

SCHEDULE 4
2012 Forecast

Enbridge Gas New Brunswick

Forecast Balance Sheet for Regulatory Purposes

As at December 31, 2012

(in thousands of dollars)

Assets	2012
Regulated Assets	
Property, Plant and Equipment (Note 2)	
Gas Distributor Plant in Service - Net (includes AFUDC capitalized during 2012 of \$164)	\$ 172,072
Construction Work In Progress - Gas Distributor Plant	2,009
Total Property, Plant & Equipment	174,081
 Deferred Charges	
Deferred Development Costs - Net (Note 3)	531
Development O&M Capitalized Costs - Net (Note 4)	99,937
Regulatory Deferral (Note 1)	178,747
Total Deferred Charges	279,215
Short Term Investments	2,978
Total Regulated Assets	456,274
 Non-Ratebase Assets (Note 5)	22,386
Total Assets	\$ 478,660
 Liabilities and Partner's Equity	
Partner's Equity (Note 1)	\$ 221,205
Long-term Advances from Associates and Affiliates (Notes 1 and 6)	238,987
Non-Ratebase Liabilities (Note 7)	18,468
Total Liabilities and Equity	\$ 478,660

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 Forecasted Income for Regulatory Purposes
For the year ended December 31, 2012

(in thousands of dollars)

	<u>2012</u>
Revenue	
Operating Revenue (Note 8)	
Gas distribution	\$ 50,582
Miscellaneous	402
Allowance for Funds Used During Construction	<u>164</u>
	51,148
Installation Services	
Revenue	1,750
Cost of goods sold	<u>(1,363)</u>
	387
Total Revenue	<u>51,535</u>
Expenses	
Operating Expenses	
Operating and maintenance expenses (Note 9)	17,982
Bad debt expense	365
Amortization of Property, Plant and Equipment	6,910
Municipal and Other Taxes	1,188
Interest on Amounts Due to Associates & Affiliates and Other Interest (Note 10)	8,653
Amortization of Deferred Development Costs	<u>2,957</u>
Total Expenses	<u>38,055</u>
Income before Extraordinary Items, Regulatory Deferral and Return on Rate Base	13,480
Regulatory Deferral (Note 1)	<u>-</u>
Income before Tax	<u>\$ 13,480</u>
Tax	<u>-</u>
Regulated Return on Equity (Note 11)	<u>\$ 13,480</u>

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

(in thousands of dollars)

Note 1 Financial Statement Effects of Rate Regulation and Legislative Changes

The Partnership's primary business activities are subject to regulation by the New Brunswick Energy and Utilities Board (EUB). The Partnership follows accounting practices prescribed by its regulator or stipulated in approved ratemaking decisions that are subject to examination and approval by the EUB and are similar to those being used by other enterprises in the gas distribution industry in Canada. Accordingly, the timing and recognition of certain revenues and expenses may differ from that otherwise expected under generally acceptable accounting principles (GAAP) applicable to non-regulated operations. The ultimate recoverability of costs incurred is dependent upon the approval of the EUB.

Rate regulation creates differences between the manner in which the Partnership accounts for transactions or events and how they would be accounted for if the Partnership was not subject to rate regulation. The differences in accounting treatment include:

The EUB permits an "allowance for funds used during construction" (AFUDC) to be included in the rate base. In addition, AFUDC is included in the cost of property, plant and equipment and is depreciated over future periods as part of the total cost of the related asset, based on the expectation that depreciation expense, including the AFUDC component, will be approved for inclusion in future rates. AFUDC for rate-regulated entities includes both an interest component and a cost of equity component. In the absence of rate regulation, GAAP would permit the capitalization of only the interest component. Therefore, the initial set up of the equity component as a capitalized asset and the corresponding revenue recognized during the construction phase would not be recognized nor would the subsequent depreciation of the asset.

As prescribed by the EUB, the Partnership does not recognize gains and losses on the sale of all of its natural gas in the statement of income and uses a purchase gas variance account to defer the gain or loss on sale. Non-regulated enterprises would normally account for the gain or loss in the statement of income or comprehensive income.

Enbridge Inc., on behalf of the Partnership, maintains a pension plan which provides defined benefit pension benefits to employees. As prescribed by the EUB, contributions made to the plan are expensed as paid, consistent with the recovery of such costs in rates. Under GAAP, pension costs and obligations for defined benefit pension plans are determined using the projected benefit method and are charged to income as services are rendered.

