Regulated Assets

		<u>2015</u>
1		
2	Cash & Short Term Investments	\$ 4,927
3	Accounts Receivable	14,878
4	Long term receivable	2,132
5	Inventory	<u>1,088</u>
6		<u><u>\$ 23,025</u></u>

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Notes to 2015 Forecasted Regulatory Financial Results

For the year ended December 31, 2015

(in thousands of dollars)

Note 6 Long-term Advances from Associates and Affiliates

		Issue Date	Maturity Date	Amount	2015 Cost of Debt		
					Enbridge Inc.	EGNB	Regulated
1							
2							
3							
4	Promissory Note	30-Mar-05	30-Mar-15	-	5.04%	6.93%	6.04%
5	Promissory Note	28-Dec-05	28-Dec-15	-	4.59%	6.53%	5.59%
6	Promissory Note	19-Dec-06	19-Dec-16	-	4.82%	6.52%	5.82%
7	Promissory Note	20-Dec-07	20-Dec-17	20,000	5.54%	5.85%	6.54%
8	Promissory Note	9-Dec-09	9-Dec-19	15,000	4.63%	5.63%	5.63%
9	Promissory Note	22-Sep-10	22-Sep-15	-	3.25%	4.25%	4.25%
10	Promissory Note	30-Dec-11	30-Dec-21	14,000	3.50%	4.50%	4.50%
11	Promissory Note	8-Jan-13	8-Jan-20	7,500	3.67%	4.67%	4.67%
12	Promissory Note	24-Feb-14	26-Feb-18	25,000	4.16%	5.16%	5.16%
13	Promissory Note	24-Mar-14	24-Mar-17	5,000	3.69%	4.69%	4.69%
14	Promissory Note	29-Dec-14	28-Dec-18	21,000	3.72%	4.72%	4.72%
15	Promissory Note	30-Mar-15	29-Mar-19	6,000	3.45%	4.45%	4.45%
16	Promissory Note	15-Sep-15	15-Sep-19	18,000	3.84%	4.84%	4.84%
17	Promissory Note	15-Sep-15	15-Sep-50	18,000	4.23%	5.23%	5.23%
18	Total long-term advances						
19	from associates and affiliates			\$ 149,500	4.27%	5.31%	5.27%

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Notes to 2015 Forecasted Regulatory Financial Results
For the year ended December 31, 2015

(in thousands of dollars)

Note 7 Other Regulated Liabilities

1	<u>2015</u>
2 Short Term Indebtedness	\$ -
3 Accounts Payable	4,549
4 Long Term Payable	1,704
5 Long Term Deferred Post Employment Liabilities	<u>4,311</u>
6	<u>\$ 10,564</u>

Enbridge Gas New BrunswickNotes to 2015 Forecasted Regulatory Financial Results
For the year ended December 31, 2015

(in thousands of dollars)

Note 8 Operating Revenue**a. Gas Distribution**

1	2015		
2	Revenue	Customers	Throughput
3			TJs
4 Small General Service (SGS)	\$ 5,085	8,232	668
5 Mid-General Service (MGS)	16,366	3,164	1,245
6 Large General Service (LGS)	13,784	429	1,582
7 Contract General Service (CGS)	5,437	88	789
8 Industrial Contract General Service (ICGS)	7,413	9	1,898
9 Off-Peak Service (OPS)	194	17	36
10 Total	\$ 48,279	11,939	6,218

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

Enbridge Gas New BrunswickNotes to 2015 Forecasted Regulatory Financial Results
For the year ended December 31, 2015

(in thousands of dollars)

Note 8 Operating Revenue (continued)**b. Miscellaneous**

1	<u>2015</u>
2 Agent billing and collection	\$ 191
3 Other miscellaneous revenue	<u>345</u>
4 Total miscellaneous	<u>\$ 536</u>

5 Details of Agent Billing and Collection Revenue

6 (in dollars)

7	<u>2015</u>
8 Small General Service (SGS)	\$ 124,183
9 Mid-General Service (MGS)	49,197
10 Large General Service (LGS)	14,178
11 Contract General Service (CGS)	2,138
12 Industrial Contract General Service (ICGS)	370
13 Off-Peak Service (OPS)	<u>761</u>
14 Total agent billing and collection revenue	<u>\$ 190,827</u>

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Notes to 2015 Forecasted Regulatory Financial Results
For the year ended December 31, 2015

