

SCHEDULE 3.4

2014 Budget Assumptions

2014 Budget Assumptions

The following assumptions were used by EGNB in the development of its 2014 Budget:

Budget Item	Assumption
Major Assumptions	
Cost of Capital	ROE of 10.9%, as approved by the Board in Cost of Capital proceeding (NBEUB 2010-003) 55/45 debt/equity ratio. Cost of debt maintained at Enbridge Inc. cost of borrowing plus 1%
Inflation	Cost of living increase of 2.2% applied to salaries only
Property, Plant & Equipment	
Computer Hardware	Detailed review of requirements, scheduled replacements and upgrades
Computer Software	Detailed review of requirements and upgrades
Tools and Work Equipment	Detailed review of requirements, scheduled replacements and improvements
Office Furniture and Equipment	Detailed review of requirements and scheduled equipment replacements
Transportation Equipment	Detailed review of requirements and scheduled replacements
Communications Equipment	Detailed review of requirements and scheduled replacements
Leasehold Improvements	Detailed review of requirements, scheduled replacements and improvements
Land	No incremental land acquisitions
Distribution Mains	Based on anticipated new mains to support attachments not on main in the communities currently served at forecast costs, with allowance for main relocations and sewer conflict resolution. In-house construction model with EGNB crews and local contractors
Street Services	Based on anticipated attachments at forecast unit rates
Meters and Regulators	Based on anticipated attachments at forecast unit rates
Stations	Based on historic station costs and anticipated station(s)

Budget Item	Assumption
Accumulated Amortization	Based on Board approved amortization rates. Changes include incentives amortized over 5 years, fleet and vehicles amortized over 5.4 years, tools and work equipment amortized over 5 years and meters amortized over 22.4 years.
Net Book Value	Cost less Accumulated Amortization
Construction Work in Progress	There will be the same value of work in progress open at the end of 2014 as there was at the beginning of 2014
Deferred Charges	
Deferred Development Costs - Net	Deferred Development Costs less amortization at Board approved rate. No additions.
Development O&M Capitalized Costs - Net	There are no new forecast additions to Development O&M in 2014. Net change to Development O&M resulting from amortization at Board approved rate
Regulatory Deferral	2012 Actual Year End balance which EGNB is seeking approval from the Board. The Regulatory Deferral Account has been excluded from rate base for purposes of calculating return in accordance with the 2012 legislative changes to the Gas Distribution Act, 1999.
Short Term Investments	Maritimes & Northeast Pipeline Firm Service Agreement security deposit remains constant
Non-Ratebase Assets	
Cash, & Short Term Investments	Estimated cash requirements based on an assessment of cash flow items
Accounts Receivable	30 days to receive cash for Distribution Revenue, Gas Sales and ABC, monthly forecast data relied upon
Inventory	No significant changes in level of inventory forecasted
Partners Equity	Assumed equity levels are forecasted to average approximately 45% for the year
Long-term Advances from Associates and Affiliates	Budget assumes outstanding promissory notes at the end of 2013 with 2 retirements and 2 replacement notes in 2014.
Non-Ratebase Liabilities	
Short Term Indebtedness	Estimated short term borrowing position at year end to manage cash flow

Budget Item	Assumption
Accounts Payable	30 days for payment on obligations related to: <ul style="list-style-type: none"> - 78% of O&M expenses excluding salary and benefits - property tax - firm service agreement - natural gas costs - installation and service activities 60 days for payment on obligations related to: <ul style="list-style-type: none"> - 22% of O&M expenses excluding salaries and benefits - 100% of salary and benefits - services, meters and stations - work in progress from property, plant and equipment - general plant
Long Term Deferred Post Employment Liabilities	Forecast year end balance for 2013 assumed to remain constant in 2014
Average Rate Base	Forecast timing of additions for 2014 and the exclusion of the Regulatory Deferral Account as part of the regulated assets
Capital Structure	Managing of debt/equity ratio to Board approved 55/45 structure during 2014

