

SCHEDULE 3.2

2017 Budget

Enbridge Gas New Brunswick
Budget Balance Sheet for Regulatory Purposes
For the year ended December 31, 2017

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

2 (in thousands of dollars)

3	Assets	<u>2017</u>
4 Regulated Assets		
5	Property, Plant and Equipment (Note 2)	
6	Gas Distributor Plant in Service - Net (includes AFUDC capitalized during 2017 of \$17.4K)	\$ 176,294
7	Construction Work In Progress - Gas Distributor Plant	<u>1,037</u>
8	Total Property, Plant & Equipment	177,331
9 Deferred Charges		
10	Deferred Development Costs - Net (Note 3)	1,439
11	Development O&M Capitalized Costs - Net (Note 4)	<u>86,034</u>
12	Total Deferred Charges	87,473
13	Short Term Investments	<u>2,969</u>
14	Total Regulated Rate Base Assets	267,773
15	Other Regulated Assets (Note 5)	<u>17,966</u>
16	Total Regulated Assets	<u>285,739</u>
17	Regulatory Deferral (Note 1)	<u>178,093</u>
18	Total Assets	<u>\$ 463,832</u>
19 Liabilities and Partner's Equity		
20	Partner's Equity (Ratebase) (Note 1)	\$ 131,687
21	Long-term Advances from Associates and Affiliates (Note 6)	149,500
22	Other Regulated Liabilities (Note 7)	<u>4,552</u>
23	Total Liabilities and Equity	285,739
24	Partner's Equity (Regulatory Deferral)	<u>178,093</u>
25	Total Liabilities and Equity	<u>\$ 463,832</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 Budgeted Income for Regulatory Purposes
For the year ended December 31, 2017

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

2 (in thousands of dollars)

3	2017
4 Revenue	
5 Operating Revenue (Note 8)	
6 Gas distribution	\$ 43,941
7 Miscellaneous	945
8 Allowance for Funds Used During Construction	17
	44,903
9 Service and Inspections	
10 Revenue	637
11 Cost of goods sold	(389)
	248
12 Total Revenue	45,151
13 Expenses	
14 Operating Expenses	
15 Operating and maintenance (Note 9)	12,153
16 Transportation (net)	1,794
17 Total Operating and maintenance expenses	13,947
18 Other Expenses	100
19 Bad debt expense	278
20 Amortization of Property, Plant and Equipment	6,235
21 Municipal and Other Taxes	1,241
22 Interest on Amounts Due to Associates & Affiliates and Other Interest (Note 10)	7,267
23 Amortization of Deferred Development Costs	2,922
24 Total Expenses	31,990
25 Income before Extraordinary Items, Regulatory Deferral and Return on Rate Base	13,161
26 Regulatory Deferral	-
27 Regulated Return on Equity (Note 11)	\$ 13,161

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

Enbridge Gas New Brunswick

Notes to 2017 Budget Regulatory Financial Results
For the year ended December 31, 2017

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

Enbridge Gas New Brunswick

Notes to 2017 Budget Regulatory Financial Results

For the year ended December 31, 2017

(in thousands of dollars)

Note 2 Property, Plant & Equipment

			2017		
	Cost	Accumulated Amortization	Net Book Value	Rates of Amortization	
4	Property, plant & equipment				
5	General Plant				
6	Computer Hardware & Software	\$ 688	(211)	477	8.87%
7	Tools and Work Equipment	1,716	(1,262)	454	14.53%
8	Office Furniture and Equipment	348	(144)	204	6.41%
9	Transportation Equipment	1,987	(1,361)	626	6.32%
10	Incentives	436	(234)	202	20.00%
11	Leasehold Improvements	209	(85)	124	1
12	Subtotal	5,384	(3,297)	2,087	
13	Distribution Plant				
14	Land	375	-	375	-
15	Rights of way and easements	189	-	189	-
16	Distribution Mains	129,077	(31,959)	97,118	1.64%
17	Street Services	67,525	(18,721)	48,804	1.74%
18	Meters and Regulators	23,828	(5,586)	18,242	7.63%
19	Stations	16,258	(6,779)	9,479	2.82%
20	Subtotal	237,252	(63,045)	174,207	
21	Total plant in service	242,636	(66,342)	176,294	
22	Construction work in progress	1,037	-	1,037	
23	Total property, plant & equipment	\$ 243,673	\$ (66,342)	\$ 177,331	

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

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Notes to 2017 Budget Regulatory Financial Results
For the year ended December 31, 2017

(in thousands of dollars)

