Enbridge Income Fund
Management's Discussion & Analysis
For the three and nine months ended September 30, 2009

This management's discussion and analysis (MD&A), dated November 2, 2009 should be read in conjunction with the unaudited interim consolidated financial statements of Enbridge Income Fund (the Fund) as at and for the three and nine months ended September 30, 2009 and MD&A contained in the Fund's Annual Report for the year ended December 31, 2008. Unless otherwise noted, all financial information is presented in Canadian dollars and financial information pertaining to Alliance Canada and Green Power reflects the Fund's proportionate share of these entities. Additional information related to the Fund, including the Fund's Annual Information Form, is filed on SEDAR at www.sedar.com.

CONSOLIDATED EARNINGS

	Three months ended September 30,		Nine months ended September 30,	
(millions of Canadian dollars)	**2009**	2008	**2009**	2008
Alliance Canada	**14.9**	14.7	**44.0**	49.7
Saskatchewan System	**5.6**	3.6	**14.6**	12.9
Green Power	**0.9**	0.7	**3.6**	0.8
Corporate	**(18.7)**	(14.1)	**(52.8)**	(46.3)
Earnings	**2.7**	4.9	**9.4**	17.1

Earnings for the nine months ended September 30, 2009 totaled $9.4 million compared with earnings of $17.1 million recognized in the first nine months of 2008. The $7.7 million decrease reflects the Calpine Energy Services Canada Partnership (CESCA) bankruptcy settlement received by Alliance Canada during the first quarter of 2008 in respect of CESCA's repudiated capacity commitment on the Alliance Pipeline. The final settlement, inclusive of accrued interest, was $6.1 million ($4.4 million net of tax).

After removing the impact of the CESCA settlement from the prior period, the Fund's earnings for the first nine months of 2009 were $3.3 million lower than the prior year comparable period. The decrease in earnings is a result of offsetting factors. Factors which increased earnings include earnings growth in the Saskatchewan System attributable to the Westspur Expansion, completed on June 1, 2008, higher earnings contributions from the three new waste heat facilities in the Green Power segment, and an unrealized derivative gain of $2.0 million (2008 - $0.3 million loss). The non-cash derivative gain results from the change in fair value of derivative instruments held to fix the price of power on some of the Fund's wind power projects. Factors which decreased earnings include lower allowance oil sales on the Virden and Weyburn Systems as well as lower throughput on the Virden System. Additionally, Corporate costs in the current year were higher due to increased incentive fees and Enbridge Commercial Trust (ECT) preferred unit distributions which resulted from an increase in the Fund's monthly distributions earlier in 2009, from $0.086/unit to $0.096/unit.

Earnings for the three months ended September 30, 2009 were $2.7 million compared with earnings of $4.9 million for the three months ended September 30, 2008. The factors resulting in lower earnings for the third quarter of 2009 compared with the third quarter of 2008 are consistent with the explanations provided above for the year-to-date results. The unrealized non-cash derivative gain for the third quarter of 2009 was $0.7 million compared with a gain of $0.6 million in the prior year comparable period.

FORWARD LOOKING INFORMATION

In the interest of providing the Fund's unitholders and potential investors with information about the Fund and its subsidiaries, including management's assessment of the Fund's and its subsidiaries' future plans and operations, certain information provided in this MD&A constitutes forward-looking statements or information (collectively, "forward-looking statements"). Forward-looking statements are typically identified by words such as "anticipate", "expect", "project", "estimate", "forecast", "plan", "intend", "target", "believe" and similar words suggesting future outcomes or statements regarding an outlook. Although the Fund believes that these forward-looking statements are reasonable based on the information available on the date such statements are made, such statements are not guarantees of future performance and readers are cautioned against placing undue reliance on forward-looking statements. By their nature, these statements involve a variety of assumptions, known and unknown risks and uncertainties and other factors, which may cause actual results, levels of activity and achievements to differ materially from those expressed or implied by such statements. Material assumptions include assumptions about: the expected supply and demand for crude oil, natural gas and natural gas liquids; prices of crude oil; natural gas and natural gas liquids; expected foreign currency exchange rates; inflation; interest rates; the availability and price of labour and pipeline construction materials; operational reliability; customer project approvals; anticipated in-service dates and weather.