Budget Item	Assumption																																																																																																																
Operating Revenue																																																																																																																	
Cumulative Customers	Forecast consists of total forecast customers to the end of 2013 (based on May 2013 actual results and additions forecast for balance of 2013) plus additions forecast minus lost customers forecast for 2014, as shown below, based on a review of historic attachment rates and assessment of current market potential.																																																																																																																
	2014 Forecast Customer Additions (net)																																																																																																																
Customer Additions (net)	<table border="1"> <thead> <tr> <th></th> <th>Jan</th> <th>Feb</th> <th>Mar</th> <th>Apr</th> <th>May</th> <th>Jun</th> <th>Jul</th> <th>Aug</th> <th>Sep</th> <th>Oct</th> <th>Nov</th> <th>Dec</th> <th>Total</th> </tr> </thead> <tbody> <tr> <td>Small General</td> <td>8</td> <td>12</td> <td>9</td> <td>8</td> <td>5</td> <td>13</td> <td>5</td> <td>10</td> <td>7</td> <td>8</td> <td>11</td> <td>4</td> <td>100</td> </tr> <tr> <td>Mid General</td> <td>4</td> <td>4</td> <td>5</td> <td>5</td> <td>3</td> <td>3</td> <td>3</td> <td>3</td> <td>3</td> <td>4</td> <td>3</td> <td>4</td> <td>44</td> </tr> <tr> <td>Large General</td> <td>-</td> <td>2</td> <td>-</td> <td>1</td> <td>1</td> <td>1</td> <td>1</td> <td>2</td> <td>1</td> <td>1</td> <td>1</td> <td>1</td> <td>12</td> </tr> <tr> <td>Contract General</td> <td>-</td> <td>-</td> <td>-</td> <td>-</td> <td>-</td> <td>1</td> <td>-</td> <td>-</td> <td>-</td> <td>-</td> <td>-</td> <td>-</td> <td>1</td> </tr> <tr> <td>Industrial Contract General</td> <td>-</td> <td>-</td> <td>-</td> <td>-</td> <td>-</td> <td>-</td> <td>-</td> <td>-</td> <td>-</td> <td>-</td> <td>-</td> <td>1</td> <td>1</td> </tr> <tr> <td>OPS</td> <td>-</td> <td>-</td> <td>-</td> <td>-</td> <td>-</td> <td>-</td> <td>-</td> <td>-</td> <td>-</td> <td>-</td> <td>-</td> <td>-</td> <td>-</td> </tr> <tr> <td>Total</td> <td>12</td> <td>18</td> <td>14</td> <td>14</td> <td>9</td> <td>18</td> <td>9</td> <td>15</td> <td>11</td> <td>13</td> <td>15</td> <td>10</td> <td>158</td> </tr> </tbody> </table>		Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total	Small General	8	12	9	8	5	13	5	10	7	8	11	4	100	Mid General	4	4	5	5	3	3	3	3	3	4	3	4	44	Large General	-	2	-	1	1	1	1	2	1	1	1	1	12	Contract General	-	-	-	-	-	1	-	-	-	-	-	-	1	Industrial Contract General	-	-	-	-	-	-	-	-	-	-	-	1	1	OPS	-	-	-	-	-	-	-	-	-	-	-	-	-	Total	12	18	14	14	9	18	9	15	11	13	15	10	158
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total																																																																																																				
Small General	8	12	9	8	5	13	5	10	7	8	11	4	100																																																																																																				
Mid General	4	4	5	5	3	3	3	3	3	4	3	4	44																																																																																																				
Large General	-	2	-	1	1	1	1	2	1	1	1	1	12																																																																																																				
Contract General	-	-	-	-	-	1	-	-	-	-	-	-	1																																																																																																				
