

## SCHEDULE 3.3

### 2015 Forecast to Budget Explanations

**2015 Forecast to Budget****Overview**

The 2015 Forecast is based on actual results as of August 31, 2015 with forecasts to the end of year. For comparative purposes, variance explanations compare 2015 Forecast results to the 2015 Budget.

**Revenue**

The table below summarizes EGNB's 2015 Forecast gas distribution revenue, miscellaneous operating revenue, allowance for funds used during construction ("AFUDC") and services and inspection margin with comparisons to the 2015 Budget.

Table 1  
**Revenue**

Line No.	(in thousands of dollars)	(1) 2015 Forecast	(2) 2015 Budget	(3)=(1)-(2) 2015 Variance
1	Operating Revenue			
2	Gas Distribution	\$ 48,279	\$ 47,155	\$ 1,124
3	Miscellaneous	536	435	101
4	Allowance for Funds Used During Construction	13	16	(3)
5		48,828	47,606	1,222
6	Services & Inspection			
7	Revenue	798	792	6
8	Cost of Goods Sold	(516)	(603)	87
9		282	189	93
10	Total Revenue	\$ 49,110	\$ 47,795	\$ 1,315

**Operating Revenue**

- Gas Distribution Revenue: gas distribution revenues are forecast to end 2015 \$1.1M over budget due to colder than normal weather (\$2.4M), offset by fewer than forecasted customer attachments (\$0.7M), usage and annual customer rate class review as compared to the budget (\$0.4M) and an increase in lost customer forecast (\$0.2M).

1 • Miscellaneous Operating Revenue: miscellaneous revenues are expected to end 2015 \$101K  
 2 over budget primarily due to late payment charges collected from customers (\$38K), interest  
 3 income (\$70K) and ABC revenue (\$7K) all being greater than forecast, offset by lower other  
 4 customer charges and fees (\$14K).

5 AFUDC is expected to be \$3K under budget, primarily due to lower than budgeted monthly  
 6 balances in the CWIP account, of which AFUDC is calculated on.

7 Services & Inspection Margin is expected to be \$93K over budget primarily due to lower than  
 8 forecasted costs related to warranty work.

9 **Expenses**

10 Below is a summary of EGNB's 2015 Forecast operating and maintenance expenses, bad debt  
 11 expense, amortization of property, plant and equipment, municipal and other taxes, interest on  
 12 amounts due to associates and affiliates and other interest and amortization of deferred  
 13 development costs with comparisons to the 2015 Budget.

Table 2  
**Operating Expenses**

Line No.	(in thousands of dollars)	(1) 2015 Forecast	(2) 2015 Budget	(3)=(1)-(2) 2015 Variance
1	Operating Expenses			
2	Operating and Maintenance Expenses	\$ 13,471	\$ 13,712	\$ (241)
3	Bad Debt Expense	529	360	169
4	Amortization of Property, Plant and Equipment	7,915	8,000	(85)
5	Municipal and Other Taxes	1,232	1,198	34
6	Interest on Amounts Due to Associates and Affiliates and Other Interest	7,911	8,080	(169)
7	Amortization of Deferred Development Costs	\$ 2,868	\$ 2,867	\$ 1
8	<b>Total Expenses</b>	<b>\$ 33,926</b>	<b>\$ 34,217</b>	<b>\$ (291)</b>

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1 Operating and Maintenance (“O&M”) Expenses  
 2 EGNB manages its O&M expenses at an aggregate level where EGNB will try to offset  
 3 increased costs in certain areas with cost reductions or savings in other areas of the organization.  
 4 EGNB has grouped its O&M expenses based on major cost categories rather than departments,  
 5 as seen in the regulatory financial statement format filed with the Board.

