

SCHEDULE 3.4

2016 Budget Assumptions

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The following assumptions were used by EGNB in the development of its 2016 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 1.5% 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)

1	Budget Item	Assumption
2	Accumulated Amortization	Based on amortization rates in the Gannett Fleming 2015 depreciation study report .
3	Net Book Value	Cost less Accumulated Amortization.
4	Construction Work in Progress	There will be the same value of work in progress open at the end of 2016 as there was at the beginning
5		of 2016 .
6	Deferred Charges	
7	Deferred Development Costs - Net	Deferred Development Costs less amortization at Board approved rate. No additions.
8	Development O&M	There are no new forecast additions to Development O&M in 2016. Net change to Development O&M
9	Capitalized Costs - Net	resulting from amortization at Board approved rate.
10	Regulatory Deferral	2014 Actual Year End balance which EGNB is seeking approval from the Board. The Regulatory Deferral
11		Account has been excluded from rate base for purposes of calculating return in accordance with the 2012
12		legislative changes to the Gas Distribution Act, 1999.
13	Short Term Investments	Maritimes & Northeast Pipeline Firm Service Agreement security deposit remains constant.
14	Non-Ratebase Assets	
15	Cash, & Short Term	Estimated cash requirements based on an assessment of cash flow items.
16	Investments	
17	Accounts Receivable	30 days to receive cash for Distribution Revenue, Gas Sales and ABC, monthly forecast data relied upon.
18	Inventory	No significant changes in level of inventory forecasted.
19	Partners Equity	Assumed equity levels are forecasted to average approximately 45% for the year.
20	Long-term Advances from	Budget assumes outstanding promissory notes at the end of 2015 with no retirements or replacement notes
21	Associates and Affiliates	in 2016.
22	Non-Ratebase Liabilities	
23	Short Term Indebtedness	No estimated short term borrowing required during 2016 to manage cash flow.

1 Budget Item	Assumption
2 Accounts Payable 3 4 5 6 7 8 9 10 11 12 13	30 days for payment on obligations related to: - 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: - 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
14 Long Term Deferred 15 Post Employment Liabilities	Forecast year-end balance for 2015 assumed to remain constant in 2016
16 Average Rate Base 17	Forecast timing of additions for 2016 and the exclusion of the Regulatory Deferral Account as part of the regulated assets
18 Capital Structure	Managing of debt/equity ratio to Board approved 55/45 structure during 2016

Review of 2014 Regulatory Financial Statements/2016 Rate Application

1	Budget Item	Assumption
2	Operating Revenue	
3	Cumulative Customers	Forecast consists of total forecast customers to the end of 2015 (based on August 2015 actual results and
4		additions/losses forecast for balance of 2015) plus additions forecast minus lost customers forecast for 2016,
5		as shown below, based on a review of historic attachment rates and assessment of current market potential.
6		
7		2016 Forecast Customer Additions (net)
8		Customer Additions (net) Jan Feb Mar Apr May Jun Jul Aug Sep Oct Nov Dec Total
9	Small General	(3) (2) (4) (4) (4) (3) (3) (3) (3) (3) (3) (3) (2) (37)
10	Mid General	2 2 1 2 - 1 3 6 8 9 8 8 9 51
11	Large General	1 - - 3 - - 1 1 1 - - - 1 8
12	Contract General	- - - - - 1 - - - - - - - 1
13	Industrial Contract General	- - - - - - - - - - - - - -
14	OPS	- - - - - - - - - - - - - -
15	Total	- - (3) 1 (4) (1) 1 4 6 6 5 8 23
16		
17	New Customers	Jan Feb Mar Apr May Jun Jul Aug Sep Oct Nov Dec Total
18	Small General	1 2 - - - 1 1 1 1 1 1 2 11
19	Mid General	5 5 4 5 3 4 6 9 11 12 11 12 87
20	Large General	1 - - 3 - - 1 1 1 - - 1 8
21	Contract General	- - - - - 1 - - - - - - 1
22	Industrial Contract General	- - - - - - - - - - - - -
23	OPS	- - - - - - - - - - - - -
24	Total	7 7 4 8 3 6 8 11 13 13 12 15 107
25		
26	Lost Customers	Jan Feb Mar Apr May Jun Jul Aug Sep Oct Nov Dec Total
27	Small General	(4) (4) (4) (4) (4) (4) (4) (4) (4) (4) (4) (4) (48)
28	Mid General	(3) (3) (3) (3) (3) (3) (3) (3) (3) (3) (3) (3) (36)
29	Large General	- - - - - - - - - - - - -
30	Contract General	- - - - - - - - - - - - -
31	Industrial Contract General	- - - - - - - - - - - - -
32	OPS	- - - - - - - - - - - - -
33	Total	(7) (7) (7) (7) (7) (7) (7) (7) (7) (7) (7) (7) (84)