The Fund's forward-looking statements are subject to risks and uncertainties pertaining to operating performance, regulatory parameters, project approval and support, weather, economic conditions, foreign currency exchange rates and commodity prices, including but not limited to those risks and uncertainties discussed in this MD&A and in the Fund's other filings with Canadian securities regulators. The impact of any one risk, uncertainty or factor on a particular forward-looking statement is not determinable with certainty as these are interdependent and the Fund's future course of action depends on management's assessment of all information available at the relevant time. Except to the extent required by law, the Fund assumes no obligation to publicly update or revise any forward-looking statements made in this MD&A or otherwise, whether as a result of new information, future events or otherwise. All subsequent forward-looking statements, whether written or oral, attributable to the Fund or persons acting on the Fund's behalf, are expressly qualified in their entirety by these cautionary statements.

NON-GAAP MEASURES

This MD&A contains references to cash available for distribution. Cash available for distribution represents cash available to fund distributions on ordinary units, subordinated units and Enbridge Commercial Trust (ECT) preferred units, as well as for debt repayments and reserves. This measure is important to unitholders as the Fund's objective is to provide a predictable flow of distributable cash to unitholders. Please refer to the Cash Available for Distribution reconciliation on page 7. Cash available for distribution is not a measure that has standardized meaning prescribed by Canadian Generally Accepted Accounting Principles (GAAP) and is not considered a GAAP measure. Therefore, this measure may not be comparable with similar measures presented by other issuers.

FUND DESCRIPTION AND OBJECTIVE

The Fund is an unincorporated open-ended trust established by a trust indenture under the laws of the Province of Alberta. The Fund is administered by Enbridge Management Services Inc. (EMSI or Manager or Administrator), a wholly owned subsidiary of Enbridge Inc. (Enbridge). The Fund owns the Saskatchewan System, a 50% interest in Alliance Pipeline Limited Partnership (Alliance Canada), as well as a 50% interest in NRGreen Power Limited Partnership (NRGreen) and interests in three wind power projects in Western Canada (collectively referred to as Green Power).

The Fund's objective is to provide a predictable flow of distributable cash through investment in energy infrastructure and to increase, where prudent, cash distributions per unit.

ALLIANCE CANADA

(millions of Canadian dollars)	Three months ended September 30, 2009	2008	Nine months ended September 30, 2009	2008
Earnings	**14.9**	14.7	**44.0**	49.7

Alliance Canada is the Canadian portion of the 3,000 km Alliance System. The Alliance System is designed to transport 1,325 million cubic feet per day (mmcf/d) of natural gas from Northeastern British Columbia and Northwestern Alberta to the Chicago, Illinois area.

Alliance Canada has transportation service agreements (TSAs) with its shippers for 100% of its available firm transportation capacity. Alliance Canada's transportation service agreements are designed to provide toll revenues sufficient to recover prudently incurred costs of service, including operating and maintenance, depreciation, an allowance for income taxes, costs of indebtedness and an allowed return on equity of 11.26% after tax, based on a deemed 70/30 debt/equity ratio. The initial term of these agreements expires in 2015, except for 1.5% of contracted transportation capacity, which expires in March 2010 and is expected to be remarketed.

Alliance Canada earnings for the nine months ended September 30, 2009 were lower than the prior year comparable period by $5.7 million. This is primarily due to the receipt of the CESCA bankruptcy settlement of $6.1 million in the first quarter of 2008. Tax of $1.7 million associated with the CESCA bankruptcy settlement is included in the Corporate segment for the nine months ended September 30, 2008. After removing the impact of the CESCA settlement from the prior year, earnings increased by $0.4 million in the nine months ended September 30, 2009. Earnings for the three months ended September 30, 2009 were $14.9 million, compared with $14.7 million for the third quarter of 2008. The increases in earnings in both the three and nine-month periods ending September 30, 2009 reflect a higher allowance for income taxes included in toll revenue partially offset by a lower return on equity resulting from Alliance Canada's depreciating investment base. The rate used to calculate the equity return is not expected to change; however, the investment base upon which the equity return is calculated will change over time due to depreciation as well as new capital expenditures.