Table 3  
**Operating and Maintenance Expenses**

Line No.		(1) 2015 Forecast	(2) 2015 Budget	(3)=(1)-(2) 2015 Variance
1	Labour and Benefits	\$ 8,646	\$ 8,192	\$ 454
2	Admin/Office Expenses	333	454	(121)
3	Computer and Telecom Services	289	339	(50)
4	Professional Consulting	2,714	2,192	522
5	Travel and Training	236	226	10
6	Advertising and Promotions	712	727	(15)
7	Tools and Safety	214	261	(47)
8	Fleet	449	505	(56)
9	Facilities	677	691	(14)
10	Insurance	158	211	(53)
11	NBEUB Assessments	592	698	(106)
12	Corporate Allocations	1,768	1,590	178
13	Gas Transportation and Related Activities	1,420	2,065	(645)
14	<b>Total O&amp;M Prior to Capitalization</b>	<u>18,208</u>	<u>18,151</u>	<u>57</u>
15	Property, plant & equipment	<u>4,737</u>	<u>4,439</u>	<u>298</u>
16	<b>Total Capitalized</b>	<u>4,737</u>	<u>4,439</u>	<u>298</u>
17	<b>Total O&amp;M Expenses</b>	<u>\$ 13,471</u>	<u>\$ 13,712</u>	<u>\$ (241)</u>

6  
 7 EGNB’s 2015 Forecast O&M expenses are expected to end the year \$57K, or 0.3%, over budget,  
 8 with the drivers for this variance being:

- 9 • Labour and Benefits are forecast higher by \$454K mostly due to a higher than budgeted  
 10 pension benefits.

- 1 • Admin/Office Expenses are forecast to be under budget by \$121K primarily due to  
2 decreased spending on overhead costs (\$76K), postage and courier costs (\$33K) and  
3 outside services (\$12K).
- 4 • Computer and Telecom Services are forecast to end 2015 under budget by \$50K due to  
5 lower telecom services costs (\$38K), cell and phone costs (\$14K), and computer  
6 equipment supplies (\$3K) offset by increased IT software maintenance costs (\$5K).
- 7 • Professional Consulting activities are forecast higher by \$522K mostly due to increased  
8 contract services.
- 9 • Training & Travel are forecast to be over budget by \$10K mainly due to increase in  
10 airfare, accommodations and meals costs (\$25K) offset by ground transportation (\$15K).
- 11 • Advertising and Promotions are forecast to end 2015 under budget by \$15K due to lower  
12 customer satisfaction costs (\$4K), trade and civic memberships costs (\$27K) and  
13 sponsorships (\$20K) offset by an increase in advertising spending costs (\$36K).
- 14 • Tools and Safety are forecast to be under budget by \$47K due to lower public awareness  
15 costs (\$42K) and uniform and protective clothing costs (\$7K) offset by an increase in tool  
16 costs (\$2K).
- 17 • Fleet are forecast to end 2015 under budget by \$56K due to lower fuel and maintenance  
18 costs (\$53K) and lower lease and licensing costs (\$3K).
- 19 • Facilities are forecast to be under budget by \$14K due to lower office repairs and  
20 maintenance costs.
- 21 • Insurance are forecast to end 2015 under budget by \$53K due to lower premiums  
22 associated with liability insurance (\$44K), executive risk (\$9K), and automobile  
23 insurance (\$3K) offset by increase in broker insurance premiums (\$3K).
- 24 • NBEUB Assessments are forecast to end the year under budget by \$106K due to lower  
25 than anticipated hearing activity and Public Intervenor costs.
- 26 • Corporate Allocations are forecast higher than budget by \$178K primarily due to higher  
27 corporate shared services fees.

- 1       • Gas Transportation and Related Activities are forecast lower by \$645K due to higher than  
2       anticipated recovery of the Firm Service Agreement costs for capacity on the Maritimes  
3       and Northeast Pipeline.

4       Amounts capitalized to Property, Plant and Equipment are \$298K over budget due to aggregate  
5       O&M spending in cost centers differing from budgeted spend and the associated different  
6       capitalization rates for each cost center.

7       Other Operating Expenses

8       Bad Debt Expense is forecast to be \$169K over budget due to higher than forecasted Accounts  
9       Receivable balances being written off during the first eight months of 2015.

10      Amortization of Property, Plant and Equipment is forecast to be \$85K under budget due to the  
11      timing and nature of capital expenditures and an overall reduction in capital expenditures  
12      planned compared to budget.

13      Municipal and Other Taxes are forecast to be \$34K over budget due to increases in the municipal  
14      property tax rates for 2015.

15      Interest on Amounts Due to Associates and Affiliates and Other Interest are forecast to be \$169K  
16      under budget primarily due to the forecast regulated cost of debt rate being lower than budget  
17      and lower average rate base (\$209k), primarily offset by savings in short term debt interest  
18      (\$40K).

