

SECTION 4.0
2018 Regulatory Financial Statements

1 **4.0 2018 Regulatory Financial Statements**

2 EGNB’s 2018 Actuals have been filed as part of this Application and EGNB is seeking the Board’s
 3 approval of the 2018 Regulatory Financial Statements. EGNB recommends replacing certain of the
 4 filings to date in Matter 443 with the comparable files in this application.

5 EGNB has prepared the 2018 Regulatory Financial Statements in a similar format and manner to
 6 previous reviews.

7 **Return on Equity and the Gas Distribution Act**

8 As provided by section 52.03(2) of the Gas Distribution Act, 1999, EGNB is required to calculate any
 9 over-earnings in 2017, 2018 and 2019. The details of the 2018 calculation are found in the table below.

	2018A
10 1 Actual return on equity as per Statement of Income	18,567
AEDC - allowance for funds used during construction	
2 (equity component)	5
3 Allowed Rate of Return (Note 1)□	13,033
4 Excess earnings (Line 4 = Line 1 - Line 2 - Line 3)	<u>\$ 5,530</u>
<u>Sharing Mechanism</u>	
5 <=200bps (12.9%) - EGNB keeps excess (Note 2)	2,391
6 > 200bps balanced shared 50/50	3,138
7 Excess applied to deferral account (line 5 + 50% of line 6)	3,960
8 Excess returned to customers (50% of line 6)	\$ 1,569
9 9 Average Rate Base	\$ 265,706
10 10 Allowed Rate of Return (Rate Base x 45% x 10.9%)	<u>\$ 13,033</u>
11 11 Average Rate Base	\$ 265,706
12 12 Allowed Rate of Return (Rate Base x 45% x 12.9%)	<u>\$ 15,424</u>
13 13 Average Rate Base	\$ 265,706
14 14 Rate Base funded by equity (Average Rate Base x 45%)	\$ 119,568
15 15 Actual percentage return on equity	15.53%

11

12 For 2018, as earnings exceeded 12.9%, EGNB is required to share half of the excess “to reduce the
 13 revenue requirement of the general franchise holder for the following year and this reduction shall be
 14 applied to decrease rates and tariffs for one or more classes of customers other than the Small General
 15 Service class of customers for that year.” (section 52.03(2)(b)(ii)(B)). As provided in the letter

1 submitted to the Board on June 18, 2019, EGNB intends to apply the amount of \$1.569M as a
2 reduction to the 2020 revenue requirement and to all rate classes except the SGS class.

3 **SEP test**

4 After significant discussion during the hearing of Matter 398, the Board approved a three year SEP test
5 to replace the one year method. Based on the revised three year methodology, the revenue to cost ratio
6 for 2016 to 2018 is 123% on a target of 104%. Details can be found in Note 16 of Schedule 4.1 – 2018
7 Actuals.

8 The following information has been provided in support of the requested approval of the 2018
9 Regulatory Financial Statements:

- 10 • Schedule 4.1 - 2018 Actuals
11 • Schedule 4.2 - 2018 and 2019 Budgets
12 • Schedule 4.3 - 2018 Actuals to Budget Explanations

SCHEDULE 4.1

2018 Actuals

Enbridge Gas New Brunswick
 Balance Sheet for Regulatory Purposes
 For the year ended December 31, 2018

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

2 (in thousands of dollars)

3	Assets	2018	2017
4	Regulated Assets		
5	Property, Plant and Equipment (Note 2)		
6			
7	Gas Distributor Plant in Service - Net (includes AFUDC capitalized during 2018 of \$7.46)	\$ 176,038	\$ 174,580
8	Construction Work In Progress - Gas Distributor Plant	651	967
9			
10	Total Property, Plant & Equipment	176,689	175,547
11	Deferred Charges		
12	Deferred Development Costs - Net (Note 3)	1,702	1,273
13	Development O&M Capitalized Costs - Net (Note 4)	83,241	86,034
14	Total Deferred Charges	84,943	87,307
15	Short Term Investments	2,959	2,965
16			
17	Total Regulated Rate Base Assets	264,591	265,819
18	Other Regulated Assets (Note 5)	35,395	26,174
19			
20	Total Regulated Assets	299,986	291,993
21	Regulatory Deferral (Note 1)	139,516	143,523
22			
23	Total Assets	<u>\$ 439,502</u>	<u>\$ 435,516</u>
24	Liabilities and Partner's Equity		
25			
26	Partner's Equity (Ratebase) (Note 1)	\$ 135,290	\$ 130,913
27	Long-term Advances from Associates and Affiliates (Notes 1 and 6)	149,500	149,500
28	Other Regulated Liabilities (Note 7)	15,196	11,580
29			
30		<u>\$ 299,986</u>	<u>\$ 291,993</u>
31	Partner's Equity (Regulatory Deferral)	139,516	143,523
32			
33	Total Liabilities and Equity	<u>\$ 439,502</u>	<u>\$ 435,516</u>

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, 2018

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

2 (in thousands of dollars)

