

SCHEDULE 3.5
2018 and 2019 Budgets

Enbridge Gas New Brunswick
 Budget Balance Sheet for Regulatory Purposes
 As at December 31, 2018-19

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

2 (in thousands of dollars)

3	Assets	2018	2019
4	Regulated Assets		
5	Property, Plant and Equipment (Note 2)		
6	Gas Distributor Plant in Service - Net (includes AFUDC capitalized during 2018 and 2019 of \$42.4 and \$60.4 respectively)	\$ 179,075	\$ 183,306
7	Construction Work In Progress - Gas Distributor Plant	1,595	1,714
8	Total Property, Plant & Equipment	180,670	185,020
9	Deferred Charges		
10	Deferred Development Costs - Net (Note 3)	1,646	1,960
11	Development O&M Capitalized Costs - Net (Note 4)	83,242	80,450
12	Total Deferred Charges	84,888	82,410
13	Short Term Investments	2,956	2,956
14	Total Regulated Rate Base Assets	268,514	270,386
15	Other Regulated Assets (Note 5)	22,916	22,586
16	Total Regulated Assets	291,430	292,972
17	Regulatory Deferral (Note 1)	144,500	144,500
18	Total Assets	\$ 435,930	\$ 437,472
19	Liabilities and Partner's Equity		
20	Partner's Equity (Ratebase) (Note 1)	133,361	135,103
21	Long-term Advances from Associates and Affiliates (Note 6)	149,500	149,500
22	Other Regulated Liabilities (Note 7)	8,569	8,369
23	Total Liabilities and Equity	\$ 291,430	\$ 292,972
24	Partner's Equity (Regulatory Deferral)	144,500	144,500
25	Total Liabilities and Equity	\$ 435,930	\$ 437,472

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, 2018-19

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

2 (in thousands of dollars)

	2018	2019
3		
4 Revenue		
5 Operating Revenue (Note 8)		
6 Gas distribution	\$ 46,081	\$ 47,428
7 Miscellaneous	1,288	898
8 Allowance for Funds Used During Construction	42	60
9	<u>47,411</u>	<u>48,386</u>
10 Service and Inspections		
11 Revenue	624	624
12 Cost of goods sold	(377)	(377)
13	<u>247</u>	<u>247</u>
14 Total Revenue	<u>47,658</u>	<u>48,633</u>
15 Expenses		
16 Operating Expenses		
17 Operating and maintenance (Note 9)	12,159	12,038
18 Transportation (net)	1,587	1,586
19 Total Operating and maintenance expenses	<u>13,746</u>	<u>13,624</u>
20 Other Expenses	100	50
21 Bad debt expense	282	282
22 Amortization of Property, Plant and Equipment	6,226	6,559
23 Municipal and Other Taxes	1,261	1,274
24 Interest on Amounts Due to Associates & Affiliates and Other Interest (Note 10)	6,907	6,928
25 Amortization of Deferred Development Costs	<u>2,942</u>	<u>2,940</u>
26 Total Expenses	<u>31,464</u>	<u>31,657</u>
27 Income before Extraordinary Items, Regulatory Deferral and Return on Rate Base	<u>16,194</u>	<u>16,976</u>
28 Regulatory Deferral	<u>-</u>	<u>-</u>
29 Income before Tax	<u>\$ 16,194</u>	<u>\$16,976</u>
30 Regulated Return on Equity (Note 11)	<u>\$ 16,194</u>	<u>\$16,976</u>

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

Enbridge Gas New Brunswick

Notes to 2017 Forecasted 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 Public Utility had been subject to non-traditional regulation which recognized its immature nature.
31 Unlike many similar utilities, the Public Utility's rates were not set on a cost based methodology. Prior to
32 October 1, 2012, the Public Utility's rates were set exclusively based upon a market based methodology,
33 and were based on a targeted savings over alternate fuel for end use customers.

Enbridge Gas New Brunswick

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

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

2 In December 2011, the Province of New Brunswick introduced legislation that outlined new rate classes,
3 and a new rate setting methodology for the Public Utility.

