

SCHEDULE 7

2011 Budget

May 31, 2012

**Enbridge Gas New Brunswick**

Budget Balance Sheet for Regulatory Purposes

As at December 31, 2011

(in thousands of dollars)

<b>Assets</b>	<u>2011</u>
<b>Regulated Assets</b>	
<b>Property, Plant and Equipment (Note 1)</b>	
<b>Gas Distributor Plant in Service - Net (includes AFUDC capitalized during 2011 of \$12.6)</b>	\$ 166,571
<b>Construction Work In Progress - Gas Distributor Plant</b>	(7)
<b>Total Property, Plant &amp; Equipment</b>	<u>166,564</u>
<b>Deferred Charges</b>	
<b>Deferred Development Costs - Net (Note 2)</b>	671
<b>Development O&amp;M Capitalized Costs - Net (Note 3)</b>	106,942
<b>Regulatory Deferral</b>	176,984
<b>Total Deferred Charges</b>	<u>284,597</u>
<b>Short Term Investments</b>	<u>2,955</u>
<b>Total Regulated Assets</b>	<u>454,116</u>
<b>Non-Ratebase Assets (Note 4)</b>	<u>18,170</u>
<b>Total Assets</b>	<u>\$ 472,286</u>
	<b>Liabilities and Partner's Equity</b>
<b>Partner's Equity</b>	\$ 225,618
<b>Long-term Advances from Associates and Affiliates (Note 5)</b>	227,701
<b>Non-Ratebase Liabilities (Note 6)</b>	<u>18,967</u>
<b>Total Liabilities and Equity</b>	<u>\$ 472,286</u>

Rate Base for Regulatory Purposes – Note 11

Capital Structure for Regulatory Purposes – Note 12

Financial Statement Effects of Rate Regulation - Note 14

**Enbridge Gas New Brunswick**  
Statement of Budgeted Income for Regulatory Purposes  
For the year ended December 31, 2011

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(in thousands of dollars)

	<u>2011</u>
<b>Revenue</b>	
<b>Operating Revenue</b> (Note 7)	
Gas distribution	\$ 54,218
Miscellaneous	137
<b>Allowance for Funds Used During Construction</b>	<u>13</u>
	54,368
<b>Installation Services</b>	
Revenue	4,478
Cost of goods sold	<u>(3,562)</u>
	916
<b>Total Revenue</b>	<u>55,284</u>
<b>Expenses</b>	
<b>Operating Expenses</b>	
Operating and maintenance expenses (Note 8)	9,407
Bad debt expense	265
<b>Amortization of Property, Plant and Equipment</b>	6,533
<b>Municipal and Other Taxes</b>	1,186
<b>Interest on Amounts Due to Associates &amp; Affiliates and Other Interest</b> (Note 9)	14,137
<b>Amortization of Deferred Development Costs</b>	<u>2,911</u>
<b>Total Expenses</b>	<u>34,439</u>
<b>Income before Extraordinary Items, Regulatory Deferral and Return on Rate Base</b>	20,845
<b>Regulatory Deferral</b>	<u>6,445</u>
<b>Regulated Return on Equity</b> (Note 10)	<u>\$ 27,290</u>

Details of Affiliate Transactions – Note 13  
Financial Statement Effects of Rate Regulation - Note 14

**Enbridge Gas New Brunswick**

Notes to 2011 Budgeted Regulatory Financial Results  
For the year ended December 31, 2011

(in thousands of dollars)

