

SCHEDULE 4.1

2016 Actuals

Enbridge Gas New Brunswick
 Balance Sheet for Regulatory Purposes
 For the year ended December 31, 2016

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

2 (in thousands of dollars)

3	Assets	2016	2015
4	Regulated Assets		
5	Property, Plant and Equipment (Note 2)		
6	Gas Distributor Plant in Service - Net (includes AFUDC capitalized during 2016 of \$28.16)	\$ 173,628	\$ 173,573
7	Construction Work In Progress - Gas Distributor Plant	1,402	836
8	Total Property, Plant & Equipment	175,030	174,409
9	Deferred Charges		
10	Deferred Development Costs - Net (Note 3)	1,056	275
11	Development O&M Capitalized Costs - Net (Note 4)	88,826	91,618
12	Total Deferred Charges	89,882	91,893
13	Short Term Investments	2,972	2,966
14	Total Regulated Rate Base Assets	267,884	269,268
15	Other Regulated Assets (Note 5)	24,707	23,965
16	Total Regulated Assets	292,591	293,233
17	Regulatory Deferral (Note 1)	144,500	178,093
18	Total Assets	\$ 437,091	\$ 471,326
19	Liabilities and Partner's Equity		
20	Partner's Equity (Ratebase) (Note 1)	131,512	\$ 133,704
21	Long-term Advances from Associates and Affiliates (Notes 1 and 6)	149,500	149,500
22	Other Regulated Liabilities (Note 7)	11,579	10,029
23		\$ 292,591	\$ 293,233
24	Partner's Equity (Regulatory Deferral)	144,500	178,093
25	Total Liabilities and Equity	\$ 437,091	\$ 471,326

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, 2016

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

2 (in thousands of dollars)

	2016		2015
3			
4 Revenue			
5 Operating Revenue (Note 8)			
6 Gas distribution	\$ 42,578		\$ 46,999
7 Miscellaneous	757		663
8 Allowance for Funds Used During Construction	28		5
9	43,363		47,667
10 Service & Inspection			
11 Revenue	572		798
12 Cost of goods sold	(315)		(474)
13	257		323
14 Total Revenue	43,621		47,990
15 Expenses			
16 Operating Expenses			
17 Operating and maintenance expenses (Note 9)	10,690	\$ 1.94	10,754
18 Transportation (net)	1,577	0.29	1,401
19	12,267	2.22	12,156
20	207	0.04	
21 Other Expenses	404	0.07	43
22 Bad debt expense	159	0.03	515
22 Amortization of Property, Plant and Equipment	6,590	1.19	7,982
23 Municipal and Other Taxes	1,241	0.23	1,232
24 Interest on Amounts Due to Associates & Affiliates and Other Interest (Note 10)	7,508	1.36	7,874
25 Amortization of Deferred Development Costs	3,007	0.55	2,867
26 Total Expenses	30,978 31,172	\$ 5.65	32,670
27 Income before Extraordinary Items, Regulatory Deferral and Return on Rate Base	12,642 12,449		15,320
28 Regulatory Deferral	(33,593)		(2,053)
29 Regulated Return on Equity (Note 11)	\$ (20,951) \$ (21,144)		\$ 13,267
30 Total GJs	5,514,598		

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

Enbridge Gas New Brunswick

Notes to 2016 Regulatory Financial Results

For the year ended December 31, 2016

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. 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 2016 Regulatory Financial Results

For the year ended December 31, 2016

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. The legislation subsequently received
4 proclamation on January 18, 2012, with the supporting Rates and Tariffs Regulation being filed April 16,
5 2012.

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

Enbridge Gas New Brunswick
 Notes to 2016 Regulatory Financial Results
 For the year ended December 31, 2016

(in thousands of dollars)