4 On December 16, 2016, the Government of New Brunswick enacted amendments to the Gas
5 Distribution Act, 1999. The General Franchise Agreement was extended for an additional 25 years with
6 an additional 25 year option. The new legislation modifies the current approach to setting rates from a
7 combination of cost of service and market based rates to a cost of service approach only. The
8 amendments allow for an annual increase of 3% for Small General Service customers to current EUB
9 approved rates in each of 2018 and 2019 and a rate freeze for non-SGS customers at current EUB
10 approved rates for 2018 and 2019, after which the EUB will set the rates based on the cost of service
11 methodology. The regulatory deferral account was reduced to \$144.5 million with \$100 million to be
12 included in revenue requirement over 25 years commencing in January 1, 2020. The remaining
13 regulatory deferral account balance of \$44.5 million is to be recovered as authorized by the EUB.

Enbridge Gas New Brunswick

Notes to 2018-19 Budget Regulatory Financial Results

For the year ended December 31, 2018-19

(in thousands of dollars)

Note 2 Property, Plant & Equipment

			<u>2018</u>	<u>2019</u>	
	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net Book Value</u>	<u>Net Book Value</u>	<u>Rates of Amortization</u>
4 Property, plant & equipment					
5 General plant					
6 Computer hardware	\$ 685	\$ (196)	\$ 489	\$ 509	8.87%
7 Tools and work equipment	1,768	(1,355)	413	303	14.53%
8 Office furniture and equipment	224	(52)	172	147	6.41%
9 Transportation	1,955	(1,032)	923	1,161	6.32%
10 Incentives	786	(294)	492	1,101	20.00%
11 Leasehold improvements	260	(146)	114	135	1
12 Subtotal	<u>5,678</u>	<u>(3,075)</u>	<u>2,603</u>	<u>3,356</u>	
13 Distribution plant					
14 Land	375	-	375	375	-
15 Rights of way and easements	189	-	189	189	-
16 Distribution mains	131,909	(34,668)	97,241	97,273	1.64%
17 Street services	70,879	(19,954)	50,925	55,009	1.74%
18 Meters and regulators	24,508	(6,064)	18,444	18,285	7.63%
19 Stations	16,647	(7,349)	9,298	8,820	2.82%
20 Subtotal	<u>244,507</u>	<u>(68,035)</u>	<u>176,472</u>	<u>179,951</u>	
21 Total plant in service	250,185	(71,110)	179,075	183,307	
22 Construction work in progress	<u>1,595</u>	<u>-</u>	<u>1,595</u>	<u>1,714</u>	-
23 Total property, plant & equipment	<u>\$ 251,780</u>	<u>\$ (71,110)</u>	<u>\$ 180,670</u>	<u>\$ 185,021</u>	
24 1 - Amortized over the term of the related leases.					

Enbridge Gas New Brunswick

Notes to 2018-19 Budget Regulatory Financial Results

For the year ended December 31, 2018-19

(in thousands of dollars)

Note 3 Deferred Development Costs - Net

			2018	2019		
	Cost	Accumulated Amortization	Net Book Value	Net Book Value	Rates of Amortization	
1						
2						
3						
4	Franchise fee	\$ 1,500	\$ (1,450)	\$ 50	\$ -	5.00%
5	Intangible Software	4,167	(2,571)	1,596	1,960	4.96%
6	Total deferred development costs, net	\$ 5,667	\$ (4,021)	\$ 1,646	\$ 1,960	

Note 4 Development O&M Capitalized Costs – Net

			2018	2019		
	Cost	Accumulated Amortization	Net Book Value	Net Book Value	Rates of Amortization	
7						
8						
9						
10	Development O&M capitalized costs	\$ 114,952	\$ (31,710)	\$ 83,242	\$ 80,450	2.43%
11	Total development O&M capitalized	\$ 114,952	\$ (31,710)	\$ 83,242	\$ 80,450	

Enbridge Gas New Brunswick

Notes to 2018-19 Budget Regulatory Financial Results

For the year ended December 31, 2018-19

(in thousands of dollars)