	2018	2017
3 Revenue		
4 Operating Revenue (Note 8)		
5 Gas distribution	\$ 46,938	\$ 43,760
6 Miscellaneous	1,628	931
7 Allowance for Funds Used During Construction	7	19
8	<u>48,573</u>	<u>44,710</u>
9 Service and Inspection		
10 Revenue	614	647
11 Cost of goods sold	(332)	(395)
12	<u>282</u>	<u>252</u>
13 Total Revenue	<u>48,855</u>	<u>44,962</u>
14 Expenses		
15 Operating Expenses		
16 Operating and maintenances (Note 9)	11,214	11,971
17 Transportation (net)	1,718	1,574
18 Total Operating and maintenance expenses	<u>12,932</u>	<u>13,545</u>
19 Other Expenses	59	196
20 Bad debt expense	132	108
21 Amortization of Property, Plant and Equipment	6,102	5,971
22 Municipal and Other Taxes	1,259	1,248
23 Interest on Amounts Due to Associates & Affiliates and Other Interest (Note 10)	6,875	6,977
24 Amortization of Deferred Development Costs	<u>2,929</u>	<u>2,913</u>
25 Total Expenses	<u>30,288</u>	<u>30,958</u>
26 Income before Extraordinary Items, Regulatory Deferral and Return on Rate Base	18,567	14,004
27 Excess returned to customers	(1,569)	-
28 Regulatory Deferral	<u>(4,007)</u>	<u>(978)</u>
29 Income before Tax	<u>\$ 12,991</u>	<u>\$ 13,026</u>
30 Regulated Return on Equity (Note 11)	<u>\$ 12,991</u>	<u>\$ 13,026</u>

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

Enbridge Gas New Brunswick

Notes to 2018 Regulatory Financial Results

For the year ended December 31, 2018

Note 1 Financial Statement Effects of Rate Regulation and Legislative Changes

The Public Utility's primary business activities are subject to regulation by the New Brunswick Energy and Utilities Board (EUB). The Public Utility 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 accepted 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 Public Utility accounts for transactions or events and how they would be accounted for if the Public Utility 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 Public Utility does not recognize gains and losses on the sale of Enbridge Utility Gas (EUG) 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 Public Utility, 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.

On December 16, 2016, the Government of New Brunswick enacted amendments to the Gas Distribution Act, 1999. The General Franchise Agreement was extended for an additional 25 years with an additional 25 year option. The legislation modified the current approach to setting rates from a combination of cost of service and market based rates to a cost of service approach only. The amendments allowed for an annual increase of 3% for Small General Service customers to current EUB approved rates in each of 2018 and 2019 and a rate freeze for non-SGS customers at current EUB approved rates for 2018 and 2019, after which the EUB will set the rates based on the cost of service methodology. The regulatory deferral account was reduced to \$144.5 million with \$100 million to be included in revenue requirement over 26 years commencing on January 1, 2020 and ending on December 31, 2045. The remaining regulatory deferral account balance of \$44.5 million is to be recovered as authorized by the EUB.

Enbridge Gas New Brunswick
 Notes to 2018 Regulatory Financial Results
 For the year ended December 31, 2018

(in thousands of dollars)

Note 2 Property, Plant & Equipment

			2018	2017		
		Cost	Accumulated Amortization	Net Book Value	Net Book Value	Rates of Amortization
4	Property, plant & equipment					
5	General plant					
6	Computer hardware & software	\$ 898	\$ (338)	\$ 560	\$ 422	8.87%
7	Tools and work equipment	1,992	(1,674)	318	\$ 474	14.53%
8	Office furniture and equipment	464	(313)	151	\$ 181	6.41%
9	Transportation	1,820	(861)	959	\$ 693	6.32%
10	Incentives	355	(85)	270	\$ 171	20.00%
11	Leasehold improvements	<u>164</u>	<u>(107)</u>	<u>57</u>	<u>59</u> ¹	
12	Subtotal	5,693	(3,378)	2,315	2,000	
13	Distribution plant					
14	Land	375	-	375	375	-
15	Rights of way and easements	189	-	189	189	-
16	Distribution mains	130,221	(33,947)	96,274	96,145	1.64%
17	Street services	68,006	(18,983)	49,023	47,560	1.74%
18	Meters and regulators	22,949	(4,409)	18,540	18,652	7.63%
19	Stations	<u>16,654</u>	<u>(7,331)</u>	<u>9,323</u>	<u>9,659</u>	2.82%
20						
21	Subtotal	<u>238,394</u>	<u>(64,670)</u>	<u>173,724</u>	<u>172,580</u>	
22						
23	Total plant in service	244,087	(68,048)	176,039	174,580	
24	Construction work in progress	<u>651</u>		<u>651</u>	\$ 967	-
25						
26	Total property, plant & equipment	<u>\$ 244,738</u>	<u>\$ (68,048)</u>	<u>\$ 176,690</u>	<u>\$ 175,547</u>	

 27 ¹ Amortized over the term of the related leases.

Enbridge Gas New Brunswick
 Notes to 2018 Regulatory Financial Results
 For the year ended December 31, 2018

(in thousands of dollars)

Note 3 Deferred Development Costs - Net

			2018	2017		
	Cost	Accumulated Amortization	Net Book Value	Net Book Value	Rates of Amortization	
4	Franchise fee	\$ 1,500	\$ (1,450)	\$ 50	\$ 125	5.00%
5	Intangible Software	1,666	(283)	1,383	1,076	4.96%
6	Intangible Software - Construction work in progress	269	-	269	72	
7	Total deferred development costs, net	<u>\$ 3,435</u>	<u>\$ (1,733)</u>	<u>\$ 1,702</u>	<u>1,273</u>	

Note 4 Development O&M Capitalized Costs – Net

			2018	2017		
	Cost	Accumulated Amortization	Net Book Value	Net Book Value	Rates of Amortization	
11	Development O&M capitalized costs	\$ 114,952	\$ (31,711)	\$ 83,241	\$ 86,033	2.43%
12	Total development O&M capitalized costs, net	<u>\$ 114,952</u>	<u>\$ (31,711)</u>	<u>\$ 83,241</u>	<u>\$ 86,033</u>	