Revenue recorded by the Alliance Canada segment of $56.4 million and $165.6 million for the three months and nine months ended September 30, 2009, respectively, is higher than revenue of $54.2 million and $162.4 million earned in the comparable periods of 2008. Increased revenue resulted primarily from the receipt surcharge related to the Receipt Only Service (ROS) that went into commercial service in January 2009, subsequent to the completion of the BC Expansion project in December 2008. The slight increase in Alliance Canada's base transportation tolls from $0.859 per million cubic feet (mcf) to $0.863/mcf effective January 1, 2009 also contributed to the revenue increase.

SASKATCHEWAN SYSTEM

(millions of Canadian dollars)	Three months ended September 30, 2009	2008	Nine months ended September 30, 2009	2008
Earnings	**5.6**	3.6	**14.6**	12.9

The Saskatchewan System includes four crude oil and liquids pipeline systems: the Saskatchewan Gathering, Westspur, Weyburn and Virden pipeline systems. Together, these systems include approximately 356 km of trunk line and 1,900 km of gathering pipeline with capacities ranging from 37,000 barrels per day (bpd) to 255,000 bpd.

The Saskatchewan Gathering System and the Westspur System tolling agreements are designed to provide toll revenues sufficient to recover operating costs, depreciation, deemed interest expense, deemed income tax, a return on rate base and to provide an administrative expense allowance. The rate used to calculate the equity return is not expected to change. However, the rate base upon which the equity return is calculated will change over time due to depreciation as well as maintenance and enhancement capital additions and expansions. Tolls on the Weyburn and Virden systems are based on historical precedence, agreements with customers, or both, and are updated to reflect changes in market conditions when warranted. As a result, earnings from Weyburn and Virden reflect toll revenue less costs incurred.

Earnings for the nine months ended September 30, 2009 were positively impacted by growth in the rate base resulting from the expansion of the Westspur System, which was placed into service in June 2008, and from new customer connections on the Saskatchewan Gathering System. This earnings growth was offset by lower earnings contributions from allowance oil sales on the Virden and Weyburn Systems. Allowance oil sales for the Virden and Weyburn Systems have been impacted by decreased commodity prices. Additionally, the Virden System had experienced higher than usual throughputs in the prior year due to capacity restrictions on the Westspur System which was under-going an expansion. Earnings across all four of the pipeline systems comprising the Saskatchewan System were higher for the three-month period ended September 30, 2009 when compared to the prior year comparative period. Consistent with the nine-month results, increased earnings on the Saskatchewan Gathering System and the Westspur System result from system expansion completed in 2008. In addition to the rate base growth on the Westspur and Saskatchewan Gathering Systems discussed above, the Weyburn System earnings increased due to higher throughput.

Revenues for the nine months ended September 30, 2009 were $56.7 million compared with $46.1 million for the nine months ended September 30, 2008. This higher revenue is a reflection of increased throughput, on all systems except the Virden System, and higher tolls following the completion of the Westspur expansion. Revenues for the Saskatchewan Gathering and Westspur Systems primarily reflect the cost of service recovery, whereby an increase in costs results in increased revenue. A $4.4 million increase in revenues for the three months ended September 30, 2009 over the prior year comparable period reflected similar factors as the increase in revenues for the nine-month period.

GREEN POWER

	Three months ended September 30,		Nine months ended September 30,	
(millions of Canadian dollars)	**2009**	2008	**2009**	2008
Earnings	**0.9**	0.7	**3.6**	0.8

Green Power includes the Fund's 33% to 50% interests in three wind power projects in Saskatchewan and Southern Alberta which, collectively, can generate a total of 71 megawatts (MW) of electricity. Green Power also includes the Fund's 50% interest in NRGreen, which develops and operates waste heat recovery facilities along the Alliance Pipeline that can generate a total of 20 MW of electricity. These facilities convert waste heat to greenhouse gas free electricity, which is then sold under long-term power purchase agreements. The first facility began operations at the end of 2006. Three additional facilities were placed into service in May, July and November of 2008.