Note 5 Other Regulated Assets

1	<u>2018</u>	<u>2019</u>
2 Cash & Short Term Investments	\$ 3,567	\$ 5,258
3 Accounts Receivable	17,762	15,739
4 Long term receivable	359	359
5 Inventory	<u>1,228</u>	<u>1,230</u>
6	<u>\$ 22,916</u>	<u>\$ 22,586</u>

Enbridge Gas New Brunswick

Notes to 2018-19 Budget Regulatory Financial Results

For the year ended December 31, 2018-19

(in thousands of dollars)

Note 6 Long-term Advances from Associates and Affiliates

	Issue Date	Maturity Date	Amount	2018 Cost of Debt			Amount	2019 Cost of Debt		
				Enbridge Inc.	EGNB	Regulated		Enbridge Inc.	EGNB	Regulated
1										
2										
3										
4	Promissory Note	9-Dec-09	15,000	4.63%	5.63%	5.63%	-	-	-	-
5	Promissory Note	12-Dec-12	14,000	3.50%	4.50%	4.50%	14,000	3.50%	4.50%	4.50%
6	Promissory Note	8-Jan-13	7,500	3.67%	4.67%	4.67%	7,500	3.67%	4.67%	4.67%
7	Promissory Note	30-Mar-15	6,000	3.45%	4.45%	4.45%	-	-	-	-
8	Promissory Note	30-Jun-15	18,000	3.84%	4.84%	4.84%	-	-	-	-
9	Promissory Note	30-Sep-15	18,000	4.23%	5.23%	5.23%	18,000	4.23%	5.23%	5.23%
10	Promissory Note	9-Aug-16	20,000	3.55%	4.55%	4.55%	20,000	3.55%	4.55%	4.55%
11	Promissory Note	15-Mar-17	5,000	3.02%	4.02%	4.02%	5,000	3.02%	4.02%	4.02%
12	Promissory Note	15-Mar-17	25,000	3.60%	4.60%	4.60%	25,000	3.60%	4.60%	4.60%
13	Promissory Note	15-Mar-17	21,000	3.02%	4.02%	4.02%	21,000	3.02%	4.02%	4.02%
14	Promissory Note	29-Mar-19	-	-	-	-	6,000	4.10%	5.10%	5.10%
15	Promissory Note	15-Sep-19	-	-	-	-	18,000	4.10%	5.10%	5.10%
16	Promissory Note	9-Dec-19	-	-	-	-	15,000	4.10%	5.10%	5.10%
17	Total long-term advances									
18	from associates and affiliates		\$ 149,500	3.69%	4.69%	4.69%	\$ 149,500	3.71%	4.71%	4.71%

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

Enbridge Gas New Brunswick

Notes to 2018-19 Budget Regulatory Financial Results
For the year ended December 31, 2018-19

(in thousands of dollars)

Note 7 Other Regulated Liabilities

	<u>2018</u>	<u>2019</u>
1		
2 Accounts Payable	\$ 5,872	\$ 5,671
3 Long Term Payable	142	143
4 Long Term Deferred Post Employment Liabilities	<u>2,555</u>	<u>2,555</u>
5	<u>\$ 8,569</u>	<u>\$ 8,369</u>

Enbridge Gas New Brunswick

Notes to 2018-19 Budget Regulatory Financial Results

For the year ended December 31, 2018-19

(in thousands of dollars)

Note 8 Operating Revenue

a. Gas Distribution

1	2018			2019		
	2 3 Revenue	Customers	Throughput TJs	Revenue	Customers	Throughput TJs
4 Small General Service (SGS)	\$ 7,735	8,213	613	\$ 7,937	8,267	615
5 Mid-General Service (MGS)	13,961	3,158	1,123	14,417	3,251	1,159
6 Large General Service (LGS)	13,061	396	1,593	13,658	404	1,663
7 Contract General Service (CGS)	4,810	76	727	4,902	76	743
8 Industrial Contract General Service (ICGS)	6,363	9	1,725	6,363	9	1,725
9 Off-Peak Service (OPS)	151	16	23	151	16	23
10 Total	<u>\$ 46,081</u>	<u>11,868</u>	<u>5,804</u>	<u>\$ 47,428</u>	<u>12,023</u>	<u>5,928</u>