Note 3 Deferred Development Costs - Net

			2017
	Cost	Accumulated Amortization	Net Book Value
1			
2			
3			
4	Franchise fee	\$ 1,500	\$ (1,375)
5	Intangible Software	3,806	(2,492)
6	Total deferred development costs, net	\$ 5,306	\$ (3,867)
			\$ 1,439

Note 4 Development O&M Capitalized Costs – Net

			2017
	Cost	Accumulated Amortization	Net Book Value
7			
8			
9			
10	Development O&M capitalized costs	\$ 114,952	\$ (28,918)
11	Total development O&M capitalized costs, net	\$ 114,952	\$ (28,918)
			\$ 86,034

Enbridge Gas New Brunswick

Notes to 2017 Budget Regulatory Financial Results
For the year ended December 31, 2017

(in thousands of dollars)

Note 5 Other Regulated Assets

		<u>2017</u>
1		
2	Cash, & Short Term Investments	\$ 8,438
3	Accounts Receivable	8,108
4	Long term receivable	373
5	Inventory	<u>1,047</u>
6		<u>\$ 17,966</u>

Enbridge Gas New Brunswick

Notes to 2017 Budget Regulatory Financial Results

For the year ended December 31, 2017

(in thousands of dollars)

Note 6 Long-term Advances from Associates and Affiliates

		Issue Date	Maturity Date	Amount	2017 Cost of Debt		
					Enbridge Inc.	EGNB	Regulated
1							
2							
3							
4	Promissory Note	12-Dec-12	9-Dec-19	15,000	4.63%	5.63%	5.63%
5	Promissory Note	12-Dec-12	30-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	24-Feb-14	26-Feb-18	25,000	4.16%	5.16%	5.16%
8	Promissory Note	24-Mar-14	24-Mar-17	-	3.69%	4.69%	4.69%
9	Promissory Note	29-Dec-14	28-Dec-18	21,000	3.72%	4.72%	4.72%
10	Promissory Note	30-Mar-15	29-Mar-19	6,000	3.45%	4.45%	4.45%
11	Promissory Note	15-Sep-15	15-Sep-19	18,000	3.84%	4.84%	4.84%
12	Promissory Note	15-Sep-15	15-Sep-20	18,000	4.23%	5.23%	5.23%
13	Promissory Note	31-Jul-16	31-Jul-21	20,000	3.70%	4.70%	4.70%
14	Promissory Note	24-Mar-17	24-Mar-25	5,000	3.70%	4.70%	4.70%
15	Total long-term advances						
16	from associates and affiliates			\$ 149,500	3.92%	4.92%	4.92%

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

Enbridge Gas New Brunswick

Notes to 2017 Budget Regulatory Financial Results
For the year ended December 31, 2017

(in thousands of dollars)

Note 7 **Other Regulated Liabilities**

	<u>2017</u>
1	
2 Accounts Payable	\$ 2,542
3 Long Term Payables	333
4 Long Term Deferred Post Employment Liabilities	<u>1,677</u>
5	<u>\$ 4,552</u>

Enbridge Gas New Brunswick

Notes to 2017 Budget Regulatory Financial Results
For the year ended December 31, 2017

(in thousands of dollars)

Note 8 Operating Revenue

a. Gas Distribution

		2017		
		Revenue	Customers	Throughput
				TJs
1				
2				
3				
4	Small General Service (SGS)	\$ 7,225	8,140	578
5	Mid-General Service (MGS)	12,980	3,086	1,039
6	Large General Service (LGS)	11,905	398	1,422
7	Contract General Service (CGS)	5,128	79	791
8	Industrial Contract General Service (ICGS)	6,490	9	1,866
9	Off-Peak Service (OPS)	213	16	34
10	Total	<u>\$ 43,941</u>	<u>11,728</u>	<u>5,730</u>

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

Enbridge Gas New Brunswick

Notes to 2017 Budget Regulatory Financial Results
For the year ended December 31, 2017

(in thousands of dollars)

Note 8 Operating Revenue (continued)

b. Miscellaneous

	<u>2017</u>
1	
2 Agent billing and collection	\$ 175
3 Other miscellaneous revenue	<u>770</u>
4 Total miscellaneous	<u><u>\$ 945</u></u>

5 Details of Agent Billing and Collection Revenue

6 (in dollars)

	<u>2017</u>
7	
8 Small General Service (SGS)	\$ 128,320
9 Mid-General Service (MGS)	34,414
10 Large General Service (LGS)	9,886
11 Contract General Service (CGS)	1,786
12 Industrial Contract General Service (ICGS)	384
13 Off-Peak Service (OPS)	<u>723</u>
14 Total agent billing and collection revenue	<u><u>\$ 175,513</u></u>