Higher earnings for Green Power in the nine months ended September 30, 2009 includes an unrealized non-cash derivative gain of $2.0 million (2008 – a loss of $0.3 million). The Green Power segment has entered into derivative instruments to mitigate fluctuations in cash flow generated by some of its wind power projects. A portion of the derivative instrument has not been designated as a hedge for accounting purposes. As a result, changes in the fair value of this portion are reflected in earnings each period.

During the nine months ended September 30, 2009, all four of NRGreen's waste heat facilities were operating, with the exception of the unscheduled outages that occurred at the facilities during January 2009, resulting from extremely cold weather in Saskatchewan, and two outages that occurred during the third quarter of 2009 at the Alameda and Estlin facilities. In contrast, during the nine months ended September 30, 2008 only three waste heat facilities were operating, of which two were placed into service part way through the nine month period. Modifications to improve the facilities' operational performance in cold weather and help prevent outages like those experienced in January 2009 continued during the third quarter of 2009, and are expected to be completed by the end of the year.

Green Power earnings for the three months ended September 30, 2009 were $0.2 million higher than earnings for the three months ended September 30, 2008. The Green Power current year third quarter earnings reflected a non-cash derivative gain of $0.7 million compared with a non-cash derivative gain of $0.6 million in the prior year comparable period. The remaining increase in earnings reflects a stronger earnings contribution from the Fund's wind power investments, offset by lower earnings at NRGreen than in the three months ended September 30, 2008, due to the above mentioned unscheduled outages.

CORPORATE

	Three months ended September 30,		Nine months ended September 30,	
(millions of Canadian dollars)	**2009**	2008	**2009**	2008
Costs	**(18.7)**	(14.1)	**(52.8)**	(46.3)

Corporate costs include distributions on the preferred units of ECT, a subsidiary of the Fund, as well as interest expense, incentive fees and management and administrative costs.

Corporate costs were $52.8 million for the nine months ended September 30, 2009 compared with $46.3 million for the nine months ended September 30, 2008. Higher monthly distributions of $0.096 per unit in the current year resulted in higher incentive fees of $2.9 million and higher ECT preferred unit distributions of $3.5 million compared with the nine-month period ending September 30, 2008. Additionally, future income tax expense has increased for the nine months ended September 30, 2009 compared to the prior year comparative period as tax loss carry forwards are being utilized to reduce the current tax expense. Partially offsetting these factors were decreased current taxes and lower interest expense. Current taxes were higher for the nine-month period ending September 30, 2008 primarily due to the CESCA claim settlement received in the prior year by Alliance Canada.

Corporate costs for the three months ending September 30, 2009 were $18.7 million compared with costs of $14.1 million in the third quarter of 2008. Consistent with the year-to-date results, this increase reflects higher incentive fees and ECT preferred unit distributions of $1.0 million and $1.2 million, respectively, as a result of the increase in the Fund's monthly distribution early in 2009. The third quarter corporate costs continued to reflect the benefit of lower interest expense on variable rate debt compared with the third quarter of 2008.

During 2009, the Fund entered into derivative instruments to mitigate cash flow volatility that could arise from fluctuations in interest rates on short and long-term debt to be issued in 2009 through 2013. The total notional principal of interest rate derivative instruments outstanding at September 30, 2009 was $350 million. At September 30, 2009, all interest rate derivatives are designated as hedging instruments in cash flow hedging relationships. Unrealized gains and losses on these derivatives impact Other Comprehensive Income.

LIQUIDITY AND CAPITAL RESOURCES

On June 18, 2009, the Fund secured an incremental $150 million of committed revolving standby credit in two separate facilities. Of the aggregate amount, $50 million was provided by a commercial bank. Enbridge Inc., an affiliated entity of the Fund's Administrator, provided the remaining $100 million in a separate facility that was identical in all material respects to the bank facility. Each facility has an initial revolving term of 364 days that is extendable annually. There is a one-year term-out at the end of the applicable revolving term. These new credit facilities, along with the existing term credit facility that matures in 2011, provide the Fund with a total of $300 million of committed standby credit facilities, exclusive of non-recourse credit facilities secured by its operating affiliates. At September 30, 2009, the Fund had $202.1 million of available standby credit capacity. The credit facilities, combined with cash generated by operating activities, are expected to provide adequate liquidity for the Fund based on current expectations of the Fund's future operating and capital requirements. The $100 million medium-term note (MTN) maturing on December 21, 2009 is expected to be refinanced in the term debt market at market-based rates that are consistent with the risk profile of the Fund. In the event that the term debt markets are not attractive, the standby credit facilities will be available to fund repayment of the maturing MTN.