Note 1 **Property, Plant & Equipment**

	<b>2011</b>			
	<b>Cost</b>	<b>Accumulated Amortization</b>	<b>Net Book Value</b>	<b>Rates of Amortization</b>
<b>Property, plant &amp; equipment</b>				
General plant				
Computer hardware & software	\$ 3,262	\$ (2,409)	\$ 853	28.80%
Tools and work equipment	816	(260)	556	5.30%
Office furniture and equipment	508	(131)	377	4.40%
Transportation	1,338	(296)	1,042	11.80%
Communications	-	-	-	28.80%
Leasehold improvements	928	(356)	572	<b>1</b>
Subtotal	<u>6,852</u>	<u>(3,452)</u>	<u>3,400</u>	
Distribution plant				
Land	375	-	375	-
Rights of way and easements	166	-	166	-
Distribution mains	116,630	(16,226)	100,404	2.43%
Street services	48,965	(9,137)	39,828	3.83%
Meters and regulators	18,282	(3,585)	14,697	3.83%
Stations	11,083	(3,382)	7,701	4.40%
Subtotal	<u>195,501</u>	<u>(32,330)</u>	<u>163,171</u>	
Total plant in service	202,353	(35,782)	166,571	
Construction work in progress	<u>(7)</u>	<u>-</u>	<u>(7)</u>	-
<b>Total property, plant &amp; equipment</b>	<u><u>\$ 202,346</u></u>	<u><u>\$ (35,782)</u></u>	<u><u>\$ 166,564</u></u>	

1 - Amortized over the term of the related leases.

**Enbridge Gas New Brunswick**Notes to 2011 Budgeted Regulatory Financial Results  
For the year ended December 31, 2011

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(in thousands of dollars)

**Note 2 Deferred Development Costs - Net**

	<u>2011</u>			
	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net Book Value</u>	<u>Rates of Amortization</u>
Franchise fee	\$ 1,500	\$ (938)	\$ 562	5.00%
Deferred carrying costs	1,784	(1,675)	109	20.00%
<b>Total deferred development costs, net</b>	<b><u>\$ 3,284</u></b>	<b><u>\$ (2,613)</u></b>	<b><u>\$ 671</u></b>	

**Note 3 Development O&M Capitalized Costs – Net**

	<u>2011</u>			
	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net Book Value</u>	<u>Rates of Amortization</u>
Development O&M capitalized costs	\$ 114,438	\$ (7,496)	\$ 106,942	2.43%
<b>Total development O&amp;M capitalized costs, net</b>	<b><u>\$ 114,438</u></b>	<b><u>\$ (7,496)</u></b>	<b><u>\$ 106,942</u></b>	

**Enbridge Gas New Brunswick**

Notes to 2011 Budgeted Regulatory Financial Results  
For the year ended December 31, 2011

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(in thousands of dollars)

Note 4      **Non-Rate Base Assets**

	<u>2011</u>
Cash, & Short Term Investments	\$ -
Accounts Receivable	14,083
Inventory	<u>4,087</u>
	<u>\$ 18,170</u>

**Enbridge Gas New Brunswick**Notes to 2011 Budgeted Regulatory Financial Results  
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(in thousands of dollars)

**Note 5 Long-term Advances from Associates and Affiliates**

	Issue Date	Maturity Date	Amount	2011 Cost of Debt		
				Enbridge Inc.	EGNB	Regulated
Promissory Note	28-Jun-02	29-Jun-12	6,000	6.08%	7.89%	7.08%
Promissory Note	23-Dec-02	24-Dec-12	7,500	6.50%	7.41%	7.50%
Promissory Note	26-Jun-03	27-Jun-13	13,000	5.62%	6.96%	6.62%
Promissory Note	30-Dec-03	30-Dec-13	14,000	5.34%	7.14%	6.34%
Promissory Note	23-Mar-04	24-Mar-14	14,000	5.33%	6.69%	6.33%
Promissory Note	30-Nov-04	28-Nov-14	21,000	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	19-Dec-08	19-Dec-13	15,000	6.85%	7.85%	7.85%
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	31-Aug-10	31-Aug-20	12,000	4.63%	5.63%	5.63%
Promissory Note	9-Dec-10	9-Dec-20	8,201	4.63%	5.63%	5.63%
Promissory Note	9-Dec-11	9-Dec-21	1,000	4.63%	5.63%	5.63%
Total long-term advances from associates and affiliates			\$ 227,701	5.24%	6.43%	6.24%