Note 2 Property, Plant & Equipment

			2016	2015	
	Cost	Accumulated Amortization	Net Book Value	Net Book Value	Rates of Amortization
4 Property, plant & equipment					
5 General plant					
6 Computer hardware & software	\$ 1,177	\$ (726)	\$ 451	\$ 1,013	28.8%/8.87%
7 Tools and work equipment	1,844	(1,123)	721	936	20%/14.53%
8 Office furniture and equipment	464	(253)	211	238	4.4%/6.41%
9 Transportation	1,594	(1,095)	499	486	18.45%/6.32%
10 Communications	81	(81)	-	-	28.80%
11 Incentives	236	(126)	110	133	20.00%
12 Leasehold improvements	777	(709)	68	100 ¹	
13 Subtotal	6,173	(4,113)	2,060	2,906	
14 Distribution plant					
15 Land	375	-	375	375	-
16 Rights of way and easements	189	-	189	189	-
17 Distribution mains	125,584	(30,107)	95,477	95,818	2.43%/1.64%
18 Street services	63,802	(17,495)	46,307	45,470	3.83%/1.74%
19 Meters and regulators	22,800	(3,487)	19,313	18,642	4.46%/7.63%
20 Stations	16,313	(6,406)	9,907	10,173	4.4%/2.82%
21 Subtotal	229,063	(57,495)	171,568	170,667	
22 Total plant in service	235,236	(61,608)	173,628	173,573	
23 Construction work in progress	1,402		1,402	836	-
24 Total property, plant & equipment	\$ 236,638	\$ (61,608)	\$ 175,030	\$ 174,409	

25 ¹ Amortized over the term of the related leases.

Enbridge Gas New Brunswick
 Notes to 2016 Regulatory Financial Results
 For the year ended December 31, 2016

(in thousands of dollars)

Note 3 Deferred Development Costs - Net

			2016	2015		
	Cost	Accumulated Amortization	Net Book Value	Net Book Value	Rates of Amortization	
1						
2						
3						
4	Franchise fee	\$ 1,500	\$ (1,300)	\$ 200	\$ 275	5.00%
5	Intangible Software	3,193	(2,447)	746	-	28.8%/4.96%
5	Intangible Software - Construction work in progress	110	-	110	-	
6	Total deferred development costs, net	\$ 4,803	\$ (3,747)	\$ 1,056	\$ 275	

Note 4 Development O&M Capitalized Costs – Net

			2016	2015		
	Cost	Accumulated Amortization	Net Book Value	Net Book Value	Rates of Amortization	
7						
8						
9						
10	Development O&M capitalized costs	\$ 114,952	\$ (26,127)	\$ 88,825	\$ 91,618	2.43%
11	Total development O&M capitalized costs, net	\$ 114,952	\$ (26,127)	\$ 88,825	\$ 91,618	

Enbridge Gas New Brunswick

Notes to 2016 Regulatory Financial Results

For the year ended December 31, 2016

(in thousands of dollars)

Note 5 Other Regulated Assets

1	<u>2016</u>	<u>2015</u>
2 Cash & Short Term Investments	\$ 5,038	\$ 5,386
3 Accounts Receivable	17,164	16,969
4 Inventory	1,166	1,108
5 Long term receivable	<u>1,339</u>	<u>502</u>
6	<u>\$ 24,707</u>	<u>\$ 23,965</u>

Enbridge Gas New Brunswick
 Notes to 2016 Regulatory Financial Results
 For the year ended December 31, 2016

(in thousands of dollars)

Note 6 Long-term Advances from Associates and Affiliates

	Issue Date	Maturity Date	Amount	2016 Cost of Debt			Amount	2015 Cost of Debt			
				Enbridge Inc.	EGNB	Regulated		Enbridge Inc.	EGNB	Regulated	
4	Promissory Note	12-Dec-12	8-Aug-16	-	-	-	-	20,000	5.54%	5.85%	6.54%
5	Promissory Note	12-Dec-12	9-Dec-19	15,000	4.63%	5.63%	5.63%	15,000	4.63%	5.63%	5.63%
6	Promissory Note	12-Dec-12	30-Dec-21	14,000	3.50%	4.50%	4.50%	14,000	3.50%	4.50%	4.50%
7	Promissory Note	8-Jan-13	8-Jan-20	7,500	3.67%	4.67%	4.67%	7,500	3.67%	4.67%	4.67%
8	Promissory Note	24-Feb-14	26-Feb-18	25,000	4.16%	5.16%	5.16%	25,000	4.16%	5.16%	5.16%
9	Promissory Note	24-Mar-14	24-Mar-17	5,000	3.69%	4.69%	4.69%	5,000	3.69%	4.69%	4.69%
10	Promissory Note	29-Dec-14	28-Dec-18	21,000	3.72%	4.72%	4.72%	21,000	3.72%	4.72%	4.72%
11	Promissory Note	30-Mar-15	29-Mar-19	6,000	3.45%	4.45%	4.45%	6,000	3.45%	4.45%	4.45%
12	Promissory Note	15-Sep-15	15-Sep-19	18,000	3.84%	4.84%	4.84%	18,000	3.84%	4.84%	4.84%
13	Promissory Note	15-Sep-15	15-Sep-20	18,000	4.23%	5.23%	5.23%	18,000	4.23%	5.23%	5.23%
14	Promissory Note	8-Aug-16	9-Aug-21	20,000	3.55%	4.55%	4.55%	-	-	-	-
15	Total long-term advances										
16	from associates and affiliates			\$ 149,500	4.06%	5.01%	5.06%	\$ 149,500	4.27%	5.31%	5.27%