The Partnership had been subject to non-traditional regulation which recognized its immature nature. Unlike many similar utilities, the Partnership's rates were not set on a cost based methodology. Prior to October 1, 2012, the Partnership's rates were set exclusively based upon a market based methodology, and were based on a targeted savings over alternate fuel for end use customers. This rate setting methodology had been approved by the EUB for use during the development period after which rates are expected to be cost based.

(in thousands of dollars)

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

In December 2011, the Province of New Brunswick introduced legislation that outlined new rate classes, and a new rate setting methodology for the Partnership. The legislation subsequently received proclamation on January 18, 2012, with the supporting Regulation being filed April 16, 2012. As a result of the legislation, effective March 1, 2012, the Partnership was directed to combine the Small General Service Residential Oil (SGSRO) and Small General Service Residential Electric (SGSRE) rate classes into a single Small General Service Residential (SGSR) class and apply the SGSRE distribution rate to all customers. In addition, effective October 1, 2012, the Partnership was directed to establish new rate classes for all customers, with rates to be based on the lesser of the market based rate, or the cost of service rate with an allowed multiplier to allow for a level of cross-subsidization with a revenue to cost ratio not exceeding 1.2:1 for any class of customer. The regulation also stipulated the target savings level and alternative fuel sources to be used in determining the market based rates.

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

Enbridge Gas New BrunswickNotes to 2012 Forecasted Regulatory Financial Results
For the year ended December 31, 2012

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(in thousands of dollars)

Note 2 **Property, Plant & Equipment**

			2012	
	Cost	Accumulated Amortization	Net Book Value	Rates of Amortization
Property, plant & equipment				
General plant				
Computer hardware & software	\$ 4,008	\$ (3,079)	\$ 929	28.80%
Tools and work equipment	838	(278)	560	5.30%
Office furniture and equipment	480	(134)	346	4.40%
Transportation	1,523	(419)	1,104	11.80%
Communications	-	-	-	28.80%
Leasehold improvements	986	(535)	451	1
Subtotal	<u>7,835</u>	<u>(4,445)</u>	<u>3,390</u>	
Distribution plant				
Land	375	-	375	-
Rights of way and easements	156	-	156	-
Distribution mains	119,539	(18,757)	100,782	2.43%
Street services	54,483	(10,994)	43,489	3.83%
Meters and regulators	20,437	(4,170)	16,267	3.83%
Stations	11,255	(3,642)	7,613	4.40%
Subtotal	<u>206,245</u>	<u>(37,563)</u>	<u>168,682</u>	
Total plant in service	214,080	(42,008)	172,072	
Construction work in progress	<u>2,009</u>	<u>-</u>	<u>2,009</u>	-
Total property, plant & equipment	<u><u>\$ 216,089</u></u>	<u><u>\$ (42,008)</u></u>	<u><u>\$ 174,081</u></u>	

1 - Amortized over the term of the related leases.

Enbridge Gas New BrunswickNotes to 2012 Forecasted Regulatory Financial Results
For the year ended December 31, 2012

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(in thousands of dollars)

Note 3 Deferred Development Costs - Net

	2012		
	Cost	Accumulated Amortization	Net Book Value
Franchise fee	\$ 1,500	\$ (1,000)	\$ 500
Deferred carrying costs	1,784	(1,753)	31
Total deferred development costs, net	\$ 3,284	\$ (2,753)	\$ 531

Note 4 Development O&M Capitalized Costs – Net

	2012		
	Cost	Accumulated Amortization	Net Book Value
Development O&M capitalized costs	\$ 114,902	\$ (14,965)	\$ 99,937
Total development O&M capitalized costs, net	\$ 114,902	\$ (14,965)	\$ 99,937

Enbridge Gas New Brunswick

Notes to 2012 Forecasted Regulatory Financial Results
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(in thousands of dollars)

Note 5 **Non-Ratebase Assets**

	<u>2012</u>
Cash, & Short Term Investments	\$ 3,632
Accounts Receivable	14,299
Inventory	<u>4,455</u>
	<u>\$ 22,386</u>

Enbridge Gas New BrunswickNotes to 2012 Forecasted Regulatory Financial Results
For the year ended December 31, 2012

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(in thousands of dollars)