Industrial Contract General	-	-	-	-	-	-	-	-	-	-	-	1	1																																																																																																				
OPS	-	-	-	-	-	-	-	-	-	-	-	-	-																																																																																																				
Total	12	18	14	14	9	18	9	15	11	13	15	10	158																																																																																																				
New Customers	<table border="1"> <thead> <tr> <th></th> <th>Jan</th> <th>Feb</th> <th>Mar</th> <th>Apr</th> <th>May</th> <th>Jun</th> <th>Jul</th> <th>Aug</th> <th>Sep</th> <th>Oct</th> <th>Nov</th> <th>Dec</th> <th>Total</th> </tr> </thead> <tbody> <tr> <td>Small General</td> <td>13</td> <td>17</td> <td>14</td> <td>13</td> <td>10</td> <td>18</td> <td>10</td> <td>15</td> <td>12</td> <td>13</td> <td>16</td> <td>9</td> <td>160</td> </tr> <tr> <td>Mid General</td> <td>5</td> <td>5</td> <td>6</td> <td>6</td> <td>3</td> <td>4</td> <td>4</td> <td>4</td> <td>4</td> <td>5</td> <td>4</td> <td>5</td> <td>55</td> </tr> <tr> <td>Large General</td> <td>-</td> <td>2</td> <td>1</td> <td>1</td> <td>1</td> <td>1</td> <td>2</td> <td>2</td> <td>1</td> <td>1</td> <td>1</td> <td>1</td> <td>14</td> </tr> <tr> <td>Contract General</td> <td>-</td> <td>-</td> <td>-</td> <td>-</td> <td>-</td> <td>1</td> <td>-</td> <td>-</td> <td>-</td> <td>-</td> <td>-</td> <td>-</td> <td>1</td> </tr> <tr> <td>Industrial Contract General</td> <td>-</td> <td>-</td> <td>-</td> <td>-</td> <td>-</td> <td>-</td> <td>-</td> <td>-</td> <td>-</td> <td>-</td> <td>-</td> <td>1</td> <td>1</td> </tr> <tr> <td>OPS</td> <td>-</td> <td>-</td> <td>-</td> <td>-</td> <td>-</td> <td>-</td> <td>-</td> <td>-</td> <td>-</td> <td>-</td> <td>-</td> <td>-</td> <td>-</td> </tr> <tr> <td>Total</td> <td>18</td> <td>24</td> <td>21</td> <td>20</td> <td>14</td> <td>24</td> <td>16</td> <td>21</td> <td>17</td> <td>19</td> <td>21</td> <td>16</td> <td>231</td> </tr> </tbody> </table>		Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total	Small General	13	17	14	13	10	18	10	15	12	13	16	9	160	Mid General	5	5	6	6	3	4	4	4	4	5	4	5	55	Large General	-	2	1	1	1	1	2	2	1	1	1	1	14	Contract General	-	-	-	-	-	1	-	-	-	-	-	-	1	Industrial Contract General	-	-	-	-	-	-	-	-	-	-	-	1	1	OPS	-	-	-	-	-	-	-	-	-	-	-	-	-	Total	18	24	21	20	14	24	16	21	17	19	21	16	231
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total																																																																																																				
Small General	13	17	14	13	10	18	10	15	12	13	16	9	160																																																																																																				
Mid General	5	5	6	6	3	4	4	4	4	5	4	5	55																																																																																																				
Large General	-	2	1	1	1	1	2	2	1	1	1	1	14																																																																																																				
Contract General	-	-	-	-	-	1	-	-	-	-	-	-	1																																																																																																				
Industrial Contract General	-	-	-	-	-	-	-	-	-	-	-	1	1																																																																																																				
OPS	-	-	-	-	-	-	-	-	-	-	-	-	-																																																																																																				