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

Enbridge Gas New Brunswick
 Notes to 2016 Regulatory Financial Results
 For the year ended December 31, 2016

(in thousands of dollars)

Note 7 Other Regulated Liabilities

1	<u>2016</u>	<u>2015</u>
2 Due to Affiliated Companies	\$ -	\$ -
3 Accounts Payable	8,044	7,472
4 Long Term Payable	980	880
5 Long Term Deferred Post Employment Liabilities	<u>2,555</u>	<u>1,677</u>
6	<u>\$ 11,579</u>	<u>\$ 10,029</u>

Enbridge Gas New Brunswick

Notes to 2016 Regulatory Financial Results

For the year ended December 31, 2016

(in thousands of dollars)

Note 8 Operating Revenue

a. Gas Distribution

	2016			2015		
	Revenue	Customers	Throughput TJs	Revenue	Customers	Throughput TJs
1						
2						
3						
4 Small general service (SGS)	\$ 5,186	8,279	577	\$ 4,907	8,288	631
5 Mid-general service (MGS)	12,536	3,071	1,007	15,653	3,117	1,186
6 Large general service (LGS)	12,323	377	1,355	13,443	435	1,529
7 Contract general service (CGS)	5,771	74	854	5,423	91	790
8 Industrial contract general service (ICGS)	6,612	9	1,698	7,319	9	1,848
9 Off peak service (OPS)	150	14	23	254	15	50
10 Total	<u>\$ 42,578</u>	<u>11,824</u>	<u>5,514</u>	<u>\$ 46,999</u>	<u>11,955</u>	<u>6,034</u>

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

Enbridge Gas New Brunswick
Notes to 2016 Regulatory Financial Results
For the year ended December 31, 2016

(in thousands of dollars)

Note 8 Operating Revenue (continued)

b. Miscellaneous

1	<u>2016</u>	<u>2015</u>
2 Agent billing and collection	\$ 189	\$ 189
3 Other miscellaneous revenue	<u>568</u>	<u>474</u>
4 Total miscellaneous	<u>\$ 757</u>	<u>\$ 663</u>
5 Details of Agent Billing and Collection Revenues		
6 (in dollars)		
	<u>2016</u>	<u>2015</u>
7 Agent billing and collection		
8 Small general service (SGS)	\$ 122,743	\$ 122,800
9 Mid-general service (MGS)	49,232	49,190
10 Large general service (LGS)	13,827	14,128
11 Contract general service (CGS)	1,981	2,092
12 Industrial contract general service (ICGS)	372	365
13 Off peak service (OPS)	<u>708</u>	<u>757</u>
14 Total agent billing and collection revenue	<u>\$ 188,863</u>	<u>\$ 189,332</u>

Enbridge Gas New Brunswick

Notes to 2016 Regulatory Financial Results

For the year ended December 31, 2016

(in thousands of dollars)

Note 9 Operating and Maintenance Expenses

1	<u>2016</u>	<u>2015</u>
2 Corporate management	\$ 1,085	\$ 1,105
3 Corporate administration	421	438
4 Financial reporting	1,150	1,367
5 Information technology	1,306	1,650
6 Regulatory & upstream	833	747
7 Sales & marketing	1,051	1,263
8 Distribution & maintenance	5,181	5,707
9 Customer care	1,308	1,234
10 Human resources	1,976	1,815
11 Gas transportation and related activities	<u>1,577</u>	<u>1,401</u>
12 Total prior to capitalization	<u>15,888</u>	<u>16,727</u>
13 Total capitalized	<u>3,621</u>	<u>4,571</u>
14 Total expense	<u>\$ 12,267</u>	<u>\$ 12,156</u>

Enbridge Gas New Brunswick
 Notes to 2016 Regulatory Financial Results
 For the year ended December 31, 2016

(in thousands of dollars)

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

1	<u>2016</u>	<u>2015</u>
2 Interest on long-term debt	\$ 7,479	\$ 7,862
3 Other interest (revenue)/expense	18	10
4 AIDC - allowance for funds used during construction (debt component)	<u>11</u>	<u>2</u>
5 Total interest on amounts due to associates & affiliates and other interest	<u>\$ 7,508</u>	<u>\$ 7,874</u>

