

SCHEDULE 4.1

2014 Actuals

Enbridge Gas New Brunswick
 Balance Sheet for Regulatory Purposes
 For the year ended December 31, 2014

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

2 (in thousands of dollars)

3	Assets	2014	2013
4	Regulated Assets		
5	Property, Plant and Equipment (Note 2)		
6	Gas Distributor Plant in Service - Net (includes AFUDC capitalized during 2014 of \$6.88)	\$ 173,068	\$ 173,933
7	Construction Work In Progress - Gas Distributor Plant	1,357	824
8	Total Property, Plant & Equipment	174,425	174,757
9	Deferred Charges		
10	Deferred Development Costs - Net (Note 3)	350	425
11	Development O&M Capitalized Costs - Net (Note 4)	94,409	97,201
12	Total Deferred Charges	94,759	97,626
13	Short Term Investments	2,962	2,971
14	Total Regulated Rate Base Assets	272,146	275,354
15	Other Regulated Assets (Note 5)	34,934	31,767
16	Total Regulated Assets	307,080	307,121
17	Regulatory Deferral (Note 1)	180,147	179,317
18	Total Assets	\$ 487,227	\$ 486,438
19	Liabilities and Partner's Equity		
20	Partner's Equity (Ratebase) (Note 1)	143,944	\$ 141,857
21	Long-term Advances from Associates and Affiliates (Notes 1 and 6)	149,500	124,500
22	Other Regulated Liabilities (Note 7)	13,636	40,764
23		\$ 307,080	\$ 307,121
24	Partner's Equity (Regulatory Deferral)	180,147	179,317
25	Total Liabilities and Equity	\$ 487,227	\$ 486,438

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 Income for Regulatory Purposes
 For the year ended December 31, 2014

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

2 (in thousands of dollars)

	2014		2013
4 Revenue			
5 Operating Revenue (Note 8)			
6 Gas distribution	\$ 45,651		\$ 44,208
7 Miscellaneous	758		429
8 Allowance for Funds Used During Construction	7		45
	46,416		44,682
9 Service & Inspection			
10 Revenue	757		725
11 Cost of goods sold	(403)		(489)
12	354		236
13 Total Revenue	46,770		44,918
14 Expenses			
15 Operating Expenses			
16 Operating and maintenance expenses (Note 9)	11,445	\$ 1.73	11,770
17 Transportation (net)	1,671	0.25	1,719
18	13,116	1.98	13,489
19 Other Expenses	16	0.00	15
20 Bad debt expense	434	0.07	327
21 Amortization of Property, Plant and Equipment	7,753	1.17	7,271
22 Municipal and Other Taxes	1,178	0.18	1,190
23 Interest on Amounts Due to Associates & Affiliates and Other Interest	8,843	1.33	9,230
24 Amortization of Deferred Development Costs	2,867	0.43	2,898
25 Total Expenses	34,207	\$ 5.16	34,420
26 Income before Extraordinary Items, Regulatory Deferral and Return on Rate Base	12,564		10,498
27 Regulatory Deferral	829		2,308
28 Regulated Return on Equity	\$ 13,393		\$ 12,806
29	Total GJs		6,634,731

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

Enbridge Gas New Brunswick

Notes to 2014 Regulatory Financial Results
For the year ended December 31, 2014

1 Note 1 Financial Statement Effects of Rate Regulation and Legislative Changes

2 The Partnership's primary business activities are subject to regulation by the New Brunswick Energy and
3 Utilities Board (EUB). The Partnership 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 Partnership accounts for
10 transactions or events and how they would be accounted for if the Partnership 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 Partnership 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 Partnership, 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 Partnership had been subject to non-traditional regulation which recognized its immature nature.
31 Unlike many similar utilities, the Partnership's rates were not set on a cost based methodology. Prior to
32 October 1, 2012, the Partnership'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. This rate setting
34 methodology had been approved by the EUB for use during the development period after which rates
35 are expected to be cost based.