On July 23, 2009, Alliance Canada entered into a 365-day unsecured operating facility with Alliance Pipeline L.P., an affiliated entity. The new facility, which is non-recourse to the Fund, allows Alliance Canada to borrow up to US$20 million on similar terms to those Alliance Canada would receive from commercial banks in Canada. At September 30, 2009, Alliance Canada had not drawn on the new facility.

The Fund's cash balance at September 30, 2009 of $23.8 million included $17.6 million held in trust by Alliance Canada, pursuant to terms of certain financing arrangements.

Operating Activities
Cash provided by operating activities was $85.1 million for the nine months ended September 30, 2009, a decrease of $2.5 million from the corresponding period of the prior year as a result of changes in operating assets and liabilities and the impact of the receipt of the CESCA bankruptcy settlement in the prior year. For the three months ended September 30, 2009 cash provided by operating activities was $45.3 million, a $15.2 million increase from the prior year comparable period primarily related to differences in the timing of cash receipts.

Investing Activities
Cash used for investing activities of $25.9 million for the nine months ended September 30, 2009 decreased by $17.7 million from the nine months ended September 30, 2008 as capital expended in 2008 was primarily directed at completing the Westspur expansion project in Saskatchewan. Capital additions for 2009 include maintenance capital on the Saskatchewan System, completion activities on Alliance Canada's BC Expansion and modifications to the NRGreen waste heat facilities to improve operational performance in cold weather. Towards the end of the third quarter of 2009, the Fund also began to incur costs related to the Saskatchewan System Phase II expansion.

For the third quarter of 2009, cash used for investing activities totaled $12.2 million, a decline of $0.9 million compared with the three months ended September 30, 2009.

Financing Activities
Financing activities for the nine months ended September 30, 2009 include payment of monthly distributions to unitholders and changes in outstanding indebtedness under credit facilities. Cash used in financing activities increased by $17.9 million to $52.7 million for the nine months ended September 30, 2009 compared with the corresponding period of 2008. Cash used in financing activities for the three months ended September 30, 2009 was $17.3 million compared with $6.5 million in the third quarter of 2008. Cash used in financing activities in the third quarter of 2009 increased due to larger repayments on non-recourse credit facilities, as well as repayments of the Fund's long-term credit facility of $0.2 million in the third quarter of 2009 compared with a draw of $5.5 million in the third quarter of 2008. Average monthly trust unit distributions were $0.096 per unit in 2009, compared with average monthly trust unit distributions of $0.086 per unit in 2008. In March 2008 NRGreen drew on its secured credit facility to distribute a $20.0 million return of equity to the Fund. Proceeds were used to reduce indebtedness at the Fund level which had been incurred to fund NRGreen.

Contractual Obligations
In August 2009, Alliance Canada signed a contractual agreement for the replacement of the control unit used to operate all compressors along the pipeline. The Fund's share of Alliance Canada's outstanding commitment under this contract is approximately $4.8 million (€3.0 million).