Total	18	24	21	20	14	24	16	21	17	19	21	16	231																																																																																																				
Lost Customers	<table border="1"> <thead> <tr> <th></th> <th>Jan</th> <th>Feb</th> <th>Mar</th> <th>Apr</th> <th>May</th> <th>Jun</th> <th>Jul</th> <th>Aug</th> <th>Sep</th> <th>Oct</th> <th>Nov</th> <th>Dec</th> <th>Total</th> </tr> </thead> <tbody> <tr> <td>Small General</td> <td>(5)</td> <td>(5)</td> <td>(5)</td> <td>(5)</td> <td>(5)</td> <td>(5)</td> <td>(5)</td> <td>(5)</td> <td>(5)</td> <td>(5)</td> <td>(5)</td> <td>(5)</td> <td>(60)</td> </tr> <tr> <td>Mid General</td> <td>(1)</td> <td>(1)</td> <td>(1)</td> <td>(1)</td> <td>-</td> <td>(1)</td> <td>(1)</td> <td>(1)</td> <td>(1)</td> <td>(1)</td> <td>(1)</td> <td>(1)</td> <td>(11)</td> </tr> <tr> <td>Large General</td> <td>-</td> <td>-</td> <td>(1)</td> <td>-</td> <td>-</td> <td>-</td> <td>(1)</td> <td>-</td> <td>-</td> <td>-</td> <td>-</td> <td>-</td> <td>(2)</td> </tr> <tr> <td>Contract General</td> <td>-</td> <td>-</td> <td>-</td> <td>-</td> <td>-</td> <td>-</td> <td>-</td> <td>-</td> <td>-</td> <td>-</td> <td>-</td> <td>-</td> <td>-</td> </tr> <tr> <td>Industrial Contract General</td> <td>-</td> <td>-</td> <td>-</td> <td>-</td> <td>-</td> <td>-</td> <td>-</td> <td>-</td> <td>-</td> <td>-</td> <td>-</td> <td>-</td> <td>-</td> </tr> <tr> <td>OPS</td> <td>-</td> <td>-</td> <td>-</td> <td>-</td> <td>-</td> <td>-</td> <td>-</td> <td>-</td> <td>-</td> <td>-</td> <td>-</td> <td>-</td> <td>-</td> </tr> <tr> <td>Total</td> <td>(6)</td> <td>(6)</td> <td>(7)</td> <td>(6)</td> <td>(5)</td> <td>(6)</td> <td>(7)</td> <td>(6)</td> <td>(6)</td> <td>(6)</td> <td>(6)</td> <td>(6)</td> <td>(73)</td> </tr> </tbody> </table>		Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total	Small General	(5)	(5)	(5)	(5)	(5)	(5)	(5)	(5)	(5)	(5)	(5)	(5)	(60)	Mid General	(1)	(1)	(1)	(1)	-	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(11)	Large General	-	-	(1)	-	-	-	(1)	-	-	-	-	-	(2)	Contract General	-	-	-	-	-	-	-	-	-	-	-	-	-	Industrial Contract General	-	-	-	-	-	-	-	-	-	-	-	-	-	OPS	-	-	-	-	-	-	-	-	-	-	-	-	-	Total	(6)	(6)	(7)	(6)	(5)	(6)	(7)	(6)	(6)	(6)	(6)	(6)	(73)
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total																																																																																																				
Small General	(5)	(5)	(5)	(5)	(5)	(5)	(5)	(5)	(5)	(5)	(5)	(5)	(60)																																																																																																				
Mid General	(1)	(1)	(1)	(1)	-	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(11)																																																																																																				
Large General	-	-	(1)	-	-	-	(1)	-	-	-	-	-	(2)																																																																																																				
Contract General	-	-	-	-	-	-	-	-	-	-	-	-	-																																																																																																				
Industrial Contract General	-	-	-	-	-	-	-	-	-	-	-	-	-																																																																																																				
OPS	-	-	-	-	-	-	-	-	-	-	-	-	-																																																																																																				
Total	(6)	(6)	(7)	(6)	(5)	(6)	(7)	(6)	(6)	(6)	(6)	(6)	(73)																																																																																																				

