

SCHEDULE 3.2

2020 Budget

Enbridge Gas New Brunswick
 Budget Balance Sheet for Regulatory Purposes
 As at December 31, 2020

1	Notice to Reader: Subject to review by the New Brunswick Energy and Utilities Board	
2	(in thousands of dollars)	
3	Assets	<u>2020</u>
4	Regulated Assets	
5	Property, Plant and Equipment (Note 2)	
6	Gas Distributor Plant in Service - Net (includes AFUDC capitalized during 2020 of \$62K)	\$ 179,141
7	Construction Work In Progress - Gas Distributor Plant	<u>681</u>
8	Total Property, Plant & Equipment	179,822
9	Deferred Charges	
10	Deferred Development Costs - Net (Note 3)	2,276
11	Development O&M Capitalized Costs - Net (Note 4)	<u>77,658</u>
12	Total Deferred Charges	79,934
13	Short Term Investments	<u>2,971</u>
14	Total Regulated Rate Base Assets	262,727
15	Other Regulated Assets (Note 5)	<u>32,974</u>
16	Total Regulated Assets	<u>295,701</u>
17	Regulatory Deferral (Note 1)	135,670
18	Total Assets	<u>\$ 431,371</u>
19	Liabilities and Partner's Equity	
20	Partner's Equity (Ratebase) (Note 1)	139,110
21	Long-term Advances from Associates and Affiliates (Note 6)	149,500
22	Other Regulated Liabilities (Note 7)	<u>7,091</u>
23		<u>\$ 295,701</u>
24	Partner's Equity (Regulatory Deferral)	<u>135,670</u>
25	Total Liabilities and Equity	<u>\$ 431,371</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
As at December 31, 2020

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

2 (in thousands of dollars)

	2020
3	
4 Revenue	
5 Operating Revenue (Note 8)	
6 Gas distribution	\$ 44,826
7 Miscellaneous	1,073
8 Allowance for Funds Used During Construction	62
9	45,961
10 Service and Inspections	
11 Revenue	638
12 Cost of goods sold	(334)
13	304
14 Total Revenue	46,265
15 Expenses	
16 Operating Expenses	
17 Operating and maintenance (Note 9)	11,167
18 Transportation (net)	1,768
19 Total Operating and maintenance expenses	12,935
20 Other Expenses	-
21 Bad debt expense	163
22 Amortization of Property, Plant and Equipment	6,817
23 Municipal and Other Taxes	1,275
24 Interest on Amounts Due to Associates & Affiliates and Other Interest (Note 10)	6,838
25 Amortization of Deferred Development Costs	2,913
26 Amortization of Regulatory Deferral Account	3,846
27 Total Expenses	34,787
28 Income before Extraordinary Items, Regulatory Deferral and Return on Rate Base	11,478
29 Excess returned to customers	1,569
30 Income before Tax	\$ 13,047
31 Regulated Return on Equity (Note 11)	\$ 13,047

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

Excess returned to customers – earned in 2018; allowed earnings are line 31 but earnings included in rate setting are line 28, the lower amount, in order to return the excess from 2018 to rate payers

Enbridge Gas New Brunswick

Notes to 2020 Budgeted Regulatory Financial Results
For the year ended December 31, 2020

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 and
3 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 and
5 are similar to those being used by other enterprises in the gas distribution industry in Canada. Accordingly,
6 the timing and recognition of certain revenues and expenses may differ from that otherwise expected
7 under generally accepted accounting principles (GAAP) applicable to non-regulated operations. The
8 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 over
14 future periods as part of the total cost of the related asset, based on the expectation that depreciation
15 expense, including the AFUDC component, will be approved for inclusion in future rates. AFUDC for rate-
16 regulated entities includes both an interest component and a cost of equity component. In the absence of
17 rate regulation, GAAP would permit the capitalization of only the interest component. Therefore, the initial
18 set up of the equity component as a capitalized asset and the corresponding revenue recognized during
19 the construction phase would not be recognized nor would the subsequent depreciation of the asset.