Note 6 **Long-term Advances from Associates and Affiliates**

	Issue Date	Maturity Date	Amount	2012 Cost of Debt		
				Enbridge Inc.	EGNB	Regulated
Promissory Note	30-Nov-04	28-Nov-14	\$ 5,339	5.69%	6.95%	6.69%
Promissory Note	30-Mar-05	30-Mar-15	6,000	5.04%	6.93%	6.04%
Promissory Note	28-Dec-05	28-Dec-15	14,000	4.59%	6.53%	5.59%
Promissory Note	19-Dec-06	19-Dec-16	21,000	4.82%	6.52%	5.82%
Promissory Note	20-Dec-07	20-Dec-17	29,000	5.54%	5.85%	6.54%
Promissory Note	25-Jun-09	25-Jun-14	25,000	4.37%	5.37%	5.37%
Promissory Note	9-Dec-09	9-Dec-19	21,000	4.63%	5.63%	5.63%
Promissory Note	24-Aug-10	24-Aug-15	12,000	3.22%	4.22%	4.22%
Promissory Note	22-Sep-10	22-Sep-15	9,000	3.25%	4.25%	4.25%
Promissory Note	30-Dec-11	30-Dec-21	18,000	4.50%	5.50%	5.50%
Regulated long-term advances from associates and affiliates			<u>\$ 160,339</u>	4.75%	5.88%	5.75%
Total long-term advances to fund Regulatory Deferral			<u>78,648</u>			
Total long-term advances from associates and affiliates			<u>\$ 238,987</u>			

Enbridge Gas New Brunswick

Notes to 2012 Forecasted Regulatory Financial Results
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(in thousands of dollars)

Note 7 **Non-Ratebase Liabilities**

	2012
Accounts Payable	\$ 16,004
Long Term Deferred Post Employment Liabilities	<u>2,464</u>
	<u><u>\$ 18,468</u></u>

Enbridge Gas New BrunswickNotes to 2012 Forecasted Regulatory Financial Results
For the year ended December 31, 2012

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(in thousands of dollars)

Note 8 Operating Revenue**a. Gas Distribution**

	2012		
	January 1 - September 30		
	Revenue	Customers	Throughput TJs
Small General Service (SGS) *	\$ 9,428	10,122	653
General Service (GS)	9,871	1,267	670
Contract General Service (CGS)	10,338	320	843
Contract Large General Service (CLGS-LFO)	5,517	29	1,074
Contract Large General Service (CLGS-HFO)	3,176	12	865
Contract Large Volume Off Peak (CLVOPS)	151	1	17
Off Peak Service	27	14	2
Sub-Total	<u>\$ 38,508</u>	<u>11,765</u>	<u>4,124</u>

	2012		
	October 1 - December 31		
	Revenue	Customers	Throughput TJs
Small General Service (SGS)	\$ 3,382	9,592	251
Mid-General Service (MGS)	3,103	1,757	266
Large General Service (LGS)	2,080	452	307
Contract General Service (CGS)	1,371	100	351
Industrial Contract General Service (ICGS)	2,111	10	593
Off Peak Service (OPS)	28	16	8
Sub-Total	<u>\$ 12,075</u>	<u>11,927</u>	<u>1,776</u>
Total	<u>\$ 50,583</u>	<u>11,927</u>	<u>5,900</u>

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

* SGS class for January - September includes SGSRE, SGSRO, SGSR and SGSC

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(in thousands of dollars)

Note 8 **Operating Revenue (continued)**

b. **Miscellaneous**

	<u>2012</u>
Agent billing and collection	\$ 135
Other miscellaneous revenue	<u>267</u>
Total miscellaneous	\$ <u>402</u>

Details of Agent Billing and Collection Revenues

(in dollars)

	<u>2012</u>
	<u>January 1 - September 30</u>
Agent billing and collection	
Small General Service (SGS)	\$ 81,910
General Service (GS)	11,001
Contract General Service (CGS)	6,153
Agent billing	
Contract Large General Service (CLGS-LFO)	617
Contract Large General Service (CLGS-HFO)	348
Contract Large Volume Service (CLVOPS)	45
Off Peak Service (OPS)	<u>581</u>
Sub-Total	\$ <u>100,655</u>

	<u>2012</u>
	<u>October 1 - December 31</u>
Small General Service (SGS)	\$ 27,954
Mid-General Service (MGS)	3,766
Large General Service (LGS)	2,112
Contract General Service (CGS)	180
Industrial Contract General Service (ICGS)	180
Off Peak Service (OPS)	<u>195</u>
Sub-Total	\$ <u>34,387</u>
Total agent billing and collection revenue	\$ <u>135,042</u>

Enbridge Gas New BrunswickNotes to 2012 Forecasted Regulatory Financial Results
For the year ended December 31, 2012