Budget Item	Assumption																																																								
	<p>Methodology and Underlying Assumptions of the Net Lost Customer Process</p> <p>“Lost Customer”: A customer that is no longer consuming gas and has received a final bill. “Recovered Customer”: A “Lost Customer” that has been recovered and is now consuming gas. “Maintained Customer”: A customer with no change to their status within the specified period.</p> <p>Customer counts by class are reviewed on a monthly basis and are categorized as 1) New Attachment, 2) Maintained Customers, and 3) Lost Customers net of Recovered Customers.</p> <p>EGNB accounts for “Net Lost Customers” in budgets and forecasts, by adding together the Lost Customer forecast and Recovered Customer forecast.</p> <p>Both the Lost Customer forecast and the Recovered Customer forecast are determined using historical data averages by rate class.</p>																																																								
Throughput	<p>Existing Customers: The throughput forecast for existing customers is developed based on historic consumption for each customer, adjusted for normal weather.</p> <p>New Customers: The throughput for new customers is developed based on expected consumption for each customer that is forecasted to be attached based on either signed GJs or a standard profile and the time of year that they are forecast to be attached. For new industrial customers (CGS, ICGS, OPS), throughput forecast is based on specific customer information provided at time of customer signing.</p> <table border="1" data-bbox="562 1015 1923 1136"> <thead> <tr> <th>Regulated Rate Class</th> <th>Jan</th> <th>Feb</th> <th>Mar</th> <th>Apr</th> <th>May</th> <th>Jun</th> <th>Jul</th> <th>Aug</th> <th>Sep</th> <th>Oct</th> <th>Nov</th> <th>Dec</th> <th>Annual Volume</th> </tr> </thead> <tbody> <tr> <td>Small General</td> <td>16</td> <td>18</td> <td>13</td> <td>10</td> <td>8</td> <td>4</td> <td>3</td> <td>3</td> <td>2</td> <td>4</td> <td>7</td> <td>10</td> <td>98</td> </tr> <tr> <td>Mid General</td> <td>108</td> <td>92</td> <td>65</td> <td>53</td> <td>39</td> <td>19</td> <td>15</td> <td>16</td> <td>15</td> <td>29</td> <td>49</td> <td>70</td> <td>570</td> </tr> <tr> <td>Large General</td> <td>434</td> <td>375</td> <td>262</td> <td>215</td> <td>151</td> <td>73</td> <td>56</td> <td>61</td> <td>62</td> <td>130</td> <td>207</td> <td>304</td> <td>2,330</td> </tr> </tbody> </table>	Regulated Rate Class	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Annual Volume	Small General	16	18	13	10	8	4	3	3	2	4	7	10	98	Mid General	108	92	65	53	39	19	15	16	15	29	49	70	570	Large General	434	375	262	215	151	73	56	61	62	130	207	304	2,330
Regulated Rate Class	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Annual Volume																																												
Small General	16	18	13	10	8	4	3	3	2	4	7	10	98																																												
Mid General	108	92	65	53	39	19	15	16	15	29	49	70	570																																												
Large General	434	375	262	215	151	73	56	61	62	130	207	304	2,330																																												
Rates	<p>Distribution rates are set to recover EGNB’s full revenue requirement. The 2014 COS study indicates that the Cost of Service based rate for the Small General Service class exceeds the market based rate calculated for the SGS class, therefore the market base rate has been used. The Cost of Service distribution rates have been used for all other rate classes.</p>																																																								