Enbridge Gas New Brunswick

Notes to 2014 Regulatory Financial Results
For the year ended December 31, 2014

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 Partnership. The legislation subsequently received
4 proclamation on January 18, 2012, with the supporting Rates and Tariffs Regulation being filed April 16,
5 2012. As a result of the legislation, effective March 1, 2012, the Partnership was directed to combine the
6 Small General Service Residential Oil (SGSRO) and Small General Service Residential Electric
7 (SGSRE) rate classes into a single Small General Service Residential (SGSR) class and apply the
8 SGSRE distribution rate to all customers. In addition, effective October 1, 2012, the Partnership was
9 directed to establish new rate classes for all customers, with rates to be based on the lesser of the
10 market based rate, or the cost of service rate with an allowed multiplier to allow for a level of cross-
11 subsidization with a revenue to cost ratio not exceeding 1.2:1 for any class of customer. The regulation
12 also stipulated the target saving level and alternative fuel sources to be used in determining the market
13 based rates.

14 In May 2013, in response to an appeal launched by the Partnership, the New Brunswick Court of Appeal
15 ruled that Section 4(1) of the legislation restricting the revenue to cost ratio to 1.2:1 was ultra vires. In
16 response, the Partnership filed a rate variance application with the Board and received new rates
17 effective August 1, 2013 which allowed the Partnership to establish rates for cost of service customers
18 without rate caps imposed.

19 In January 2014, the EUB requested the Partnership to file a rate rider for the Small General Service
20 (SGS) rate class due to the high commodity prices. The reduced distribution rates were effective from
21 February 1, 2014 to April 30, 2014 resulting in the Partnership not having the opportunity to recover all of
22 its costs in 2014. The EUB approved the 2014 cost of service rates for all other rate classes effective
23 May 1, 2014, as well as a fixed 2014 distribution rate for SGS at \$10.00.

24 The legislation noted above also provided direction with regards to the regulatory deferral account, which
25 the EUB had historically approved to capture the difference between the Partnership's regulated
26 revenues and its revenue requirement, which non-regulated enterprises would not recognize. Based on
27 the legislative changes, the Partnership is no longer permitted to depreciate, amortize, earn a return on,
28 or otherwise consider the regulatory deferral account when calculating its revenue requirement. In
29 response to this legislation, the Partnership has not considered the deferral account for the purpose of
30 establishing the revenue requirement. However, it will remain as an asset on Enbridge Gas New
31 Brunswick's balance sheet as it remains an asset of the Partnership for regulatory purposes. Similarly,
32 the capital structure associated with the regulatory deferral account will also remain on the balance
33 sheet. However, the debt and equity associated with the regulatory deferral account are not considered
34 when calculating the allowed rate of return for the Partnership.

Enbridge Gas New Brunswick
Notes to 2014 Regulatory Financial Results
For the year ended December 31, 2014

(in thousands of dollars)

Note 2 Property, Plant & Equipment

			2014	2013	
	Cost	Accumulated Amortization	Net Book Value	Net Book Value	Rates of Amortization
4 Property, plant & equipment					
5 General plant					
6 Computer hardware & software	\$ 3,300	\$ (2,889)	\$ 411	\$ 725	28.80%
7 Tools and work equipment	1,699	(484)	1,215	1,479	20.00%
8 Office furniture and equipment	489	(204)	285	304	4.40%
9 Transportation	1,395	(878)	517	794	18.45%
10 Communications	81	(81)	-	-	28.80%
11 Incentives	236	(65)	171	222	20.00%
12 Leasehold improvements	698	(557)	141	236	1
13 Subtotal	<u>7,898</u>	<u>(5,158)</u>	<u>2,740</u>	<u>3,760</u>	
14 Distribution plant					
15 Land	375	-	375	375	-
16 Rights of way and easements	189	-	189	156	-
17 Distribution mains	121,580	(24,942)	96,638	97,880	2.43%
18 Street services	59,545	(14,442)	45,103	44,107	3.83%
19 Meters and regulators	22,566	(3,880)	18,686	17,826	4.46%
20 Stations	14,522	(5,185)	9,337	9,829	4.40%
21 Subtotal	<u>218,777</u>	<u>(48,449)</u>	<u>170,328</u>	<u>170,173</u>	
22 Total plant in service	226,675	(53,607)	173,068	173,933	
23 Construction work in progress	<u>1,357</u>		<u>1,357</u>	<u>\$ 824</u>	-
24 Total property, plant & equipment	<u>\$ 228,032</u>	<u>\$ (53,607)</u>	<u>\$ 174,425</u>	<u>\$ 174,757</u>	