**Enbridge Gas New Brunswick**

Notes to 2011 Budgeted Regulatory Financial Results  
For the year ended December 31, 2011

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(in thousands of dollars)

Note 6      **Non-Ratebase Liabilities**

	<b>2011</b>
Short Term Indebtedness	\$     667
Accounts Payable	15,941
Long Term Deferred Post Employment Liabilities	<u>2,359</u>
	<u>\$ 18,967</u>



**Enbridge Gas New Brunswick**Notes to 2011 Budgeted Regulatory Financial Results  
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(in thousands of dollars)

Note 7 **Operating Revenue****a. Gas Distribution**

	<u>2011</u>		
	<b>Revenue</b>	<b>Customers</b>	<b>Throughput TJs</b>
Small general service (SGS)	\$ 12,642	9,905	956
General service (GS)	14,567	1,415	1,084
Contract general service (CGS)	16,001	321	1,216
Contract large general service (CLGS-LFO)	9,142	27	1,444
Contract large general service (CLGS-HFO)	1,698	8	1,094
Contract large volume off peak (CLVOPS)	-	-	-
Off peak service	167	15	20
	<u>167</u>	<u>15</u>	<u>20</u>
Total	<u>\$ 54,218</u>	<u>11,691</u>	<u>5,814</u>

**Enbridge Gas New Brunswick**Notes to 2011 Budgeted Regulatory Financial Results  
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(in thousands of dollars)

Note 7 **Operating Revenue (continued)****b. Miscellaneous**

	<u>2011</u>
Agent billing and collection	\$ 131
Other miscellaneous revenue	<u>6</u>
<b>Total miscellaneous</b>	<b><u>\$ 137</u></b>

**Details of Agent Billing and Collection Revenues**

(in dollars)

	<u>2011</u>
Agent billing and collection	
Small general service (SGS)	\$ 95,482
General service (GS)	21,037
Contract general service (CGS)	13,001
Agent billing	
Contract large general service (CLGS-LFO)	1,244
Contract large general service (CLGS-HFO)	288
Contract large volume service (CLVOPS)	-
Off peak service (OPS)	<u>420</u>
<b>Total agent billing and collection revenue</b>	<b><u>\$ 131,473</u></b>

**Enbridge Gas New Brunswick**Notes to 2011 Budgeted Regulatory Financial Results  
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(in thousands of dollars)

**Note 8 Operating and Maintenance Expenses**

	<u>2011</u>
Corporate management	\$ 1,099
Corporate administration	1,079
Financial reporting	785
Information technology	982
Regulatory & upstream	1,572
Sales & marketing	8,246
Distribution & maintenance	6,071
Customer care	1,374
Human resources	2,092
Gas transportation and related activities	<u>1,170</u>
<b>Total</b>	<u>24,470</u>
<b>Capitalized to:</b>	
Property, plant & equipment	3,895
Development O&M capitalized costs	<u>11,168</u>
<b>Total capitalized</b>	<u>15,063</u>
<b>Total</b>	<u>\$ 9,407</u>

**Enbridge Gas New Brunswick**Notes to 2011 Budgeted Regulatory Financial Results  
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(in thousands of dollars)

**Note 9 Interests on Amounts Due to Associates & Affiliates and Other Interest**

	<u>2011</u>
Interest on long-term debt	\$ 14,137
AIDC - allowance for funds used during construction (debt component)	4
<b>Total interest on amounts due to associates &amp; affiliates and other interest</b>	<b><u>\$ 14,141</u></b>

**Note 10 Regulated Returns on Equity**

	<u>2011</u>
Regulated return on equity	\$ 27,281
AEDC - allowance for funds used during construction (equity component)	9
<b>Total regulated return on equity</b>	<b><u>\$ 27,290</u></b>