Enbridge Gas New Brunswick
 Notes to 2018 Regulatory Financial Results
 For the year ended December 31, 2018

(in thousands of dollars)

Note 5 Other Regulated Assets

Other Regulated Assets		<u>2018</u>	<u>2017</u>
1			
2	Cash & short term investments	\$ 4,804	\$ 2,788
3	Accounts receivable	28,263	21,618
4	Inventory	1,118	1,043
5	Long term receivable	<u>1,210</u>	<u>725</u>
6		<u><u>\$ 35,395</u></u>	<u><u>\$ 26,174</u></u>

Enbridge Gas New Brunswick
Notes to 2018 Regulatory Financial Results
For the year ended December 31, 2018

(in thousands of dollars)

Note 6 Long-term Advances from Associates and Affiliates

	Issue Date	Maturity Date	Amount	2018 Cost of Debt			Amount	2017 Cost of Debt			
				Enbridge Inc.	EGNB	Regulated		Enbridge Inc.	EGNB	Regulated	
4	Promissory Note	12-Dec-12	9-Dec-19	15,000	4.63%	5.63%	5.63%	15,000	4.63%	5.63%	5.63%
5	Promissory Note	12-Dec-12	30-Dec-21	14,000	3.50%	4.50%	4.50%	14,000	3.50%	4.50%	4.50%
6	Promissory Note	8-Jan-13	8-Jan-20	7,500	3.67%	4.67%	4.67%	7,500	3.67%	4.67%	4.67%
7	Promissory Note	24-Feb-14	26-Feb-18	-	-	-	-	-	4.16%	5.16%	5.16%
8	Promissory Note	24-Mar-14	24-Mar-17	-	-	-	-	-	3.69%	4.69%	4.69%
9	Promissory Note	29-Dec-14	28-Dec-18	-	-	-	-	-	3.72%	4.72%	4.72%
10	Promissory Note	30-Mar-15	29-Mar-19	6,000	3.45%	4.45%	4.45%	6,000	3.45%	4.45%	4.45%
11	Promissory Note	15-Sep-15	15-Sep-19	18,000	3.84%	4.84%	4.84%	18,000	3.84%	4.84%	4.84%
12	Promissory Note	15-Sep-15	15-Sep-20	18,000	4.23%	5.23%	5.23%	18,000	4.23%	5.23%	5.23%
13	Promissory Note	8-Aug-16	9-Aug-21	20,000	3.55%	4.55%	4.55%	20,000	3.55%	4.55%	4.55%
14	Promissory Note	15-Mar-17	15-Mar-22	5,000	3.02%	4.02%	4.02%	5,000	3.02%	4.02%	4.02%
15	Promissory Note	15-Mar-17	15-Mar-22	21,000	3.02%	4.02%	4.02%	21,000	3.02%	4.02%	4.02%
16	Promissory Note	15-Mar-17	15-Mar-24	25,000	3.60%	4.60%	4.60%	25,000	3.60%	4.60%	4.60%
17	Total long-term advances										
18	from associates and affiliates			<u>\$ 149,500</u>	<u>3.69%</u>	<u>4.69%</u>	<u>4.69%</u>	<u>\$ 149,500</u>	<u>3.73%</u>	<u>4.73%</u>	<u>4.73%</u>

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 Regulatory Financial Results
 For the year ended December 31, 2018

(in thousands of dollars)

Note 7 Other Regulated Liabilities

1	<u>2018</u>	<u>2017</u>
2 Rates variance	\$ 1,569	\$ -
3 Accounts payable	10,647	9,052
4 Long term payable	521	561
5 Long term deferred post employment liabilities	<u>2,459</u>	<u>1,967</u>
6	<u>\$ 15,196</u>	<u>\$ 11,580</u>

Enbridge Gas New Brunswick

Notes to 2018 Regulatory Financial Results

For the year ended December 31, 2018

(in thousands of dollars)

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

1	2018			2017			
	2 Revenue	Customers	Throughput TJs	Revenue	Customers	Throughput TJs	
3							
4	Small general service (SGS)	\$ 7,752	8,315	614	\$ 7,371	8,292	595
5	Mid-general service (MGS)	14,374	3,077	1,174	13,152	3,051	1,063
6	Large general service (LGS)	12,902	380	1,602	12,102	379	1,481
7	Contract general service (CGS)	5,193	78	772	6,249	69	704
8	Industrial contract general service (ICGS)	6,487	9	1,675	4,694	9	1,647
9	Off peak service (OPS)	230	13	34	192	13	30
10	Total	<u>\$ 46,938</u>	<u>11,872</u>	<u>5,871</u>	<u>\$ 43,760</u>	<u>11,813</u>	<u>5,520</u>

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

Enbridge Gas New Brunswick

Notes to 2018 Regulatory Financial Results

For the year ended December 31, 2018

(in thousands of dollars)

Note 8 Operating Revenue (continued)**b. Miscellaneous**

1	<u>2018</u>	<u>2017</u>
2 Agent billing and collection	\$ 204	\$ 196
3 Other miscellaneous revenue	<u>1,424</u>	<u>735</u>
4 Total miscellaneous	<u>\$ 1,628</u>	<u>\$ 931</u>
5 Details of Agent Billing and Collection Revenues		
6 (in dollars)		
	<u>2018</u>	<u>2017</u>
7 Agent billing and collection		
8 Small general service (SGS)	132,816	\$ 128,542
9 Mid-general service (MGS)	54,155	52,042
10 Large general service (LGS)	13,685	12,837
11 Contract general service (CGS)	2,062	1,843
12 Industrial contract general service (ICGS)	392	398
13 Off peak service (OPS)	<u>672</u>	<u>691</u>
14 Total agent billing and collection revenue	<u>\$ 203,780</u>	<u>\$ 196,353</u>