CASH AVAILABLE FOR DISTRIBUTION

(millions of Canadian dollars)	Three months ended September 30, 2009	Three months ended September 30, 2008	Nine months ended September 30, 2009	Nine months ended September 30, 2008
Cash Provided by Operating Activities	**45.3**	30.1	**85.1**	87.6
Add/(Deduct):				
ECT preferred unit distributions[2]	**11.0**	9.8	**32.9**	29.4
Alliance Canada maintenance capital expenditures[3]	**(0.2)**	(0.4)	**(1.3)**	(2.8)
Alliance Canada debt repayments[4]	**-**	**-**	**(15.5)**	(14.2)
Alliance Canada other cash (retained)/distributed[5]	**(11.7)**	(11.1)	**(18.2)**	(18.9)
Green Power cash distributed/(retained)[5]	**(0.4)**	0.2	**(1.2)**	0.1
Saskatchewan System maintenance capital expenditures[3]	**(1.9)**	(1.1)	**(2.9)**	(2.2)
Change in operating assets and liabilities in the period[6]	**(20.1)**	(5.3)	**(10.7)**	(10.4)
Cash Available for Distribution[1]	**22.0**	22.2	**68.2**	68.6
Cash Available for Distribution is comprised of the following:				
Alliance Canada distributions	**18.0**	18.0	**53.7**	58.6
Alliance Canada capital tax	**-**	(0.1)	**-**	(0.2)
Saskatchewan System operating income before depreciation, amortization and accretion	**10.4**	8.1	**29.1**	24.8
Saskatchewan System maintenance capital expenditures	**(1.9)**	(1.1)	**(2.9)**	(2.2)
Green Power distributions	**1.0**	1.2	**3.5**	3.0
Corporate management and administrative expense	**(2.8)**	(1.5)	**(7.4)**	(4.4)
Corporate other income	**0.1**	-	**0.2**	0.1
Corporate interest expense	**(2.6)**	(3.2)	**(7.7)**	(9.1)
Corporate current taxes	**(0.2)**	0.8	**(0.3)**	(2.0)
Cash Available for Distribution[1]	**22.0**	22.2	**68.2**	68.6
ECT Preferred Unit Distributions Declared	**10.95**	9.80	**32.85**	29.40
Trust Unit Distributions Declared	**9.97**	8.90	**29.91**	26.80
Cash Distributions Declared	**20.92**	18.70	**62.76**	56.20

[1] See Non-GAAP Measures on page 2.

[2] The cash available for distribution above is compared to the total distributions, including ECT preferred unit distributions. Since ECT preferred units are treated as debt under GAAP with distributions deducted from earnings, the ECT preferred unit distributions have been added back to the cash provided from operating activities.

[3] Maintenance capital expenditures reduce cash available for distribution since these expenditures are funded through cash from operations.

[4] Debt repayments in Alliance Canada are deducted from cash from operations in deriving cash available for distribution because they are funded from cash from Alliance Canada's operations.

[5] The cash retained or distributed by Alliance Canada and Green Power reflects the cash from operations of these segments that has not been distributed to the Fund or distributions in excess of cash earnings in the period. While this cash from operations is proportionately consolidated and included in the Fund’s cash provided by operating activities, it is not available for distribution by the Fund until it has been received from Alliance Canada and the Green Power segment. Cash retained by Alliance Canada and Green Power includes debt service reserves, capital expenditures and other cash needed to fund working capital or other requirements of these segments.

[6] Change in operating assets and liabilities in the period reflect changes in non-cash working capital related to operating activities. The change has been added back to or deducted from cash available for distribution since fluctuations in working capital are expected each period and are not indicative of changes in cash available to be distributed.

As set out in the above table, cash available for distribution consists of operating cash flow from the Fund's underlying businesses less deductions for maintenance capital expenditures, the Fund's administrative and operating expenses, corporate segment interest expense, applicable taxes and other reserves deemed prudent by the Manager.

Cash available for distribution for the nine months ended September 30, 2009 was $68.2 million, which is a decrease of $0.4 million from the prior year comparable period. However, cash available for distribution for the nine months ended September 30, 2008 includes the $6.1 million CESCA settlement received from Alliance Canada. After removing the impact of the CESCA settlement from the prior year, the cash available for distribution for the nine-month period ending September 30, 2009 increased compared with the prior year comparable period due to higher contributions from all three operating segments. For the three months ended September 30, 2009, cash available for distribution was $22.0 million, a decrease of $0.2 million from the third quarter of 2008 due to lower distributions from Green Power as a result of lower distributions from the three wind power projects.

The above calculations of cash available for distribution represent cash available to fund distributions on trust units and ECT preferred units, as well as for debt repayments and reserves.