1	Budget Item	Assumption
2		Methodology and Underlying Assumptions of the Net Lost Customer Process
3		“Lost Customer”: A customer that is no longer consuming gas and has received a final bill.
4		“Recovered Customer”: A “Lost Customer” that has been recovered and is now consuming gas.
5		“Maintained Customer”: A customer with no change to their status within the specified period.
6		
7		Customer counts by class are reviewed on a monthly basis and are categorized as 1) New Attachment,
8		2) Maintained Customers, and 3) Lost Customers net of Recovered Customers.
9		
10		EGNB accounts for “Net Lost Customers” in budgets and forecasts, by adding together the Lost Customer
11		forecast and Recovered Customer forecast.
12		
13		Both the Lost Customer forecast and the Recovered Customer forecast are determined using historical data
14		averages by rate class.
15	Throughput	Existing Customers: The throughput forecast for existing customers is developed based on historic
16		consumption for each customer, adjusted for normal weather.
17		
18		New Customers: The throughput for new customers is developed based on expected consumption for each
19		customer that is forecasted to be attached based on either signed GJs or a standard profile and the time of
20		year that they are forecast to be attached. For new industrial customers (CGS, ICGS, OPS), throughput
21		forecast is based on specific customer information provided at time of customer signing.
22		
23		Regulated Rate Class Jan Feb Mar Apr May Jun Jul Aug Sep Oct Nov Dec Annual
24		Volume
25		Small General 13 17 15 11 6 3 2 2 2 2 6 10 87
26		Mid General 83 100 84 52 32 15 11 10 10 18 43 61 520
27		Large General 499 588 496 331 230 165 125 119 131 202 339 391 3617
28		
29	Rates	Distribution rates are set to recover EGNB’s full revenue requirement. The 2016 COS study indicates that
30		the Cost of Service based rate for the Small General Service and the Mid-General Service classes exceed the
31		market based rate calculated for the SGS and MGS class, therefore the market base rate has been used.
32		The Cost of Service distribution rates have been used for all other rate classes.

1	Budget Item	Assumption
2	Distribution Revenue	Assumed throughput times assumed rates
3	ABC Revenue	Number of ABC and AB customers plus capture of new additions based on historic data times existing rates
4		with inflationary increase of 2.4%
5	Other Miscellaneous Revenue	- 0.2% interest on Maritimes & Northeast Pipeline Firm Service Agreement security deposit
6		- Late payment penalties budgeted at \$303K based on last two years of history
7		- Transactional services budgeted at \$36K based on last two years of history
8	Allowance for Funds Used	Based on 25% of CWIP eligible for allowance for funds used during construction (“AFUDC”) times the
9	During Construction	weighted average cost of capital (“WACC”)
10	Service and Inspection	
11	Revenue	Based on anticipated service work to be performed by EGNB
12	Cost of Goods Sold	Service cost of goods sold (“COGS”) based on the percentage of revenue from historic experience
13	Operating expenses	
14	Operating and Maintenance	Based on input by department managers for 2016
15	Expenses	

1	Budget Item	Assumption
2	Capitalized to Property,	O&M budget capitalized based on the following percentage assumptions:
3	Plant and Equipment	2016
4		Corporate management 23.1 %
5		Corporate administration 23.7 %
6		Financial reporting 23.7 %
7		Information technology 14.0 %
8		Regulatory 0.0 %
9		Sales & Marketing 0.0 %
10		Sales 69.6 %
11		Marketing 87.6 %
12		Incentives 100.0 %
13		Communications 23.1 %
14		Distribution & maintenance 0.0 %
15		Const. & Maint. 9.9 %
16		Engineering QA 14.1 %
17		Planning & Tech. 37.6 %
18		Service 22.7 %
19		Customer Experience 0.0 %
20		Customer Care 2.5 %
21		Logistics 23.5 %
22		Work Mgmt. Center 34.6 %
23		Human resources 25.8 %
24		Gas transportation and related activities 0.0 %
25		
26		In 2012, capitalization of industry development O&M expenses to Development O&M had been eliminated.
27		Incentives, previously capitalized to Development O&M, are now being capitalized to Property, Plant &
28		Equipment. EGNB is budgeting \$100k for an incentive program in 2016.
29	Bad debt expense	0.51% of yearly Distribution Revenue, Installation Revenue and Gas Sales Revenue
30	Municipal and Other Taxes	Existing tax rates applied to existing tax base plus additions

1	Budget Item	Assumption
2	Amortization of Property, Plant and Equipment	Based on Board approved amortization rates
3	Amortization of Deferred Development Costs	Based on Board approved amortization rate
4	Regulatory Deferral	No additions to the Regulatory Deferral account in 2016 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.
5	Tax	Accumulated tax loss carry forward used in 2016
6	Regulated Return on Equity	Average rate base times return on equity times equity proportion of capital structure