19      **Rate Base**

20      Information with respect to EGNB's year-end Rate Base and the levels of Property, Plant and  
21      Equipment, Development O&M capitalized costs, Working Capital allowance and other  
22      elements within rate base are provided below.

**Table 4**  
**Rate Base**

Line No.	(in thousands of dollars)	(1) 2015 Forecast	(2) 2015 Budget	(3)=(1)-(2) 2015 Variance
1	Property, plant and equipment	\$ 174,749	\$ 177,784	\$ (3,035)
2	Development O&M capitalized costs	91,618	91,618	-
3	Franchise fee	275	275	-
4	Term deposit	2,968	2,975	(7)
5	Working capital allowance	1,989	1,188	801
6	Regulatory Deferral	-	-	-
7	Rate Base	<u>\$ 271,599</u>	<u>\$ 273,840</u>	<u>\$ (2,241)</u>

1  
2 Property, Plant and Equipment is forecast to be \$3.04 million under budget primarily due to the  
3 timing of the opening balances from budget to forecast (\$2.3 million) and an overall reduction in  
4 capital expenditures planned for 2015 (\$742K).

5 Term deposit costs are forecast to be \$7K under budget due to the timing of the payment of the  
6 interest earned.

7 Working Capital Allowance is forecast to be \$801K over budget in 2015, primarily due to higher  
8 than budgeted prepaid expense balance (\$843K), primarily offset by lower than budgeted  
9 inventory balances (\$42K).

10 **Other Regulated Assets & Liabilities**

11 Information with respect to EGNB's Other Regulated Assets & Liabilities is provided below.

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Table 5  
**Other Regulated Assets & Liabilities**

Line No. (in thousands of dollars)	(1) 2015 Forecast	(2) 2015 Budget	(3)=(1)-(2) 2015 Variance
<b>1 Other Regulated Assets</b>			
2 Cash and Short Term Investments	\$ 4,927	\$ 251	\$ 4,676
3 Accounts Receivable	14,878	27,315	(12,437)
4 Inventory	1,088	1,128	(40)
5 Long term Receivable	2,132	2,213	(81)
<b>6 Total Other Regulated Assets</b>	<b>\$ 23,025</b>	<b>\$ 30,907</b>	<b>\$ (7,882)</b>
<b>7 Other Regulated Liabilities</b>			
8 Due to Affiliated Companies	\$ -	\$ 966	\$ (966)
9 Accounts Payable	4,549	8,170	(3,621)
10 Long Term Payable	1,704	2,118	(414)
11 Long Term Deferred Post Employment Liabilities	4,311	1,001	3,310
<b>12 Total Other Regulated Liabilities</b>	<b>\$ 10,564</b>	<b>\$ 12,255</b>	<b>\$ (1,691)</b>

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3 Other Regulated Assets & Liabilities are a function of the annual operations of EGNB and  
4 fluctuate with changes in operating revenues and expenses.



1 **Cost of Capital Summary**

2 Information with respect to EGNB's Cost of Capital is provided below.

Table 6  
**Cost of Capital**

	(1)	(2)	(3)=(1)-(2)
	2015	2015	2015
	Forecast	Budget	Variance
Principal			
Debt	\$ 149,500	\$ 161,750	\$ (12,250)
Equity	133,572	130,299	3,273
Return (\$)			
Debt	7,906	8,074	(168)
Equity	13,300	13,629	(329)
Approved rates			
Debt	5.27%	5.36%	-0.09%
Equity	10.90%	10.90%	0.00%

3

4 EGNB finances its operations through a combination of equity and debt financing.

5 Equity is forecast to be \$3.3 million over budget primarily driven by forecasted earnings in 2015  
6 being greater than 2015 budget resulting in a decrease to the Regulatory Deferral Account  
7 balance and Partner's Equity. Debt financing is expected to be \$12.2 million under budget due  
8 to the forecasted rebalancing of equity levels in 2015 forecast being different than 2015 actuals.

9 Debt rates are forecast to be 0.09% under budget due to the interest rates of the incremental debt  
10 included in the forecast being lower than the budgeted interest rates resulting in a slightly lower  
11 weighted average cost of debt.