ANALYSIS OF CASH DISTRIBUTIONS DECLARED

(millions of Canadian dollars)	Three months ended September 30,		Nine months ended September 30,	
	2009	2008	**2009**	2008
Cash Provided by Operating Activities	**45.3**	30.1	**85.1**	87.6
Earnings	**2.7**	4.9	**9.4**	17.1
Trust Unit Cash Distributions Declared[1]	**10.0**	8.9	**29.9**	26.8
Excess of cash provided by operating activities over cash distributions declared	**35.3**	21.2	**55.2**	60.8
Shortfall of earnings over cash distributions declared	**(7.3)**	(4.0)	**(20.5)**	(9.7)

[1] ECT Preferred Unit Distributions have been excluded from this reconciliation since these distributions are reductions to earnings under GAAP.

For the three and nine months ended September 30, 2009, cash flows provided by operating activities in the period exceeded cash distributions paid to trust unitholders by $35.3 million (2008 - $21.2 million) and $55.2 million (2008 - $60.8 million), respectively.

Earnings were $7.3 million and $20.5 million lower than cash distributions to trust unitholders for the three and nine months ended September 30, 2009, respectively. The greater shortfall in earnings over distributions in the first nine months of 2009 compared with 2008 was due to the $6.1 million CESCA settlement ($4.4 million net of tax) recorded in earnings in the first three months of 2008. An excess of distributions over earnings is expected to continue in the future and partly represents a return of capital to unitholders (including ECT Preferred Unitholders). Under GAAP, earnings reflect non-cash items such as amortization of deferred financing costs and depreciation as well as changes in future income taxes due to tax rate changes, all of which do not impact cash flow. Depreciation does not necessarily represent the cost of maintaining productive capacity; therefore, cash required for maintenance may be lower than depreciation expense.

RECENT DEVELOPMENTS AND OUTLOOK

On November 2, 2009, the Fund's Administrator recommended to the Board of Trustees a proposed restructuring of the Fund to take effect prior to the January 1, 2011 SIFT tax. The proposed restructuring would involve the exchange by public unitholders of their trust units, which collectively represent a 28% economic interest in the Fund, for shares of a taxable Canadian corporation to be called Enbridge Income Fund Holdings Inc. (EIFH), plus a small amount of cash. EIFH would secure a bank credit facility to fund the cash payment as well as to provide flexibility to fund further investment in the Fund in support of its growth opportunities. The scope of activities of EIFH would be limited to investment in the Fund.

Public unitholders would retain their current proportionate economic interest in the Fund, held indirectly through EIFH. The Fund would cease to be a SIFT and would not be subject to the SIFT tax, although both EIFH and Enbridge Inc. would be subject to corporate income tax on taxable income received from the Fund. Dividends paid by EIFH are expected to be eligible dividends which qualify for the enhanced federal dividend tax credit.

The recommended restructuring would be subject to approval by unitholders at the annual meeting of the Fund in May 2010. A committee of independent trustees of the Fund, assisted by independent legal and financial advisors, will review the administrator's recommendation in light of potential alternatives and provide its recommendation to public unitholders. Further specific details of the proposed restructuring will be communicated to unitholders following refinement and finalization of the restructuring plan in conjunction with the review by the independent trustees.

The Fund continues to focus on managing its existing assets and seeks to increase distributable cash flow through investment in low risk, energy infrastructure, subject to available capital.

Saskatchewan System Capacity Expansion

During the year, the scope of Phase II of the Saskatchewan System Capacity Expansion has been refined to include three separate projects that will help reduce capacity constraints at several locations in Saskatchewan. The Benson Expansion project on the Saskatchewan Gathering System includes terminal modifications, pump upgrades and installation of new pipe. The Bryant to Steelman Expansion project on the Westspur System involves installation of new crude oil pipe and station and terminal upgrades. Lastly, the Steelman Crude/NGL Conversion project involves the conversion of an existing NGL line to crude oil on the Westspur System, and a new NGL pipeline and pump station on the Saskatchewan Gathering System, as well as the conversion of an existing crude oil line to relocate NGLs from the BP Steelman Gas Plant to the NGL line at Alida, Saskatchewan. These projects continue to be supported by both shippers and producers in the area. Collectively, the projects will increase crude oil capacity across the system by approximately 125,000 bpd at a cost of approximately $120 million.