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

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

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Notes to 2020 Budgeted Regulatory Financial Results
For the year ended December 31, 2020

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

2 On December 16, 2016, the Government of New Brunswick enacted amendments to the Gas Distribution
3 Act, 1999. The General Franchise Agreement was extended for an additional 25 years with an additional
4 25 year option. The new legislation modifies the current approach to setting rates from a combination of
5 cost of service and market based rates to a cost of service approach only. The regulatory deferral account
6 was reduced to \$144.5 million with \$100 million to be included in revenue requirement over 26 years
7 commencing on January 1, 2020 and ending on December 31, 2045. The remaining regulatory deferral
8 account balance is to be recovered as authorized by the EUB.

			<u>2020</u>		
	Cost	Accumulated Amortization	Net Book Value	Rates of Amortization	
4	Regulatory Deferral Account, Allowed by Legislation	\$ 100,000	\$ (3,846)	\$ 96,154	3.85%
5	Regulatory Deferral Account	<u>39,516</u>	<u>-</u>	<u>39,516</u>	0.00%
9	6 Regulatory Deferral Account, net	<u>\$ 139,516</u>	<u>\$ (3,846)</u>	<u>\$ 135,670</u>	

Enbridge Gas New Brunswick
 Notes to 2020 Budget Regulatory Financial Results
 For the year ended December 31, 2020

(in thousands of dollars)

Note 2 Property, Plant & Equipment

			2020	
	Cost	Accumulated Amortization	Net Book Value	Rates of Amortization
4 Property, plant & equipment				
5 General plant				
6 Computer hardware	\$ 1,233	\$ (534)	\$ 699	8.87%
7 Tools and work equipment	867	(641)	226	14.53%
8 Office furniture and equipment	186	(84)	102	6.41%
9 Transportation	2,406	(1,116)	1,290	6.32%
10 Incentives	1,100	(249)	851	20.00%
11 Leasehold improvements	107	(56)	51	100.00%
12 Subtotal	<u>5,899</u>	<u>(2,680)</u>	<u>3,219</u>	
13 Distribution plant				
14 Land	375	-	375	-
15 Rights of way and easements	189	-	189	-
16 Distribution mains	135,308	(38,559)	96,749	1.64%
17 Street services	72,594	(21,515)	51,079	1.74%
18 Meters and regulators	25,869	(6,828)	19,041	7.63%
19 Stations	16,779	(8,290)	8,489	2.82%
20 Subtotal	<u>251,114</u>	<u>(75,192)</u>	<u>175,922</u>	
21 Total plant in service	257,013	(77,872)	179,141	
22 Construction work in progress	<u>681</u>	<u>-</u>	<u>681</u>	
23 Total property, plant & equipment	<u>\$ 257,694</u>	<u>\$ (77,872)</u>	<u>\$ 179,822</u>	

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

Enbridge Gas New Brunswick

Notes to 2020 Budget Regulatory Financial Results
For the year ended December 31, 2020

(in thousands of dollars)

Note 3 Deferred Development Costs - Net

			2020		
	Cost	Accumulated Amortization	Net Book Value	Rates of Amortization	
1					
2					
3					
4	Franchise fee	\$ 1,500	\$ (1,500)	\$ -	5.00%
5	Intangible Software	2,772	(496)	2,276	4.96%
6	Total deferred development costs, net	\$ 4,272	\$ (1,996)	\$ 2,276	

Note 4 Development O&M Capitalized Costs – Net

			2020		
	Cost	Accumulated Amortization	Net Book Value	Rates of Amortization	
7					
8					
9					
10	Development O&M capitalized costs	\$ 114,953	\$ (37,295)	\$ 77,658	2.43%
11	Total development O&M capitalized costs,	\$ 114,953	\$ (37,295)	\$ 77,658	

Enbridge Gas New Brunswick

Notes to 2020 Budget Regulatory Financial Results
For the year ended December 31, 2020

(in thousands of dollars)

Note 5 Other Regulated Assets

		<u>2020</u>
1		
2	Cash & Short Term Investments	\$ 14,195
3	Accounts Receivable	17,253
4	Long term receivable	320
5	Inventory	<u>1,206</u>
6		<u><u>\$ 32,974</u></u>