Enbridge Gas New Brunswick

Notes to 2018 Regulatory Financial Results

For the year ended December 31, 2018

(in thousands of dollars)

Note 9 Operating and Maintenance Expenses

1	<u>2018</u>	<u>2017</u>
2 Corporate management	\$ 762	\$ 797
3 Corporate administration	177	361
4 Financial reporting	1,182	1,134
5 Information technology	1,245	1,460
6 Regulatory & upstream	880	761
7 Sales & marketing	1,255	1,277
8 Distribution & maintenance	5,359	5,238
9 Customer care	1,304	1,266
10 Human resources	2,370	3,125
11 Gas transportation and related activities	<u>1,718</u>	<u>1,574</u>
12 Total prior to capitalization	<u>16,252</u>	<u>16,993</u>
13 Total capitalized	<u>3,321</u>	<u>3,448</u>
14 Total expense	<u>\$ 12,932</u>	<u>\$ 13,545</u>

Enbridge Gas New Brunswick
 Notes to 2018 Regulatory Financial Results
 For the year ended December 31, 2018

(in thousands of dollars)

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

1	<u>2018</u>	<u>2017</u>
2 Interest on long-term debt	\$ 6,851	\$ 6,950
3 Other interest (revenue)/expense	21	20
4 AIDC - allowance for funds used during construction (debt component)	<u>3</u>	<u>7</u>
5 Total interest on amounts due to associates & affiliates and other interest	<u>\$ 6,875</u>	<u>\$ 6,977</u>

Note 11 Regulated Return on Equity

6	<u>2018</u>	<u>2017</u>
7 Regulated return on equity	\$ 18,561	\$ 13,992
8 Disallowed return as per previous Matters	(46)	(84)
9 Excess returned to customers	(1,569)	-
10 Mechanism to adjust Regulatory Deferral as per legislation	(3,960)	(894)
11 AEDC - allowance for funds used during construction (equity component)	<u>5</u>	<u>12</u>
12 Total regulated return on equity	<u>\$ 12,991</u>	<u>\$ 13,026</u>

Enbridge Gas New Brunswick
Notes to 2018 Regulatory Financial Results
For the year ended December 31, 2018

(in thousands of dollars)

Note 12 **Rate Base for Regulatory Purposes**

1	<u>2018</u>	<u>2017</u>
2 Property, plant & equipment		
3 Cost	\$ 244,087	\$ 239,041
4 Accumulated amortization	<u>(68,049)</u>	<u>(64,461)</u>
5 Net	176,038	174,580
6 Deferred charges		
7 Franchise fee, at cost	1,500	1,500
8 Accumulated amortization	<u>(1,450)</u>	<u>(1,375)</u>
9 Net	50	125
10 Development O&M capitalized costs	114,952	114,952
11 Accumulated amortization	<u>(31,711)</u>	<u>(28,919)</u>
12 Net	83,241	86,033
13 Intangible software, at cost	1,666	1,299
14 Accumulated amortization	<u>(283)</u>	<u>(223)</u>
15 Net	1,383	1,076
16 * Deferral account	<u>-</u>	<u>-</u>
17 Total deferred charges	84,674	87,234
18 Term deposit	2,959	2,965
19 Working capital allowance	<u>1,415</u>	<u>1,377</u>
20 Total rate base	<u>\$ 265,086</u>	<u>\$ 266,156</u>
21 Average rate base	<u>\$265,706</u>	<u>\$267,027</u>
22 * Deferral account excluded for rate making purposes		
23 Effective January 1, 2012		

Enbridge Gas New Brunswick

Notes to 2018 Regulatory Financial Results

For the year ended December 31, 2018

(in thousands of dollars)

Note 13 Capital Structure for Regulatory Purposes

1	<u>2018</u>	<u>2017</u>
2 Capital structure		
3 Long-term debt	\$ 149,500	\$ 149,500
4 Equity	<u>135,290</u>	<u>130,913</u>
5 Total	<u>\$ 284,790</u>	<u>280,413</u>

6 Capital structure percentage

7 Long-term debt	52.49%	53.31%
8 Equity	<u>47.51%</u>	<u>46.69%</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%	2.78%
16 Equity	<u>4.91%</u>	<u>4.91%</u>
17 Total	<u>7.49%</u>	<u>7.69%</u>

Enbridge Gas New Brunswick

Notes to 2018 Regulatory Financial Results

For the year ended December 31, 2018

(in thousands of dollars)