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(in thousands of dollars)

Note 9 **Operating and Maintenance Expenses**

	<u>2012</u>
Corporate management	\$ 1,916
Corporate administration	1,149
Financial reporting	686
Information technology	950
Regulatory & upstream	1,285
Sales & marketing	8,084
Distribution & maintenance	5,839
Customer care	1,356
Human resources	2,756
Gas transportation and related activities	<u>2,048</u>
Total	<u>26,069</u>
Capitalized to:	
Property, plant & equipment	8,087
Development O&M capitalized costs	<u>-</u>
Total capitalized	<u>8,087</u>
Total	<u><u>\$ 17,982</u></u>

Enbridge Gas New BrunswickNotes to 2012 Forecasted Regulatory Financial Results
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(in thousands of dollars)

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

	<u>2012</u>
Interest on long-term debt	\$ 8,587
AIDC - allowance for funds used during construction (debt component)	66
Total interest on amounts due to associates & affiliates and other interest	<u>\$ 8,653</u>

Note 11 Regulated Return on Equity

	<u>2012</u>
Regulated return on equity	\$ 13,382
AEDC - allowance for funds used during construction (equity component)	98
Total regulated return on equity	<u>\$ 13,480</u>

Enbridge Gas New BrunswickNotes to 2012 Forecasted Regulatory Financial Results
For the year ended December 31, 2012

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(in thousands of dollars)

Note 12 Rate Base for Regulatory Purposes

	<u>2012</u>
Property, plant & equipment	
Cost	\$ 214,080
Accumulated amortization	(42,008)
Net	<u>172,072</u>
Deferred charges	
Franchise fee, at cost	1,500
Accumulated amortization	(1,000)
Net	<u>500</u>
Development O&M capitalized costs	114,902
Accumulated amortization	(14,965)
Net	<u>99,937</u>
Deferred carrying costs, at cost	1,784
Accumulated amortization	(1,753)
Net	<u>31</u>
Deferral account	<u>-</u>
Total deferred charges	100,468
Term deposit	2,978
Working capital allowance	<u>2,104</u>
Total rate base	<u>\$ 277,622</u>
Average rate base	<u>\$ 273,132</u>

Enbridge Gas New Brunswick

Notes to 2012 Forecasted Regulatory Financial Results
 For the year ended December 31, 2012

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(in thousands of dollars)

Note 13 **Capital Structure for Regulatory Purposes**

	<u>2012</u>
Capital structure	
Long-term debt	\$ 160,339
Equity ¹	<u>121,106</u>
Total	<u><u>\$ 281,445</u></u>
 Capital structure percentage	
Long-term debt	56.97%
Equity	<u>43.03%</u>
Total	<u><u>100.00%</u></u>
 Capital structure average percentage for regulatory purposes	
Long-term debt	55.00%
Equity	<u>45.00%</u>
Total	<u><u>100.00%</u></u>
 Weighted cost of capital for regulatory purposes	
Long-term debt	3.16%
Equity	<u>4.91%</u>
Total	<u><u>8.07%</u></u>
 ¹ Regulated Equity	
	\$ 121,106
Equity to Fund Regulatory Deferral	<u>100,099</u>
Total Equity	<u><u>\$ 221,205</u></u>

Enbridge Gas New Brunswick

Notes to 2012 Forecasted Regulatory Financial Results
For the year ended December 31, 2012

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(in thousands of dollars)

Note 14 Details of Affiliate Transactions

Consulting and Services	Enbridge Inc.	Enbridge Gas Distribution Inc.	Gazifère Inc.	Total Affiliate Consulting and Services	Total Consulting and Services	Affiliate Expenditure as Percent of Total Consulting and Services
For the period ending December 31, 2012						
Corporate management	\$ 17	\$ 101	\$ -	\$ 118	\$ 987	12%
Sales & marketing	-	44	-	44	1,236	4%
Human resources	40	88	-	128	257	50%
Distribution & maintenance	-	661	-	661	1,736	38%
Budget & regulatory	-	-	-	-	1,170	0%
Financial reporting	35	14	-	49	103	48%
Customer care	-	67	722	789	806	98%
Corporate administration	1,073	4	-	1,077	1,077	100%
Gas transportation & related	-	105	-	105	109	96%
Information technology	82	209	-	291	386	75%
Total	\$ 1,247	\$ 1,293	\$ 722	\$ 3,262	\$ 7,867	41%