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Notes to 2020 Budget Regulatory Financial Results
For the year ended December 31, 2020

(in thousands of dollars)

Note 6 Long-term Advances from Associates and Affiliates

	Issue Date	Maturity Date	Amount	2020 Cost of Debt			
				Enbridge Inc.	EGNB	Regulated	
1							
2							
3							
4	Promissory Note	12-Dec-12	12-Dec-21	\$ 14,000	3.50%	4.50%	4.50%
5	Promissory Note	8-Jan-13	8-Jan-20	-	3.67%	4.67%	4.67%
6	Promissory Note	15-Sep-15	15-Sep-20	-	4.23%	5.23%	5.23%
7	Promissory Note	8-Aug-16	9-Aug-21	20,000	3.55%	4.55%	4.55%
8	Promissory Note	15-Mar-17	15-Mar-22	5,000	3.02%	4.02%	4.02%
9	Promissory Note	15-Mar-17	15-Mar-22	21,000	3.02%	4.02%	4.02%
10	Promissory Note	15-Mar-17	15-Mar-24	25,000	3.60%	4.60%	4.60%
11	Promissory Note	9-Dec-19	9-Dec-24	15,000	4.00%	5.00%	5.00%
12	Promissory Note	1-Aug-19	29-Mar-24	6,000	4.00%	5.00%	5.00%
13	Promissory Note	15-Sep-19	15-Sep-24	18,000	4.00%	5.00%	5.00%
14	Promissory Note	8-Jan-20	8-Jan-25	7,500	4.00%	5.00%	5.00%
15	Promissory Note	15-Sep-20	15-Sep-25	18,000	4.00%	5.00%	5.00%
16							
17	Total long-term advances						
18	from associates and affiliates			\$ 149,500	3.67%	4.67%	4.67%

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

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Notes to 2020 Budget Regulatory Financial Results
For the year ended December 31, 2020

(in thousands of dollars)

Note 7 Other Regulated Liabilities

	2020
1	
2 Rates variance	\$ -
3 Accounts Payable	4,499
4 Long Term Payable	133
5 Long Term Deferred Post Employment Liabilities	2,459
6	<u>\$ 7,091</u>

Enbridge Gas New Brunswick

Notes to 2020 Budget Regulatory Financial Results
For the year ended December 31, 2020

(in thousands of dollars)

Note 8 Operating Revenue

a. Gas Distribution

1	2020		
	2 Revenue	Customers	Throughput TJs
3			
4 Small General Service (SGS)	\$ 8,182	8,370	594
5 Mid-General Service (MGS)	13,666	3,198	1,141
6 Large General Service (LGS)	11,742	363	1,498
7 Contract General Service (CGS)	5,646	90	857
8 Industrial Contract General Service (ICGS)	5,434	9	1,460
9 Off-Peak Service (OPS)	156	13	25
10 Total	<u>\$ 44,826</u>	<u>12,043</u>	<u>5,575</u>

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

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Notes to 2020 Budget Regulatory Financial Results
For the year ended December 31, 2020

(in thousands of dollars)

Note 8 Operating Revenue (continued)

b. Miscellaneous

1	<u>2020</u>
2 Agent billing and collection	\$ 190
3 Other miscellaneous revenue	<u>883</u>
4 Total miscellaneous	<u>\$ 1,073</u>

5 Details of Agent Billing and Collection Revenue

6 (in dollars)

7	<u>2020</u>
8 Small General Service (SGS)	\$ 140,523
9 Mid-General Service (MGS)	35,583
10 Large General Service (LGS)	10,726
11 Contract General Service (CGS)	2,686
12 Industrial Contract General Service (ICGS)	407
13 Off-Peak Service (OPS)	<u>698</u>
14 Total agent billing and collection revenue	<u>\$ 190,623</u>

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Notes to 2020 Budget Regulatory Financial Results
For the year ended December 31, 2020

(in thousands of dollars)