Note 14 Details of Affiliate Transactions

	Enbridge Inc.	Enbridge Employee Services Canada Inc.	Enbridge Gas Distribution Inc.	St. Lawrence Gas	Gazifère Inc.	Maritimes and Northeast Pipeline	Total Affiliate Consulting and Services	Total Consulting and Services	Affiliate Expenditure as Percent of Total	
2 For the period ending December 31, 2018										
3	Corporate management	\$ -	\$ -	\$ 2	\$ -	\$ -	\$ -	\$ 2	7%	
4	Sales & marketing	-	-	-	-	-	-	162	0%	
5	Human resources	152	-	-	-	-	152	179	85%	
6	Distribution & maintenance	-	-	519	-	15	534	1,247	43%	
7	Budget & regulatory	-	-	-	-	-	-	733	0%	
8	Financial reporting	52	(10)	-	-	-	41	147	28%	
9	Customer care	-	-	-	-	915	-	1,036	88%	
10	Corporate administration	110	-	7	-	-	117	117	100%	
11	Gas transportation & related	-	-	137	-	-	137	137	100%	
12	Information technology	672	-	20	-	-	692	786	88%	
13	Gas Purchases and Sales	-	-	-	-	1,051	1,051	1,051	100%	
14	Recoveries	-	-	-	(178)	(285)	-	(463)	100%	
15 Total		\$ 986	\$ (10)	\$ 685	\$ (178)	\$ 630	\$ 1,066	\$ 3,178	\$ 5,161	62%
16 For the period ending December 31, 2017										
17	Corporate management	\$ -	\$ -	\$ 52	\$ -	\$ -	\$ -	\$ 52	45%	
18	Sales & marketing	-	-	-	-	-	-	107	0%	
19	Human resources	215	-	7	-	-	222	248	90%	
20	Distribution & maintenance	-	-	426	-	-	426	1,138	37%	
21	Budget & regulatory	-	-	-	-	-	-	623	0%	
22	Financial reporting	11	18	35	-	-	64	174	37%	
23	Customer care	-	-	-	-	879	-	879	88%	
24	Corporate administration	305	-	4	-	-	309	309	100%	
25	Gas transportation & related	-	-	126	-	-	126	126	100%	
26	Information technology	835	-	11	-	-	846	979	86%	
27	Recoveries	-	-	-	(281)	(272)	-	(553)	100%	
27 Total		\$ 1,366	\$ 18	\$ 661	\$ (281)	\$ 607	\$ -	\$ 2,371	\$ 4,271	56%

Enbridge Gas New Brunswick
Notes to 2018 Regulatory Financial Results
For the year ended December 31, 2018

(in thousands of dollars)

Note 15 **Service & Inspection Profitability Margin**

1	<u>2018</u>	<u>2017</u>
2 Revenues as per regulatory financial statements	\$ 614	\$ 647
3	\$ 614	\$ 647
4 Less: Cost of goods sold		
5 COGS as per regulatory financial statements	\$ 332	\$ 395
6	\$ 332	\$ 395
7 Adjusted net margin	\$ 282	\$ 252
8 Less: Allocated expenses		
9 O&M expenses	\$ 258	\$ 264
10 Cost of capital	8	8
11 Depreciation	17	16
12 Billing services (Customer Care)	2	2
13 Bad debt expense	1	2
	<u>\$ 286</u>	<u>\$ 292</u>
14 Net revenue (loss)	<u>\$ (4)</u>	<u>\$ (40)</u>

Enbridge Gas New Brunswick
 Notes to 2018 Regulatory Financial Results
 For the year ended December 31, 2018

(in thousands of dollars)

Note 16 System Expansion Portfolio Test (Three year test as approved in Matter 398)

Item	Capital	2016 Board Revised	2017 Actual	2018 Actual	2018 Avg (2016-2018)
1	Main	\$ 308	1,763	1,016	\$ 1,029
2	Service Line/ Meter	358	1,644	1,183	1,062
3	Sales Incentive	34	74	168	92
4	Meter	545	314	523	461
5	O&M Capitalized to Main	679	1,117	710	835
6	O&M Capitalized to Service Line / Meter	1,481	1,133	1,373	1,329
7	O&M Capitalized to Meters & Regulators	416	305	560	427
8	Total Capital	3,821	6,350	5,533	5,235
9	Cost of Capital	7.69%	7.51%	7.51%	7.57%
	Depreciation Rates				
10	Main	1.64%	1.64%	1.64%	1.64%
11	Service Line	1.74%	1.74%	1.74%	1.74%
12	Meter	7.63%	7.63%	7.63%	7.63%
13	Sales Incentives	20.00%	20.00%	20.00%	20.00%
14	Net Annual Impact on Revenue Requirement				
15	Energy (GJs)	37,536	46,590	133,833	72,653
16	Revenue	\$ 413	487	1,151	\$ 684
17	Less:				
18	Depreciation: Mains ((item 1 + item 5) * item 10)	16	47	28	31
19	Depreciation: Service Line (item 2 + item 6) * item 11)	32	48	44	42
20	Depreciation: Sales Incentive (item 3 * item 13)	7	15	34	18
21	Depreciation: Meter & Regulator (item 4 + item 7) * item 12)	73	47	83	68
22	Cost of Capital (item 8 * item 9)	294	477	416	396
23	Annual Impact	\$ (9)	\$ (147)	\$ 546	\$ 129
24	SEP test	97.83%	76.76%	190.39%	123.28%

SCHEDULE 4.2
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)	\$ 177,945	\$ 182,217
7	Construction Work In Progress - Gas Distributor Plant	1,595	1,714
8	Total Property, Plant & Equipment	179,540	183,931
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	267,384	269,297
15	Other Regulated Assets (Note 5)	22,916	22,586
16	Total Regulated Assets	290,300	291,883
17	Regulatory Deferral (Note 1)	144,500	144,500
18	Total Assets	\$ 434,800	\$ 436,383
19	Liabilities and Partner's Equity		
20	Partner's Equity (Ratebase) (Note 1)	132,231	134,014
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		\$ 290,300	\$ 291,883
24	Partner's Equity (Regulatory Deferral)	144,500	144,500
25	Total Liabilities and Equity	\$ 434,800	\$ 436,383

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)

3	2018	2019
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	6,183	6,516
23 Municipal and Other Taxes	1,261	1,274
24 Interest on Amounts Due to Associates & Affiliates and Other Interest (Note 10)	6,878	6,900
25 Amortization of Deferred Development Costs	2,942	2,940
26 Total Expenses	<u>31,392</u>	<u>31,586</u>
27 Income before Extraordinary Items, Regulatory Deferral and Return on Rate Base	<u>16,266</u>	<u>17,047</u>
28 Regulatory Deferral	-	-
29 Income before Tax	<u>\$ 16,266</u>	<u>\$ 17,047</u>
30 Regulated Return on Equity (Note 11)	<u>\$ 16,266</u>	<u>\$ 17,047</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, 2018-19