Budget Item	Assumption
Distribution Revenue	Assumed throughput times assumed rates
ABC Revenue	Number of ABC and AB customers plus capture of new additions based on historic data times existing budget rates
Other Miscellaneous Revenue	0.2% interest on Maritimes & Northeast Pipeline Firm Service Agreement security deposit
Allowance for Funds Used During Construction	Based on 25% of CWIP eligible for allowance for funds used during construction (“AFUDC”) times the weighted average cost of capital (“WACC”)
Service and Inspection	
Revenue	Based on anticipated service work to be performed by EGNB
Cost of Goods Sold	Service cost of goods sold (“COGS”) based on the percentage of revenue from historic experience
Operating expenses	
Operating and Maintenance Expenses	Based on input by department managers for 2014

Budget Item	Assumption																																												
Capitalized to Property, Plant and Equipment	<p>O&M budget capitalized based on the following percentage assumptions:</p> <table border="0"> <thead> <tr> <th colspan="2" style="text-align: right;">2014</th> </tr> </thead> <tbody> <tr><td>Corporate management</td><td style="text-align: right;">28.7%</td></tr> <tr><td>Corporate administration</td><td style="text-align: right;">28.0%</td></tr> <tr><td>Financial reporting</td><td style="text-align: right;">27.9%</td></tr> <tr><td>Information technology</td><td style="text-align: right;">23.1%</td></tr> <tr><td>Regulatory</td><td style="text-align: right;">0.0%</td></tr> <tr><td>Sales & Marketing</td><td></td></tr> <tr><td> Sales</td><td style="text-align: right;">88.8%</td></tr> <tr><td> Marketing</td><td style="text-align: right;">94.0%</td></tr> <tr><td> Incentives</td><td style="text-align: right;">100.0%</td></tr> <tr><td> Communications</td><td style="text-align: right;">28.7%</td></tr> <tr><td>Distribution & maintenance</td><td></td></tr> <tr><td> Const. & Maint.</td><td style="text-align: right;">15.1%</td></tr> <tr><td> Engineering QA</td><td style="text-align: right;">15.0%</td></tr> <tr><td> Planning & Tech.</td><td style="text-align: right;">37.7%</td></tr> <tr><td> Service</td><td style="text-align: right;">22.6%</td></tr> <tr><td>Customer Experience</td><td></td></tr> <tr><td> Customer Care</td><td style="text-align: right;">3.8%</td></tr> <tr><td> Logistics</td><td style="text-align: right;">32.1%</td></tr> <tr><td> Work Mgmt. Center</td><td style="text-align: right;">43.6%</td></tr> <tr><td>Human resources</td><td style="text-align: right;">33.9%</td></tr> <tr><td>Gas transportation and related activities</td><td style="text-align: right;">0.0%</td></tr> </tbody> </table> <p>In 2012, capitalization of industry development O&M expenses to Development O&M had been eliminated. Incentives, previously capitalized to Development O&M, are now being capitalized to Property, Plant & Equipment.</p>	2014		Corporate management	28.7%	Corporate administration	28.0%	Financial reporting	27.9%	Information technology	23.1%	Regulatory	0.0%	Sales & Marketing		Sales	88.8%	Marketing	94.0%	Incentives	100.0%	Communications	28.7%	Distribution & maintenance		Const. & Maint.	15.1%	Engineering QA	15.0%	Planning & Tech.	37.7%	Service	22.6%	Customer Experience		Customer Care	3.8%	Logistics	32.1%	Work Mgmt. Center	43.6%	Human resources	33.9%	Gas transportation and related activities	0.0%
2014																																													
Corporate management	28.7%																																												
Corporate administration	28.0%																																												
Financial reporting	27.9%																																												
Information technology	23.1%																																												
Regulatory	0.0%																																												
Sales & Marketing																																													
Sales	88.8%																																												
Marketing	94.0%																																												
Incentives	100.0%																																												
Communications	28.7%																																												
Distribution & maintenance																																													
Const. & Maint.	15.1%																																												
Engineering QA	15.0%																																												
Planning & Tech.	37.7%																																												
Service	22.6%																																												
Customer Experience																																													
Customer Care	3.8%																																												
Logistics	32.1%																																												
Work Mgmt. Center	43.6%																																												
Human resources	33.9%																																												
Gas transportation and related activities	0.0%																																												
Bad debt expense	0.4% of yearly Distribution Revenue, Installation Revenue and Gas Sales Revenue																																												
Municipal and Other Taxes	Existing tax rates applied to existing tax base plus additions																																												

Budget Item	Assumption
Amortization of Property, Plant and Equipment	<p>Based on Board approved amortization rates with the following proposed changes to reflect best practices and historic trends.</p> <ul style="list-style-type: none"> • Amortization of Fleet and Vehicles is to be increased from 11% to 18.45% in order to align with current trends on the average useful life of vehicles. • Amortization of Tools and Work Equipment is to be increased from 5.3% to 20% to match the CCA rate for Class 8 tools, which best reflects the majority of the tools capitalized by EGNB. • Amortization for meters is to be increased from 3.86% to 4.46% in order to align the depreciation of meters with their estimated useful lives as approved by Measurements Canada.
Amortization of Deferred Development Costs	Based on Board approved amortization rate
Regulatory Deferral	No additions to the Regulatory Deferral account in 2014 as a result of the lack of clarity provided in the amendments to the Gas Distribution Act, 1999 regarding EGNB's ability to recover the deferral account.
Tax	Accumulated tax loss carry forward used in 2014
Regulated Return on Equity	Average rate base times return on equity times equity proportion of capital structure