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

Enbridge Gas New Brunswick
 Notes to 2014 Regulatory Financial Results
 For the year ended December 31, 2014

(in thousands of dollars)

Note 3 Deferred Development Costs - Net

			<u>2014</u>	<u>2013</u>		
	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net Book Value</u>	<u>Net Book Value</u>	<u>Rates of Amortization</u>	
1						
2						
3						
4	Franchise fee	\$ 1,500	\$ (1,150)	\$ 350	\$ 425	5.00%
5	Deferred carrying costs	1,784	(1,784)	-	-	20.00%
6	Total deferred development costs, net	<u>\$ 3,284</u>	<u>\$ (2,934)</u>	<u>\$ 350</u>	<u>\$ 425</u>	

Note 4 Development O&M Capitalized Costs – Net

			<u>2014</u>	<u>2013</u>	
	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net Book Value</u>	<u>Net Book Value</u>	
7					
8					
9					
10	Development O&M capitalized costs	\$ 114,952	\$ (20,543)	\$ 94,409	\$ 97,201
11	Total development O&M capitalized costs, net	<u>\$ 114,952</u>	<u>\$ (20,543)</u>	<u>\$ 94,409</u>	<u>\$ 97,201</u>

Enbridge Gas New Brunswick

Notes to 2014 Regulatory Financial Results

For the year ended December 31, 2014

(in thousands of dollars)

Note 5 Other Regulated Assets

1	<u>2014</u>	<u>2013</u>
2 Cash & Short Term Investments	\$ 8,394	\$ 8,697
3 Accounts Receivable	22,206	19,941
4 Inventory	1,028	1,110
5 Long term receivable	<u>3,306</u>	<u>2,019</u>
6	<u>\$ 34,934</u>	<u>\$ 31,767</u>

Enbridge Gas New Brunswick
Notes to 2014 Regulatory Financial Results
For the year ended December 31, 2014

(in thousands of dollars)

Note 6 Long-term Advances from Associates and Affiliates

	Issue Date	Maturity Date	Amount	2014 Cost of Debt			Amount	2013 Cost of Debt			
				Enbridge Inc.	EGNB	Regulated		Enbridge Inc.	EGNB	Regulated	
4	Promissory Note	23-Mar-04	24-Mar-14	-	-	-	-	5,000	5.33%	6.69%	6.33%
5	Promissory Note	30-Nov-04	28-Nov-14	-	-	-	-	21,000	5.69%	6.95%	6.69%
6	Promissory Note	30-Mar-05	30-Mar-15	6,000	5.04%	6.93%	6.04%	6,000	5.04%	6.93%	6.04%
7	Promissory Note	28-Dec-05	28-Dec-15	14,000	4.59%	6.53%	5.59%	14,000	4.59%	6.53%	5.59%
8	Promissory Note	19-Dec-06	19-Dec-16	18,000	4.82%	6.52%	5.82%	18,000	4.82%	6.52%	5.82%
9	Promissory Note	20-Dec-07	20-Dec-17	20,000	5.54%	5.85%	6.54%	20,000	5.54%	5.85%	6.54%
10	Promissory Note	9-Dec-09	9-Dec-19	15,000	4.63%	5.63%	5.63%	15,000	4.63%	5.63%	5.63%
11	Promissory Note	22-Sep-10	22-Sep-15	4,000	3.25%	4.25%	4.25%	4,000	3.25%	4.25%	4.25%
12	Promissory Note	30-Dec-11	30-Dec-21	14,000	4.50%	5.50%	4.50%	14,000	4.50%	5.50%	4.50%
13	Promissory Note	8-Jan-13	8-Jan-20	7,500	3.67%	4.67%	4.67%	7,500	3.67%	4.67%	4.67%
14	Promissory Note	24-Feb-14	26-Feb-18	25,000	4.16%	5.16%	5.16%	-	-	-	-
15	Promissory Note	24-Mar-14	24-Mar-17	5,000	3.69%	4.69%	4.69%	-	-	-	-
16	Promissory Note	29-Dec-14	28-Dec-18	21,000	3.72%	4.72%	4.72%	-	-	-	-
17	Total long-term advances										
18	from associates and affiliates			\$ 149,500	4.65%	5.86%	5.65%	\$ 124,500	5.04%	6.25%	6.03%