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, 2018-19

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

			2018	2019	
	Cost	Accumulated Amortization	Net Book Value	Net Book Value	Rates of Amortization
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	131,132	(34,645)	96,487	96,542	1.64%
17 Street services	70,482	(19,936)	50,546	54,646	1.74%
18 Meters and regulators	24,508	(6,064)	18,444	18,285	7.63%
19 Stations	16,647	(7,346)	9,301	8,824	2.82%
20 Subtotal	<u>243,333</u>	<u>(67,991)</u>	<u>175,342</u>	<u>178,861</u>	
21 Total plant in service	249,011	(71,066)	177,945	182,217	
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>\$ 250,606</u>	<u>\$ (71,066)</u>	<u>\$ 179,540</u>	<u>\$ 183,931</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	
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	
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

	<u>2018</u>	<u>2019</u>
1		
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	\$ 5,871	\$ 5,671
3 Long Term Payable	143	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	\$ 6,864	\$ 6,879
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>\$ 6,878</u>	<u>\$ 6,900</u>

Note 11 Regulated Return on Equity

5	<u>2018</u>	<u>2019</u>
6 Regulated return on equity - Calculated	\$ 13,056	\$ 13,135
7 Budgeted amount that exceeds 10.9%	3,182	3,872
8 AEDC - allowance for funds used during construction (equity component)	28	40
9 Total regulated return on equity	<u>\$ 16,266</u>	<u>\$ 17,047</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	\$ 249,011	\$ 258,401
4 Accumulated amortization	<u>(71,066)</u>	<u>(76,184)</u>
5 Net	177,945	182,217
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>\$ 267,086</u>	<u>\$ 268,881</u>
21 Average rate base	<u>\$ 266,192</u>	<u>\$ 267,777</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>132,231</u>	<u>134,014</u>
5 Total	<u>\$ 281,731</u>	<u>\$ 283,514</u>
6 Capital structure percentage		
7 Long-term debt	53.06%	52.73%
8 Equity	<u>46.94%</u>	<u>47.27%</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	179	-	15	-	-	194	205	95%
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	\$ 1,468	\$ 20	\$ 773	\$ 743	\$ (225)	\$ 2,779	\$ 4,772	58%

	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	179	-	15	-	-	194	205	95%
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	\$ 1,574	\$ 20	\$ 782	\$ 743	\$ (225)	\$ 2,893	\$ 4,818	60%

SCHEDULE 4.3

2018 Actual to Budget Explanations

2018 Actual to Budget**Overview**

For comparative purposes, variance explanations compare 2018 Actuals to the 2018 Budget.

Revenue

The table below summarizes EGNB's 2018 gas distribution revenue, miscellaneous operating revenue, allowance for funds used during construction ("AFUDC") and services and inspection margin with comparisons to the 2018 Budget.

Table 1
Revenue

Line No.	(in thousands of dollars)	(1) 2018 Actual	(2) 2018 Budget	(3)=(1)-(2) 2018 Variance
1	Operating Revenue			
2	Gas Distribution	\$ 46,938	\$ 46,081	\$ 857
3	Miscellaneous	1,628	1,288	340
4	Allowance for Funds Used During Construction	7	42	(35)
5		48,573	47,411	1,162
6	Services & Inspection			
7	Revenue	614	624	(10)
8	Cost of Goods Sold	(332)	(377)	45
9		282	247	35
10	Total Revenue	\$ 48,855	\$ 47,658	\$ 1,197

Operating Revenue

- Gas Distribution Revenue: gas distribution revenues ended 2018 \$857K over budget due to colder than normal weather (\$843K) and higher contract demand (\$242K), offset by lower than forecasted consumption (\$228K).
- Miscellaneous Operating Revenue: miscellaneous revenues ended 2018 \$340K over budget due to higher interest income (\$304K), ABC income (\$28K), SEUF payment (\$26K) and other income (\$15K), offset by lower late payment charges collected from customers (\$33K).

- 1 • AFUDC was \$35K under budget, primarily due to lower than budgeted monthly balances in
- 2 the Construction Work in Progress account, on which AFUDC is calculated.
- 3 • Services & Inspection Margin is \$35K over budget due to lower protection plan and other
- 4 servicing costs (\$45K), offset by lower revenues from protection plans and other service
- 5 work (\$10K).

6 **Expenses**

7 Below is a summary of EGNB’s 2018 operating and maintenance expenses, bad debt expense,
 8 amortization of property, plant and equipment, municipal and other taxes, interest on amounts
 9 due to associates and affiliates and other interest and amortization of deferred development costs
 10 with comparisons to the 2018 Budget.

Table 2
Operating Expenses

Line No.	(in thousands of dollars)	(1) 2018 Actual	(2) 2018 Budget	(3)=(1)-(2) 2018 Variance
1	Operating Expenses			
2	Operating and Maintenance Expenses	12,932	\$ 13,746	\$ (814)
3	Bad Debt Expense	132	282	(150)
4	Amortization of Property, Plant and Equipment	6,102	6,183	(81)
5	Municipal and Other Taxes	1,259	1,261	(2)
6	Interest on Amounts Due to Associates and Affiliates and Other Interest	6,875	6,878	(3)
7	Other Expenses	59	100	(41)
8	Amortization of Deferred Development Costs	2,929	2,942	(13)
9	Total Expenses	\$ 30,289	\$ 31,392	\$ (1,104)

11

12

1 Operating and Maintenance (“O&M”) Expenses
 2 EGNB manages its O&M expenses at an aggregate level where EGNB will try to offset
 3 increased costs in certain areas with cost reductions or savings in other areas of the organization.
 4 EGNB has grouped its O&M expenses based on major cost categories rather than departments,
 5 as seen in the regulatory financial statement format filed with the Board.