Note 11 Regulated Return on Equity

6	<u>2016</u>	<u>2015</u>
7 Regulated return on equity - Calculated	\$ 13,115	\$ 13,264
8	(548)	
9 Disallowed return as per Matter 306	<u>(741)</u>	-
10 Write down to Regulatory Deferral as per legislation	(33,535)	-
11 AEDC - allowance for funds used during construction (equity component)	<u>17</u>	<u>3</u>
12	<u>\$ (20,951)</u>	
13 Total regulated return on equity	<u>\$ (21,144)</u>	<u>\$ 13,267</u>

Enbridge Gas New Brunswick
Notes to 2016 Regulatory Financial Results
For the year ended December 31, 2016

(in thousands of dollars)

Note 12 Rate Base for Regulatory Purposes

1	<u>2016</u>	<u>2015</u>
2 Property, plant & equipment		
3 Cost	\$ 235,236	\$ 233,441
4 Accumulated amortization	<u>(61,608)</u>	<u>(59,868)</u>
5 Net	173,628	173,573
6 Deferred charges		
7 Franchise fee, at cost	1,500	1,500
8 Accumulated amortization	<u>(1,300)</u>	<u>(1,225)</u>
9 Net	200	275
10 Development O&M capitalized costs	114,952	114,952
11 Accumulated amortization	<u>(26,127)</u>	<u>(23,335)</u>
12 Net	88,825	91,617
13 Intangible software, at cost	3,193	-
14 Accumulated amortization	<u>(2,447)</u>	<u>-</u>
15 Net	746	-
16 * Deferral account	<u>-</u>	<u>-</u>
17 Total deferred charges	89,771	91,892
18 Term deposit	2,972	2,966
19 Working capital allowance	<u>1,510</u>	<u>1,458</u>
20 Total rate base	<u>\$ 267,881</u>	<u>\$ 269,889</u>
21 Average rate base	<u>\$ 268,535</u>	<u>\$ 271,075</u>
22 * Deferral account excluded for rate making purposes		
23 Effective January 1, 2012		

Enbridge Gas New Brunswick
 Notes to 2016 Regulatory Financial Results
 For the year ended December 31, 2016

(in thousands of dollars)

Note 13 Capital Structure for Regulatory Purposes

1	<u>2016</u>	<u>2015</u>
2 Capital structure		
3 Long-term debt	\$ 149,500	\$ 149,500
4 Equity	<u>131,512</u>	<u>133,704</u>
5 Total	<u>\$ 281,012</u>	<u>\$ 283,204</u>

6 Capital structure percentage

7 Long-term debt	53.20%	52.79%
8 Equity	<u>46.80%</u>	<u>47.21%</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	2.78%	2.89%
16 Equity	<u>4.91%</u>	<u>4.91%</u>
17 Total	<u>7.69%</u>	<u>7.80%</u>

Enbridge Gas New Brunswick

Notes to 2016 Regulatory Financial Results

For the year ended December 31, 2016

(in thousands of dollars)

Note 14 Details of Affiliate Transactions

	Enbridge Inc.	Enbridge Gas Distribution Inc.	Enbridge Employee Services Canada Inc.	St. Lawrence Gas	Gazifère Inc.	Total Affiliate Consulting and Services	Total Consulting and Services	Expenditure as Percent of Total Consulting and Services
2 For the period ending December 31, 2016								
3 Corporate management	\$ -	\$ -	\$ 103	\$ -	\$ -	\$ 103	\$ 335	31%
4 Sales & marketing	-	-	-	-	-	-	138	0%
5 Human resources	156	-	13	-	-	169	177	96%
6 Distribution & maintenance	-	-	441	-	-	441	1,116	40%
7 Budget & regulatory	-	-	1	-	-	1	639	0%
8 Financial reporting	11	13	30	-	-	54	145	37%
9 Customer care	-	-	-	-	846	846	1,032	82%
10 Corporate administration	379	-	4	-	-	383	383	100%
11 Gas transportation & related	-	-	126	-	-	126	133	94%
12 Information technology	682	-	11	-	-	693	810	86%
13 Recoveries	-	-	-	(25)	-	(25)	(25)	100%
14 Total	\$ 1,228	\$ 13	\$ 729	\$ (25)	\$ 846	\$ 2,791	\$ 4,883	57%
15 For the period ending December 31, 2015								
16 Corporate management	\$ -	\$ 158	\$ -	\$ -	\$ -	\$ 158	\$ 379	42%
17 Sales & marketing	-	-	-	-	-	-	267	0%
18 Human resources	152	13	-	-	-	165	224	74%
19 Distribution & maintenance	-	485	-	-	-	485	1,778	27%
20 Budget & regulatory	-	3	-	-	-	3	613	0%
21 Financial reporting	3	127	7	-	-	137	343	40%
22 Customer care	-	-	-	-	821	821	946	87%
23 Corporate administration	371	9	-	-	-	380	380	100%
24 Gas transportation & related	-	124	-	-	-	124	124	100%
25 Information technology	918	11	-	-	-	930	1,135	82%
26 Total	\$ 1,444	\$ 930	\$ 7	\$ -	\$ 821	\$ 3,202	\$ 6,189	52%