(in thousands of dollars)

Note 9 Operating and Maintenance Expenses

1		<u>2015</u>
2	Corporate management	\$ 1,070
3	Corporate administration	451
4	Financial reporting	1,257
5	Information technology	1,669
6	Regulatory & upstream	943
7	Sales & marketing	1,120
8	Distribution & maintenance	6,107
9	Customer care	1,244
10	Human resources	2,927
11	Gas transportation and related activities	<u>1,420</u>
12	Total prior to capitalization	<u>18,208</u>
13	Property, plant & equipment	<u>4,737</u>
14	Total capitalized	<u>4,737</u>
15	Total expense	<u>\$ 13,471</u>

Enbridge Gas New BrunswickNotes to 2015 Forecasted Regulatory Financial Results
For the year ended December 31, 2015

(in thousands of dollars)

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

1	<u>2015</u>
2 Interest on long-term debt	\$ 7,906
3 AIDC - allowance for funds used during construction (debt component)	5
4 Total interest on amounts due to associates & affiliates and other interest	<u><u>\$ 7,911</u></u>

Note 11 Regulated Return on Equity

5	<u>2015</u>
6 Regulated return on equity	\$ 13,300
7 AEDC - allowance for funds used during construction (equity component)	7
8 Total regulated return on equity	<u><u>\$ 13,307</u></u>

Enbridge Gas New BrunswickNotes to 2015 Forecasted Regulatory Financial Results
For the year ended December 31, 2015

(in thousands of dollars)

Note 12 Rate Base for Regulatory Purposes

1	<u>2015</u>
2 Property, plant & equipment	
3 Cost	\$ 235,534
4 Accumulated amortization	<u>(60,785)</u>
5 Net	174,749
6 Deferred charges	
7 Franchise fee, at cost	1,500
8 Accumulated amortization	<u>(1,225)</u>
9 Net	275
10 Development O&M capitalized costs	114,952
11 Accumulated amortization	<u>(23,334)</u>
12 Net	91,618
13 Deferred carrying costs, at cost	1,784
14 Accumulated amortization	<u>(1,784)</u>
15 Net	-
16 Deferral account	<u>-</u>
17 Total deferred charges	91,893
18 Term deposit	2,968
19 Working capital allowance	<u>1,989</u>
20 Total rate base	<u>\$ 271,599</u>
21 Average rate base	<u>\$ 271,151</u>

Enbridge Gas New Brunswick

Notes to 2015 Forecasted Regulatory Financial Results
For the year ended December 31, 2015

(in thousands of dollars)

Note 13 Capital Structure for Regulatory Purposes

1	<u>2015</u>
2	Capital structure
3	Long-term debt \$ 149,500
4	Equity <u>133,572</u>
5	Total <u>\$ 283,072</u>
6	Capital structure percentage
7	Long-term debt 52.81%
8	Equity <u>47.19%</u>
9	Total <u>100.00%</u>
10	Capital structure average percentage for regulatory purposes
11	Long-term debt 55.00%
12	Equity <u>45.00%</u>
13	Total <u>100.00%</u>
14	Weighted cost of capital for regulatory purposes
15	Long-term debt 2.90%
16	Equity <u>4.91%</u>
17	Total <u>7.81%</u>

Enbridge Gas New Brunswick

Notes to 2015 Forecasted Regulatory Financial Results

For the year ended December 31, 2015

(in thousands of dollars)

Note 14 Details of Affiliate Transactions

	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
1 Consulting and Services							
2 For the period ending December 31, 2015							
3 Corporate management	\$ -	\$ -	\$ 169	\$ -	\$ 169	\$ 361	47%
4 Sales & marketing	-	-	-	-	-	-	0%
5 Human resources	152	-	35	-	187	284	66%
6 Distribution & maintenance	-	-	502	-	502	1,949	26%
7 Budget & regulatory	-	-	3	-	3	801	0%
8 Financial reporting	4	4	77	-	85	240	36%
9 Customer care	-	-	-	822	822	935	88%
10 Corporate administration	384	-	8	-	392	392	100%
11 Gas transportation & related	-	-	125	-	125	139	90%
12 Information technology	892	-	11	-	903	1,160	78%
13 Total	\$ 1,432	\$ 4	\$ 930	\$ 822	\$ 3,188	\$ 6,261	51%