Table 3
Operating and Maintenance Expenses

Line No.		(1) 2018 Actual	(2) 2018 Budget	(3)=(1)-(2) 2018 Variance
1	Labour and Benefits	\$ 8,292	\$ 8,401	\$ (109)
2	Admin/Office Expenses	292	297	(5)
3	Computer and Telecom Services	219	303	(84)
4	Professional Consulting	1,467	1,475	(8)
5	Travel and Training	252	143	109
6	Advertising and Promotions	580	824	(244)
7	Tools and Safety	201	211	(10)
8	Fleet	443	377	66
9	Facilities	671	676	(5)
10	Insurance	77	142	(65)
11	NBEUB Assessments	362	530	(168)
12	Corporate Allocations	908	1,399	(491)
13	Service Level Agreements	771	942	(171)
14	Gas Transportation and Related Activities	1,718	1,587	131
15	Total O&M Prior to Capitalization	<u>16,253</u>	<u>17,307</u>	<u>(1,054)</u>
16	Property, plant & equipment	<u>3,321</u>	<u>3,561</u>	<u>(240)</u>
17	Total Capitalized	<u>3,321</u>	<u>3,561</u>	<u>(240)</u>
18	Total O&M Expenses	<u>\$ 12,932</u>	<u>\$ 13,746</u>	<u>\$ (814)</u>

6
 7 EGNB’s 2018 O&M expenses ended the year \$1.1M, or 6.1%, under budget, with the drivers for
 8 this variance being:

- 9 • Labour and Benefits are \$109K under budget due to lower pension benefit costs (\$102K)
 10 and salaries and other compensation (\$31K), offset by employee training and
 11 development (\$15K) and relocation and recruitment costs (\$9K).

- 1 • Admin/Office Expenses are under budget by \$5K due to lower postage and courier costs
2 (\$55K), offset by higher materials and office supplies (\$31K), corporate activities (\$17K)
3 and printing and other administrative costs (\$2K).
- 4 • Computer and Telecom Services ended 2018 under budget by \$84K due to decreased cell
5 phone costs (\$55K), IT software maintenance costs (\$37K) and telecom services costs
6 (\$5K), offset by computer equipment supplies (\$13K).
- 7 • Professional Consulting expenses are under budget by \$8K due to lower contract services
8 (\$89K), offset by higher other professional consulting fees (\$37K), legal fees (\$36K) and
9 external audit fees (\$8K).
- 10 • Travel and Training is over budget by \$109K due to an increase in accommodations and
11 meals costs (\$83K), ground transportation costs (\$16K), airfare (\$7K) and conference and
12 training costs (\$3K).
- 13 • Advertising and Promotions ended 2018 under budget by \$244K due to lower advertising
14 spending costs (\$209K), sponsorships (\$29K) and trade and civic memberships (\$6K).
- 15 • Tools and Safety are under budget by \$10K due to lower uniform and protective clothing
16 costs (\$20K) and tool costs (\$7K), offset by higher public awareness costs (\$11K) and
17 Right of Way fees (\$6K).
- 18 • Fleet ended 2018 over budget by \$66K mainly due to higher fuel and maintenance costs.
- 19 • Facilities are under budget by \$5K mainly due to lower rent costs.
- 20 • Insurance ended 2018 under budget by \$65K due to lower premiums associated with
21 insurance expense allocation from Enbridge Inc.
- 22 • NBEUB Assessments ended the year under budget by \$168K due to lower than
23 anticipated hearing activity and Public Intervenor costs.
- 24 • Corporate Allocations are under budget by \$491K due to decreased corporate information
25 technology (\$242K), corporate shared services (\$187K) and total compensation (\$102K),
26 offset by higher treasury costs (\$40K).

1 • Service Level Agreements (SLA) are lower than budget by \$171K due to reduced
2 services from Enbridge Gas Distribution (\$193K), offset by lower recoveries (\$22K)
3 from shared services with Gazifere and St. Lawrence Gas.

4 • Gas Transportation and Related Activities are higher than budget by \$131K due to higher
5 than anticipated recoveries on the Firm Service Agreement.

6 Amounts capitalized to Property, Plant and Equipment are \$240K under budget due to aggregate
7 O&M spending in cost centers differing from budgeted spend and the associated different
8 capitalization rates for each cost center.

9 Other Operating Expenses

10 Bad Debt Expense is \$150K under budget due to EGNB's tighter controls on accounts receivable
11 balances.

12 Amortization of Property, Plant and Equipment is \$81K under budget due to the timing and
13 nature of capital expenditures.

14 Other Expenses is \$41K under budget by under spending for retention program (\$59K), offset by
15 contract and inventory write downs (\$16K) and higher payment of late fees (\$2K).

16 Amortization of Deferred Development Costs is \$13K under budget due to lower than budgeted
17 capital spend for software.

1 **Rate Base**

2 Information with respect to EGNB's year-end Rate Base and the levels of Property, Plant and
 3 Equipment, Development O&M capitalized costs, Working Capital allowance and other
 4 elements within rate base are provided below.