Enbridge Gas New Brunswick
 Notes to 2016 Regulatory Financial Results
 For the year ended December 31, 2016

(in thousands of dollars)

Note 15 **Service & Inspection Profitability Margin**

1	<u>2016</u>	<u>2015</u>
2 Revenues as per regulatory financial statements	\$ 572	\$ 797
3	\$ 572	\$ 797
4 Less: Cost of goods sold		
5 COGS as per regulatory financial statements	\$ 315	\$ 474
6	\$ 315	\$ 474
7 Adjusted net margin	\$ 257	\$ 323
8 Less: Allocated expenses		
9 O&M expenses	\$ 263	\$ 288
10 Cost of capital	8	8
11 Depreciation	18	20
12 Billing services (Customer Care)	2	3
13 Bad debt expense	1	14
	<u>\$ 292</u>	<u>\$ 333</u>
14 Net revenue (loss)	<u>\$ (35)</u>	<u>\$ (10)</u>

Enbridge Gas New Brunswick
 Notes to 2016 Regulatory Financial Results
 For the year ended December 31, 2016

(in thousands of dollars)

Note 16 System Expansion Portfolio Test

	2016 Actual Revised	2016 Actual	2015 Actual
1			
2 Capital			
3 Main	\$ 134	\$ 1,084	\$ 652
4 Service Line	687	755	1,162
5 Sales Incentive	34	34	-
6 Meter & Regulators	545	545	118
7 O&M Capitalized to Main	574	679	647
8 O&M Capitalized to Service Line	1,481	1,481	1,461
9 O&M Capitalized to Meter & Regulators	416	416	547
10 Total Capital	<u>3,871</u>	<u>4,994</u>	<u>4,587</u>
11 Cost of Capital	7.69%	7.69%	7.81%
12 Depreciation Rates			
13 Main	1.64%	1.64%	2.43%
14 Service Line	1.74%	1.74%	3.83%
15 Meter & Regulators	7.63%	7.63%	4.46%
19 Sales Incentives	20.00%	20.00%	20.00%
17 Net Annual Impact on Revenue Requirement			
18 Energy (GJs)	37,536	37,536	83,424
19 Revenue	\$ 413	\$ 413	\$ 770
20 Less:			
21 Depreciation: Mains (item 1 + item 5) * item 10	12	29	32
22 Depreciation: Service Line (item 2 + item 6) * item 11	38	39	100
23 Depreciation: Sales Incentive (item 3 * item 13)	7	7	0
24 Depreciation: Meter & Regulator (item 4 + item 7) * item 12	73	73	30
25 Cost of Capital (item 8 * item 9)	298	384	358
26 Annual Impact	<u>\$ (15)</u>	<u>\$ (119)</u>	<u>\$ 250</u>
27 Revenue/Cost Ratio	96%	78%	148%

Variance between the 2016 Actual and the 2016 Actual Revised columns

The 2016 Actual column represents the SEP Test calculations as done in the past. All capital components are included regardless of links to customers in the Revenue.

The 2016 Actual Revised column represents a variation of how the Capital is composed. The Revised Capital only includes capital that is directly tied to customers included in the revenue portion of the test. The removed Capital components will be included in future SEP tests in the year the customer is turned on and tied to the associated revenue.

Although tying capital to revenue from customers has always been the objective of the SEP test, EGNB has not removed capital that did not directly link to the customers in the revenue portion of the test because EGNB passed the test easily even with the additional capital included. One exception was made in 2015 when capital was taken out for one relocation construction project because it was partially paid by Department of Transportation and Infrastructure.