**Enbridge Gas New Brunswick**Notes to 2011 Budgeted Regulatory Financial Results  
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(in thousands of dollars)

Note 11 **Rate Base for Regulatory Purposes**

	<u>2011</u>
<b>Property, plant &amp; equipment</b>	
Cost	\$ 202,353
Accumulated amortization	(35,782)
Net	<u>166,571</u>
<b>Deferred charges</b>	
Franchise fee, at cost	1,500
Accumulated amortization	(938)
Net	<u>562</u>
Development O&M capitalized costs	114,438
Accumulated amortization	(7,496)
Net	<u>106,942</u>
Deferred carrying costs, at cost	1,784
Accumulated amortization	(1,675)
Net	<u>109</u>
Deferral account	<u>176,984</u>
<b>Total deferred charges</b>	284,597
<b>Term deposit</b>	2,955
<b>Working capital allowance</b>	<u>1,327</u>
<b>Total rate base</b>	<u>\$ 455,450</u>
<b>Average rate base</b>	<u>\$ 440,578</u>

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(in thousands of dollars)

Note 12 **Capital Structure for Regulatory Purposes**

	<u>2011</u>
<b>Capital structure</b>	
Long-term debt	\$ 227,701
Equity	225,618
Total	<u>\$ 453,319</u>

**Capital structure percentage**

Long-term debt	50.23%
Equity	49.77%
Total	<u>100.00%</u>

**Capital structure average percentage for regulatory purposes**

Long-term debt	51.10%
Equity	48.90%
Total	<u>100.00%</u>

**Weighted cost of capital for regulatory purposes**

Long-term debt	3.19%
Equity	6.23%
Total	<u>9.42%</u>

**Enbridge Gas New Brunswick**Notes to 2011 Budgeted Regulatory Financial Results  
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(in thousands of dollars)

Note 13 **Details of Affiliate Transactions**

<b>Consulting and Services</b>	<b>Enbridge Operational Services</b>	<b>Enbridge Inc.</b>	<b>Enbridge Gas Distribution Inc.</b>	<b>Gazifère Inc.</b>	<b>Total Affiliate Consulting and Services</b>	<b>Total Consulting and Services</b>	<b>Affiliate Expenditure as Percent of Total Consulting and Services</b>
<b>For the period ending December 31, 2011</b>							
Corporate management	\$ -	\$ 186	\$ 48	\$ -	\$ 234	\$ 364	64%
Sales & marketing	-	-	-	-	-	1,215	0%
Human resources	-	422	106	-	528	692	76%
Distribution & maintenance	-	62	125	-	187	1,135	16%
Budget & regulatory	-	-	-	-	-	1,450	0%
Financial reporting	-	77	20	-	97	251	39%
Customer care	-	-	13	660	673	685	98%
Corporate administration	-	1,650	3	-	1,653	1,653	100%
Gas transportation & related	104	-	-	-	104	109	95%
Information technology	-	150	221	-	371	502	74%
<b>Total</b>	<b>\$ 104</b>	<b>\$ 2,547</b>	<b>\$ 536</b>	<b>\$ 660</b>	<b>\$ 3,847</b>	<b>\$ 8,056</b>	<b>48%</b>

(in thousands of dollars)

**Note 14 Financial Statement Effects of Rate Regulation**

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 Partnership is subject to non-traditional regulation which recognizes its immature nature. Unlike many similar utilities, the Partnership's rates are market, not cost, based. Rates charged by the Partnership are based on a targeted savings over alternate fuel for end use customers. This rate setting methodology has been approved by the EUB for use during the development period after which rates are expected to be cost based. The EUB has approved a regulatory deferral account to capture the difference between the Partnership's regulated revenues and its revenue requirement which non-regulated enterprises would not recognize.

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 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.

As allowed by the EUB, the Partnership capitalizes certain operating and maintenance expenses incurred during the Partnership's development period. Non-regulated enterprises may expense certain of these costs in the period incurred.

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.