Table 4
Rate Base

Line No. (in thousands of dollars)	(1) 2018 Actual	(2) 2018 Budget	(3)=(1)-(2) 2018 Variance
1 Property, plant and equipment	\$ 176,038	\$ 177,945	\$ (1,907)
2 Development O&M capitalized costs	83,241	83,242	(1)
3 Franchise fee	50	50	-
4 Deferred costs	1,383	1,596	(213)
5 Term deposit	2,959	2,956	3
6 Working capital allowance	1,415	1,297	118
7 Regulatory Deferral	-	-	-
8 Rate Base	<u>\$ 265,086</u>	<u>\$ 267,086</u>	<u>\$ (2,000)</u>

5
 6 Property, Plant and Equipment is \$1.9 million under budget primarily due to reductions in capital
 7 expenditures planned for 2018 (\$1.3 million), the timing of the opening balances from budget to
 8 actual (\$256K), and net change in general plant (\$340K).

9 Deferred Costs (Intangible Software) is \$213K under budget due to timing of opening balances
 10 (\$121K) and lower than budgeted capital spend for software (\$92K).

11 Working Capital Allowance is \$118K over budget in 2018, due to higher than budgeted prepaid
 12 expense balance (\$250K), offset by lower than budgeted inventory balances (\$132K).

1 **Other Regulated Assets & Liabilities**

2 Information with respect to EGNB's Other Regulated Assets & Liabilities is provided below.

Table 5
Other Regulated Assets & Liabilities

Line No. (in thousands of dollars)	(1) 2018 Actual	(2) 2018 Budget	(3)=(1)-(2) 2018 Variance
1 Other Regulated Assets			
2 Cash and Short Term Investments	\$ 4,804	\$ 3,567	\$ 1,237
3 Accounts Receivable	28,263	17,762	10,501
4 Inventory	1,118	359	759
5 Long term Receivable	1,210	1,228	(18)
6 Total Other Regulated Assets	\$ 35,395	\$ 22,916	\$ 12,479
7 Other Regulated Liabilities			
8 Rates Variance	\$ 1,569	\$ -	\$ 1,569
9 Accounts Payable	10,647	5,871	4,776
10 Long Term Payable	521	142	379
11 Long Term Deferred Post Employment Liabilities	2,459	2,555	(96)
12 Total Other Regulated Liabilities	\$ 15,196	\$ 8,568	\$ 6,628

3

4 Other Regulated Assets & Liabilities are a function of the annual operations of EGNB and

5 fluctuate with changes in operating revenues and expenses.

1 **Cost of Capital Summary**

2 Information with respect to EGNB's Cost of Capital is provided below.

Table 6
Cost of Capital

Line No.		(1) 2018 Actual	(2) 2018 Budget	(3)=(1)-(2) 2018 Variance
1	Principal			
2	Debt	\$ 149,500	\$ 149,500	\$ -
3	Equity	135,290	132,231	3,059
4	Return (\$)			
5	Debt	6,851	6,864	(13)
6	Equity	12,991	13,056	(65)
7	Approved rates			
8	Debt	4.69%	4.69%	0.00%
9	Equity	10.90%	10.90%	0.00%

4 EGNB finances its operations through a combination of equity and debt financing.

5 Equity was \$3.1 million over budget primarily driven by earnings in 2018 being greater than

6 2018 budget, offset by a lower than budgeted distribution payout.

SCHEDULE 4.4
Non-Expansion Capital

1 Provided below are the specific capital expenditures unrelated to load growth that were included
 2 in EGNB's 2018 approved budget, and actual amounts expended in 2018. Additional details
 3 below provide an analysis of any material variances between actual and budget.

	(1)	(2)	(3)=(1)-(2)	
	2018 Capital Expenditures Unrelated to Load Growth	2018 Budget Unrelated to Load Growth	Variance	
1				
2				
3	General plant			
4	Computer hardware & software	212	131	81
5	Tools and work equipment	126	98	28
6	Office furniture and equipment	-	5	(5)
7	Transportation	380	440	(60)
8	Incentives	-	-	-
9	Leasehold improvements	33	65	(32)
10	Subtotal	751	739	12
11				
12	Distribution plant			
13	Land	-	-	-
14	Rights of way and easements	-	-	-
15	Distribution mains	486	266	220
16	Street services	-	-	-
17	Meters and regulators	561	991	(430)
18	Stations	126	165	(39)
19	Subtotal	1,173	1,421	(249)
20				
21	Total plant unrelated to load growth	1,923	2,160	(237)

4

5 Computer Hardware and Software are \$81K over budget due to timing of spend for purchase of
 6 15 laptops and a photocopier/printer planned in prior year (\$53K), overspend on expected
 7 laptop (\$18K) and server purchase (\$15K), offset by underspend on office equipment (\$5K).

8 Tools and Work Equipment are \$28K over budget due to timing of spend for purchase of fire
 9 suppression system planned in prior year (\$21K) and unplanned purchase of Laser Methane
 10 Detector (\$12K), offset by lower than expected replacement tools spend (\$5K).

- 1 Transportation is \$60K under budget due to removal of one ton commercial cube van from the
- 2 budget (\$75K), offset by higher than expected outfitting on vehicles (\$12K) and unplanned
- 3 upgrade to vehicles (\$3K).

- 4 Leasehold Improvements is under budget by \$32K mainly due to planned contingencies not
- 5 used.

- 6 Distribution Mains are \$220K over budget mainly due to looping project (reliability) and
- 7 relocation project work completed in 2018.

- 8 Meters are \$430K under budget mainly due to lower than expected government inspections
- 9 meter work completed in 2018.

- 10 Stations are \$39K under budget mainly due to lower than expected replacements and
- 11 maintenance.