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 2014 Regulatory Financial Results
 For the year ended December 31, 2014

(in thousands of dollars)

Note 7 Other Regulated Liabilities

1	<u>2014</u>	<u>2013</u>
2 Due to Affiliated Companies	\$ -	\$ 25,000
3 Accounts Payable	8,258	12,648
4 Long Term Payable	1,067	2,115
5 Long Term Deferred Post Employment Liabilities	4,311	1,001
	<u>\$ 13,636</u>	<u>\$ 40,764</u>

Enbridge Gas New Brunswick

Notes to 2014 Regulatory Financial Results

For the year ended December 31, 2014

(in thousands of dollars)

Note 8 Operating Revenue

a. Gas Distribution

	2014			2013		
	Revenue	Customers	Throughput TJs	Revenue	Customers	Throughput TJs
1						
2						
3						
4 Small general service (SGS)	\$ 9,713	10,245	937	\$ 12,843	10,144	932
5 Mid-general service (MGS)	12,698	1,399	935	11,729	1,480	966
6 Large general service (LGS)	9,554	436	1,218	8,016	423	1,152
7 Contract general service (CGS)	5,720	87	1,089	5,468	98	1,100
8 Industrial contract general service (ICGS)	7,758	11	2,404	5,953	10	2,351
9 Off peak service (OPS)	208	15	51	199	15	51
10 Total	<u>\$ 45,651</u>	<u>\$ 12,193</u>	<u>\$ 6,634</u>	<u>\$ 44,208</u>	<u>\$ 12,170</u>	<u>\$ 6,552</u>

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

Enbridge Gas New Brunswick
Notes to 2014 Regulatory Financial Results
For the year ended December 31, 2014

(in thousands of dollars)

Note 8 Operating Revenue (continued)

b. Miscellaneous

1	<u>2014</u>	<u>2013</u>
2 Agent billing and collection	\$ 176	\$ 174
3 Other miscellaneous revenue	<u>582</u>	<u>255</u>
4 Total miscellaneous	<u>\$ 758</u>	<u>\$ 429</u>
5 Details of Agent Billing and Collection Revenues		
6 (in dollars)		
	<u>2014</u>	<u>2013</u>
7 Agent billing and collection		
8 Small general service (SGS)	\$ 139,213	\$ 136,831
9 Mid-general service (MGS)	19,865	20,312
10 Large general service (LGS)	13,646	12,855
11 Contract general service (CGS)	2,561	2,454
12 Industrial contract general service (ICGS)	364	401
13 Off peak service (OPS)	<u>714</u>	<u>715</u>
14 Total agent billing and collection revenue	<u>\$ 176,363</u>	<u>\$ 173,568</u>

Enbridge Gas New Brunswick

Notes to 2014 Regulatory Financial Results

For the year ended December 31, 2014

(in thousands of dollars)

Note 9 Operating and Maintenance Expenses

1	<u>2014</u>	<u>2013</u>
2 Corporate management	\$ 1,062	\$ 2,572
3 Corporate administration	464	858
4 Financial reporting	947	907
5 Information technology	1,216	1,108
6 Regulatory & upstream	1,123	613
7 Sales & marketing	1,007	999
8 Distribution & maintenance	5,201	5,813
9 Customer care	1,214	1,147
10 Human resources	3,768	2,896
11 Gas transportation and related activities	<u>1,671</u>	<u>1,719</u>
12 Total prior to capitalization	<u>17,673</u>	<u>18,632</u>
13 Total capitalized	<u>4,557</u>	<u>5,143</u>
14 Total expense	<u>\$ 13,116</u>	<u>\$ 13,489</u>

Enbridge Gas New BrunswickNotes to 2014 Regulatory Financial Results
For the year ended December 31, 2014

(in thousands of dollars)