Note 9 Operating and Maintenance Expenses

1	<u>2020</u>
2 Corporate management	\$ 933
3 Corporate administration	315
4 Financial reporting	1,282
5 Information technology	1,310
6 Regulatory & upstream	723
7 Sales & marketing	1,374
8 Distribution & maintenance	5,461
9 Customer care	820
10 Human resources	2,424
11 Gas transportation and related activities	<u>1,768</u>
12 Total prior to capitalization	<u>16,410</u>
13 Property, plant & equipment	<u>3,475</u>
14 Total capitalized	<u>3,475</u>
15 Total expense	<u><u>\$12,935</u></u>

Enbridge Gas New Brunswick

Notes to 2020 Budget Regulatory Financial Results
For the year ended December 31, 2020

(in thousands of dollars)

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

1	<u>2020</u>
2 Interest on long-term debt	\$ 6,817
3 AIDC - allowance for funds used during construction (debt component)	21
4 Total interest on amounts due to associates & affiliates and other interest	<u>\$ 6,838</u>

Note 11 Regulated Return on Equity

5	<u>2020</u>
6 Regulated return on equity - Calculated	\$ 13,006
7 Budgeted amount that exceeds 10.9%	-
8 AEDC - allowance for funds used during construction (equity component)	41
9 Total regulated return on equity	<u>\$ 13,047</u>

Enbridge Gas New Brunswick
 Notes to 2020 Budget Regulatory Financial Results
 For the year ended December 31, 2020

(in thousands of dollars)

Note 12 Rate Base for Regulatory Purposes

1	<u>2020</u>
2 Property, plant & equipment	
3 Cost	\$ 257,013
4 Accumulated amortization	<u>(77,872)</u>
5 Net	179,141
6 Deferred charges	
7 Franchise fee, at cost	1,500
8 Accumulated amortization	<u>(1,500)</u>
9 Net	-
10 Development O&M capitalized costs	114,953
11 Accumulated amortization	<u>(37,295)</u>
12 Net	77,658
13 Intangible Software	2,772
14 Accumulated amortization	<u>(496)</u>
15 Net	2,276
16 Deferral account	<u>-</u>
17 Total deferred charges	79,934
18 Term deposit	2,971
19 Working capital allowance	<u>1,453</u>
20 Total rate base	<u>\$ 263,499</u>
21 Average rate base	<u>\$ 265,160</u>

Enbridge Gas New Brunswick

Notes to 2020 Budget Regulatory Financial Results
For the year ended December 31, 2020

(in thousands of dollars)

Note 13 Capital Structure for Regulatory Purposes

1		2020
2	Capital structure	
3	Long-term debt	\$ 149,500
4	Equity	<u>139,110</u>
5	Total	<u><u>\$ 288,610</u></u>

6 Capital structure percentage

7	Long-term debt	51.80%
8	Equity	<u>48.20%</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	2.57%
16	Equity	<u>4.91%</u>
17	Total	<u><u>7.48%</u></u>

Enbridge Gas New Brunswick

Notes to 2020 Budget Regulatory Financial Results
For the year ended December 31, 2020

(in thousands of dollars)

Note 14 Details of Affiliate Transactions

	Enbridge Inc.	Enbridge Employee Services Inc.	Enbridge Gas Distribution Inc.	Gazifère Inc.	Saint Lawrence Gas	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, 2020								
3 Corporate management	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	50	0%
4 Sales & marketing	-	-	-	-	-	-	107	0%
5 Human resources	254	-	-	-	-	254	223	114%
6 Distribution & maintenance	-	-	463	-	-	463	1,098	42%
7 Budget & regulatory	-	-	-	-	-	-	471	0%
8 Financial reporting	12	8	-	-	-	20	139	14%
9 Customer care	-	-	-	274	-	274	517	53%
10 Corporate administration	253	8	-	-	-	261	222	118%
11 Gas transportation & related	-	-	142	-	-	142	142	100%
12 Information technology	689	-	20	-	-	709	720	98%
13 Recoveries	-	-	-	-	-	-	(100)	0%
14 Total	\$ 1,208	\$ 16	\$ 625	\$ 274	\$ -	\$ 2,123	\$ 3,589	59%