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

Enbridge Gas New Brunswick

Notes to 2018-19 Budget Regulatory Financial Results

For the year ended December 31, 2018-19

(in thousands of dollars)

Note 8 Operating Revenue (continued)

b. Miscellaneous

1	<u>2018</u>	<u>2019</u>
2 Agent billing and collection	\$ 175	\$ 180
3 Other miscellaneous revenue	<u>1,113</u>	<u>718</u>
4 Total miscellaneous	<u>\$ 1,288</u>	<u>\$ 898</u>

5 Details of Agent Billing and Collection Revenue

6 (in dollars)

7	<u>2018</u>	<u>2019</u>
8 Small General Service (SGS)	\$ 128,122	\$ 130,427
9 Mid-General Service (MGS)	33,992	35,863
10 Large General Service (LGS)	10,190	10,590
11 Contract General Service (CGS)	1,867	1,940
12 Industrial Contract General Service (ICGS)	384	391
13 Off-Peak Service (OPS)	<u>799</u>	<u>815</u>
14 Total agent billing and collection revenue	<u>\$ 175,354</u>	<u>\$ 180,026</u>

Enbridge Gas New Brunswick

Notes to 2018-19 Budget Regulatory Financial Results
For the year ended December 31, 2018-19

(in thousands of dollars)

Note 9 Operating and Maintenance Expenses

1		<u>2018</u>	<u>2019</u>
2	Corporate management	\$ 912	\$ 928
3	Corporate administration	422	482
4	Financial reporting	1,176	1,152
5	Information technology	1,634	1,599
6	Regulatory & upstream	847	864
7	Sales & marketing	1,496	1,549
8	Distribution & maintenance	5,104	5,186
9	Customer care	1,436	1,465
10	Human resources	2,693	2,482
11	Gas transportation and related activities	<u>1,587</u>	<u>1,586</u>
12	Total prior to capitalization	<u>17,307</u>	<u>17,293</u>
13	Property, plant & equipment	<u>3,561</u>	<u>3,670</u>
14	Total capitalized	<u>3,561</u>	<u>3,670</u>
15	Total expense	<u>\$ 13,746</u>	<u>\$ 13,623</u>

Enbridge Gas New Brunswick

Notes to 2018-19 Budget Regulatory Financial Results

For the year ended December 31, 2018-19

(in thousands of dollars)

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

1	<u>2018</u>	<u>2019</u>
2 Interest on long-term debt	\$ 6,893	\$ 6,907
3 AIDC - allowance for funds used during construction (debt component)	14	21
4 Total interest on amounts due to associates & affiliates and other interest	<u>\$ 6,907</u>	<u>\$ 6,928</u>

Note 11 Regulated Return on Equity

5	<u>2018</u>	<u>2019</u>
6 Regulated return on equity - Calculated	\$ 13,112	\$ 13,189
7 Budgeted amount that exceeds 10.9%	3,055	3,747
8 AEDC - allowance for funds used during construction (equity component)	28	40
9 Total regulated return on equity	<u>\$ 16,195</u>	<u>\$ 16,976</u>

Enbridge Gas New Brunswick

Notes to 2018-19 Budget Regulatory Financial Results
For the year ended December 31, 2018-19

(in thousands of dollars)