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

1	<u>2014</u>	<u>2013</u>
2 Interest on long-term debt	\$ 8,537	\$ 9,212
3 Other interest (revenue)/expense	303	-
4 AIDC - allowance for funds used during construction (debt component)	<u>3</u>	<u>18</u>
5 Total interest on amounts due to associates & affiliates and other interest	<u>\$ 8,843</u>	<u>\$ 9,230</u>

Note 11 Regulated Return on Equity

6	<u>2014</u>	<u>2013</u>
7 Regulated return on equity	\$ 13,389	\$ 12,779
8 AEDC - allowance for funds used during construction (equity component)	<u>4</u>	<u>27</u>
9 Total regulated return on equity	<u>\$ 13,393</u>	<u>\$ 12,806</u>

Enbridge Gas New Brunswick
Notes to 2014 Regulatory Financial Results
For the year ended December 31, 2014

(in thousands of dollars)

Note 12 **Rate Base for Regulatory Purposes**

1	<u>2014</u>	<u>2013</u>
2 Property, plant & equipment		
3 Cost	\$ 226,676	\$ 220,615
4 Accumulated amortization	<u>(53,608)</u>	<u>(46,682)</u>
5 Net	173,068	173,933
6 Deferred charges		
7 Franchise fee, at cost	1,500	1,500
8 Accumulated amortization	<u>(1,150)</u>	<u>(1,075)</u>
9 Net	350	425
10 Development O&M capitalized costs	114,952	114,952
11 Accumulated amortization	<u>(20,543)</u>	<u>(17,751)</u>
12 Net	94,409	97,201
13 Deferred carrying costs, at cost	1,784	1,784
14 Accumulated amortization	<u>(1,784)</u>	<u>(1,784)</u>
15 Net	-	-
16 * Deferral account	<u>-</u>	<u>-</u>
17 Total deferred charges	94,759	97,626
18 Term deposit	2,962	2,971
19 Working capital allowance	<u>1,535</u>	<u>1,621</u>
20 Total rate base	<u>\$ 272,324</u>	<u>\$ 276,151</u>
21 Average rate base	<u>\$274,752</u>	<u>\$277,122</u>
22 * Deferral account excluded for rate making purposes		
23 Effective January 1, 2012		

Enbridge Gas New Brunswick
 Notes to 2014 Regulatory Financial Results
 For the year ended December 31, 2014

(in thousands of dollars)

Note 13 **Capital Structure for Regulatory Purposes**

1	<u>2014</u>	<u>2013</u>
2 Capital structure		
3 Long-term debt	\$ 149,500	\$ 124,500
4 Equity	<u>143,944</u>	<u>141,857</u>
5 Total	<u>\$ 293,444</u>	<u>\$ 266,357</u>

6 **Capital structure percentage**

7 Long-term debt	50.95%	46.74%
8 Equity	<u>49.05%</u>	<u>53.26%</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	3.10%	3.32%
16 Equity	<u>4.91%</u>	<u>4.91%</u>
17 Total	<u>8.01%</u>	<u>8.23%</u>

Enbridge Gas New Brunswick

Notes to 2014 Regulatory Financial Results

For the year ended December 31, 2014

(in thousands of dollars)

Note 14 Details of Affiliate Transactions

	Enbridge Inc.	Enbridge Gas Distribution Inc.	Gazifère Inc.	Enbridge Pipelines Inc.	Total Affiliate Consulting and Services	Total Consulting and Services	Affiliate Expenditure as Percent of Total Consulting and Services
2 For the period ending December 31, 2014							
3 Corporate management	\$ -	\$ 155	\$ -	\$ -	\$ 155	\$ 336	46%
4 Sales & marketing	-	-	-	-	-	461	0%
5 Human resources	142	34	-	-	175	203	86%
6 Distribution & maintenance	-	560	-	-	560	1,116	50%
7 Budget & regulatory	-	-	-	-	-	993	0%
8 Financial reporting	-	74	-	-	74	226	33%
9 Customer care	-	-	845	-	845	890	95%
10 Corporate administration	410	8	-	-	418	418	100%
11 Gas transportation & related	-	178	-	-	178	192	93%
12 Information technology	484	183	-	-	667	787	85%
13 Total	\$ 1,036	\$ 1,192	\$ 845	\$ -	\$ 3,072	\$ 5,622	55%
14 For the period ending December 31, 2013							
15 Corporate management	\$ 23	\$ 61	\$ -	\$ -	\$ 84	\$ 1,737	5%
16 Sales & marketing	-	-	-	-	-	484	0%
17 Human resources	26	41	-	-	67	199	34%
18 Distribution & maintenance	-	534	-	-	534	1,678	32%
19 Budget & regulatory	-	3	-	4	7	501	1%
20 Financial reporting	-	31	-	-	31	198	16%
21 Customer care	-	-	816	-	816	838	97%
22 Corporate administration	799	7	-	-	806	806	100%
23 Gas transportation & related	-	156	-	-	156	156	100%
24 Information technology	249	166	-	-	415	525	79%
25 Total	\$ 1,097	\$ 999	\$ 816	\$ 4	\$ 2,916	\$ 7,122	41%