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Notes to 2017 Budget Regulatory Financial Results
For the year ended December 31, 2017

(in thousands of dollars)

Note 9 Operating and Maintenance Expenses

1	<u>2017</u>
2 Corporate management	\$ 1,056
3 Corporate administration	419
4 Financial reporting	1,305
5 Information technology	1,382
6 Regulatory & upstream	890
7 Sales & marketing	1,300
8 Distribution & maintenance	5,273
9 Customer care	1,330
10 Human resources	2,715
11 Gas transportation and related activities	<u>1,794</u>
12 Total prior to capitalization	<u>17,464</u>
13 Property, plant & equipment	<u>3,517</u>
14 Total capitalized	<u>3,517</u>
15 Total expense	<u><u>\$ 13,947</u></u>

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Notes to 2017 Budget Regulatory Financial Results
For the year ended December 31, 2017

(in thousands of dollars)

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

1	<u>2017</u>
2 Interest on long-term debt	\$ 7,261
3 AIDC - allowance for funds used during construction (debt component)	6
4 Total interest on amounts due to associates & affiliates and other interest	<u>\$ 7,267</u>

Note 11 Regulated Return on Equity

5	<u>2017</u>
6 Regulated return on equity	\$ 13,152
7 AEDC - allowance for funds used during construction (equity component)	11
8 Total regulated return on equity	<u>\$ 13,161</u>

Enbridge Gas New Brunswick

Notes to 2017 Budget Regulatory Financial Results
For the year ended December 31, 2017

(in thousands of dollars)

Note 12 Rate Base for Regulatory Purposes

1		<u>2017</u>
2	Property, plant & equipment	
3	Cost	\$ 242,636
4	Accumulated amortization	<u>(66,342)</u>
5	Net	176,294
6	Deferred charges	
7	Franchise fee, at cost	1,500
8	Accumulated amortization	<u>(1,375)</u>
9	Net	125
10	Development O&M capitalized costs	114,952
11	Accumulated amortization	<u>(28,918)</u>
12	Net	86,034
13	Intangible Software	3,806
14	Accumulated amortization	<u>(2,492)</u>
15	Net	1,314
16	Deferral account	-
	Accumulated amortization	<u>-</u>
17	Net	-
18	Total deferred charges	87,473
19	Term deposit	2,969
20	Working capital allowance	<u>1,578</u>
21	Total rate base	<u>\$ 268,314</u>
22	Average rate base	<u>\$ 268,145</u>

Enbridge Gas New Brunswick

Notes to 2017 Budget Regulatory Financial Results
 For the year ended December 31, 2017

(in thousands of dollars)

Note 13 **Capital Structure for Regulatory Purposes**

1		<u>2017</u>
2	Capital structure	
3	Long-term debt	\$ 149,500
4	Equity	<u>131,688</u>
5	Total	<u><u>\$ 281,188</u></u>

6 **Capital structure percentage**

7	Long-term debt	53.17%
8	Equity	<u>46.83%</u>
9	Total	<u><u>100.00%</u></u>

10 **Capital structure average percentage for regulatory purposes**

11	Long-term debt	55.00%
12	Equity	<u>45.00%</u>
13	Total	<u><u>100.00%</u></u>

14 **Weighted cost of capital for regulatory purposes**

15	Long-term debt	2.71%
16	Equity	<u>4.91%</u>
17	Total	<u><u>7.62%</u></u>

Enbridge Gas New Brunswick

Notes to 2017 Budget Regulatory Financial Results

For the year ended December 31, 2017

(in thousands of dollars)

Note 14 **Details of Affiliate Transactions**

		Enbridge Employee Services 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	Enbridge Inc.						
2 For the period ending December 31, 2017							
3 Corporate management	\$ -	\$ -	\$ 158	\$ -	\$ 158	\$ 258	61%
4 Sales & marketing	-	-	-	-	-	151	0%
5 Human resources	159	-	27	-	186	245	76%
6 Distribution & maintenance	-	-	479	-	479	1,245	38%
7 Budget & regulatory	-	-	-	-	-	746	0%
8 Financial reporting	11	14	86	-	111	278	40%
9 Customer care	-	-	-	877	877	1,025	86%
10 Corporate administration	368	-	8	-	376	376	100%
11 Gas transportation & related	-	-	128	-	128	140	91%
12 Information technology	696	-	11	-	706	882	80%
13 Total	\$ 1,234	\$ 14	\$ 897	\$ 877	\$ 3,021	\$ 5,346	56%