Note 12 Rate Base for Regulatory Purposes

1	<u>2018</u>	<u>2019</u>
2 Property, plant & equipment		
3 Cost	\$ 250,185	\$ 259,574
4 Accumulated amortization	<u>(71,110)</u>	<u>(76,267)</u>
5 Net	179,075	183,307
6 Deferred charges		
7 Franchise fee, at cost	1,500	1,500
8 Accumulated amortization	<u>(1,450)</u>	<u>(1,500)</u>
9 Net	50	-
10 Development O&M capitalized costs	114,952	114,952
11 Accumulated amortization	<u>(31,710)</u>	<u>(34,502)</u>
12 Net	83,242	80,450
13 Intangible Software	4,167	4,629
14 Accumulated amortization	<u>(2,571)</u>	<u>(2,669)</u>
15 Net	1,596	1,960
16 Deferral account	<u>-</u>	<u>-</u>
17 Total deferred charges	84,888	82,410
18 Term deposit	2,956	2,956
19 Working capital allowance	<u>1,297</u>	<u>1,298</u>
20 Total rate base	<u>\$ 268,216</u>	<u>\$ 269,971</u>
21 Average rate base	<u>\$ 267,323</u>	<u>\$ 268,880</u>

Enbridge Gas New Brunswick

Notes to 2018-19 Budget Regulatory Financial Results

For the year ended December 31, 2018-19

(in thousands of dollars)

Note 13 Capital Structure for Regulatory Purposes

1	<u>2018</u>	<u>2019</u>
2 Capital structure		
3 Long-term debt	\$ 149,500	\$ 149,500
4 Equity	<u>133,361</u>	<u>135,103</u>
5 Total	<u>\$ 282,861</u>	<u>\$ 284,603</u>
6 Capital structure percentage		
7 Long-term debt	52.85%	52.53%
8 Equity	<u>47.15%</u>	<u>47.47%</u>
9 Total	<u>100.00%</u>	<u>100.00%</u>
10 Capital structure average percentage for regulatory purposes		
11 Long-term debt	55.00%	55.00%
12 Equity	<u>45.00%</u>	<u>45.00%</u>
13 Total	<u>100.00%</u>	<u>100.00%</u>
14 Weighted cost of capital for regulatory purposes		
15 Long-term debt	2.58%	2.59%
16 Equity	<u>4.91%</u>	<u>4.91%</u>
17 Total	<u>7.49%</u>	<u>7.50%</u>

Enbridge Gas New Brunswick

Notes to 2018-19 Budget Regulatory Financial Results

For the year ended December 31, 2018-19

(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, 2018								
3 Corporate management	\$ -	\$ -	\$ 158	\$ -	\$ -	\$ 158	\$ 208	76%
4 Sales & marketing	-	-	-	-	-	-	103	0%
5 Human resources	253	-	15	-	-	268	279	96%
6 Distribution & maintenance	-	-	425	-	-	425	1,113	38%
7 Budget & regulatory	-	-	-	-	-	-	710	0%
8 Financial reporting	12	20	28	-	-	60	159	38%
9 Customer care	-	-	-	914	-	914	1,057	86%
10 Corporate administration	362	-	8	-	-	369	369	100%
11 Gas transportation & related	-	-	128	-	-	128	132	97%
12 Information technology	915	-	11	-	-	926	1,111	83%
13 Recoveries	-	-	-	(171)	(225)	(395)	(395)	100%
14 Total	\$ 1,542	\$ 20	\$ 773	\$ 743	\$ (225)	\$ 2,853	\$ 4,846	59%

	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
15 Consulting and Services								
16 For the period ending December 31, 2019								
17 Corporate management	\$ -	\$ -	\$ 158	\$ -	\$ -	\$ 158	\$ 208	76%
18 Sales & marketing	-	-	-	-	-	-	103	0%
19 Human resources	225	-	15	-	-	240	251	96%
20 Distribution & maintenance	-	-	418	-	-	418	1,106	38%
21 Budget & regulatory	-	-	-	-	-	-	711	0%
22 Financial reporting	12	20	44	-	-	75	174	43%
23 Customer care	-	-	-	914	-	914	1,057	86%
24 Corporate administration	470	-	8	-	-	478	478	100%
25 Gas transportation & related	-	-	128	-	-	128	132	97%
26 Information technology	913	-	11	-	-	924	1,040	89%
27 Recoveries	-	-	-	(171)	(225)	(396)	(396)	100%
28 Total	\$ 1,620	\$ 20	\$ 782	\$ 743	\$ (225)	\$ 2,939	\$ 4,864	60%