Enbridge Gas New Brunswick
Notes to 2014 Regulatory Financial Results
For the year ended December 31, 2014

(in thousands of dollars)

Note 15 **Service & Inspection Profitability Margin**

1	<u>2014</u>	<u>2013</u>
2 Revenues as per regulatory financial statements	\$ 757	\$ 725
3	\$ 757	\$ 725
4 Less: Cost of goods sold		
5 COGS as per regulatory financial statements	\$ 403	\$ 489
6	\$ 403	\$ 489
7 Adjusted net margin	\$ 354	\$ 236
8 Less: Allocated expenses		
9 O&M expenses	\$ 360	\$ 370
10 Cost of capital	12	12
11 Depreciation	24	19
12 Billing services (Customer Care)	2	3
13 Bad debt expense	23	18
	<u>\$ 421</u>	<u>\$ 422</u>

Enbridge Gas New Brunswick
 Notes to 2014 Regulatory Financial Results
 For the year ended December 31, 2014

(in thousands of dollars)

Note 16 **Development Period Test**

1	<u>2014</u>	<u>2013</u>
2 Revenue Requirement	\$ 47,599	\$ 47,051
3 Capitalized O&M Expenses ¹	4,557	5,143
4 1 year amortization of Deferral Account ²	<u>-</u>	<u>5,971</u>
5 Total Revenue Requirement	\$ 52,156	\$ 58,165
6 Total Gas Distribution Revenues	<u>45,651</u>	<u>44,208</u>
7 Excess/(Shortfall)	<u>\$ (6,505)</u>	<u>\$ (13,957)</u>

8 ¹ Capitalized O&M expense represents amount capitalized to Property, Plant & Equipment

9 ² Assumes 30 year amortization period

Enbridge Gas New BrunswickNotes to 2014 Regulatory Financial Results
For the year ended December 31, 2014

(in thousands of dollars)

Note 17 System Expansion Portfolio Test

	<u>2014 Actual</u>	<u>2013 Actual</u>
1		
2 Capital		
3 Main	\$ 390	\$ 18
4 Service Line **	668	1,918
5 Sales Incentive	-	232
6 Meter & Regulators	122	-
7 O&M Capitalized to Main	1,080	1,563
8 O&M Capitalized to Service Line	1,951	2,753
9 O&M Capitalized to Meter & Regulators	1,229	-
10 Total Capital	<u>5,440</u>	<u>6,484</u>
11 Cost of Capital	8.01%	8.23%
12 Depreciation Rates		
13 Main	2.43%	2.43%
14 Service Line	3.83%	3.83%
15 Meter & Regulators	4.46%	NA
19 Sales Incentives	20.00%	20.00%
17 Net Annual Impact on Revenue Requirement		
18 Energy (GJs)	136,893	127,935
19 Revenue	\$ 684	\$ 1,208
20 Less:		
21 Depreciation: Mains (item 1 + item 5) * item 10	36	38
22 Depreciation: Service Line (item 2 + item 6) * item 11	100	179
23 Depreciation: Sales Incentive (item 3 * item 13)	-	46
24 Depreciation: Meter & Regulator (item 4 + item 7) * item 12	60	-
25 Cost of Capital (item 8 * item 9)	436	534
26 Annual Impact	<u>\$ 52</u>	<u>\$ 411</u>
27 Revenue/Cost Ratio	108%	152%

28 **includes Meters & Regulators in 2013 Actual