Construction began on the new Saskatchewan Gathering System Benson Expansion pipeline during the third quarter of 2009 and is expected to be completed before the end of 2009. However, this pipeline will not be placed into service until late 2010, which is when all the associated facilities will be complete. At September 30, 2009, capital expenditures of $7.4 million have been incurred in relation to the Saskatchewan System Phase II Expansion. Regulatory applications for the remaining projects are expected to be filed in the fourth quarter of 2009. All three projects comprising the Phase II Saskatchewan System Capacity Expansion are targeted to be complete by the fourth quarter of 2010.

Alliance Canada Open Seasons

From June 1 to July 15, 2009 Alliance Canada held concurrent open seasons on a Gathering Receipt Service and a Canadian Delivery Service. The Gathering Receipt Service will provide a gathering service from Northeast British Columbia to south-central Alberta. The Canadian Delivery Service would be the first for Alliance Canada, and will deliver gas from Northwestern Alberta and Northeastern British Columbia to other points along the Alliance Pipeline within Canada.

Alliance Canada has received total subscriptions and expressions of interest in excess of 1 billion cubic feet/day. This level of interest is sufficient for Alliance Canada to move to early stage development activity, which includes detailed capital costing and regulatory preparation. The approval of the National Energy Board (NEB) will be required for both services.

CRITICAL ACCOUNTING ESTIMATES

Asset Retirement Obligations

In May 2009, the NEB released a report on the financial issues associated with pipeline abandonment. The NEB will require all companies to formally assess the timeline and cost of future abandonment and, if necessary, set aside funds to cover future abandonment costs. All pipelines regulated under the NEB Act will be required to comply with the report's framework and action plan. The NEB began hosting technical meetings in September 2009 to evaluate how abandonment estimates will be calculated and submitted as well as proposals for how funds will be collected and set aside. The NEB's goal is for companies, as required, to begin setting aside funds for abandonment no later than the end of May 2014. Currently, the Fund does not have an asset retirement obligation recorded in its consolidated financial statements for Alliance Canada due to the indeterminate timing and scope of asset retirements. However, should the NEB action plan result in a reasonable estimate of asset retirement obligations for accounting purposes, financial statement recognition of those obligations may be made in future periods. As a result, regulatory assets and liabilities may be recognized to the extent the timing of recovery from shippers differs from the recognition of abandonment costs for accounting purposes.

CHANGE IN ACCOUNTING POLICIES

Information about the Fund's changes in accounting policies is included in Note 1 to the September 30, 2009 unaudited consolidated financial statements.

FUTURE ACCOUNTING POLICY CHANGES

International Financial Reporting Standards (IFRS)

The Canadian Accounting Standards Board (AcSB) confirmed in February 2008 that publicly accountable entities will be required to adopt IFRS for interim and annual financial statements beginning on January 1, 2011, including comparative financial statements for 2010.

Enbridge Inc. (Enbridge), whose IFRS conversion project includes the Fund, has developed a Project Charter and multi-year transition plan which includes an IFRS governance structure to monitor the progress of the transition. In addition, Enbridge has trained internal IFRS team members and has hired a public accounting firm to assist with project management and to provide technical accounting advice on the interpretation and application of IFRS. These services are provided by Enbridge's IFRS team to the Fund as a component of the Management and Administrative services provided under contract by the Manager.

Enbridge is progressing on track against its project plan. To date, preliminary accounting directions, detailed IFRS compliant accounting policies and system change needs to create 2010 comparative financial statements are complete.

The development of processes to derive the Fund's 2010 opening balance sheet under IFRS and the building of processes to create 2010 IFRS compliant financial information for comparative purposes are underway.

Information systems, business processes, internal controls, tax implications, training and change management dimensions are being considered holistically and individually throughout the conversion project. Resources are devoted to each dimension and activity levels in 2009 and early 2010 will increase.

The detailed project plan and the expected timing of key activities identified above may change prior to the IFRS conversion date due to new accounting standards or amendments to existing accounting standards, changes in regulation or economic conditions or other factors.

SELECTED QUARTERLY FINANCIAL INFORMATION[1]

(millions of dollars, except per unit amounts)	**2009**			2008				2007
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
Revenue	**79.4**	77.3	74.7	83.7	72.2	72.4	68.7	73.0
Earnings	**2.7**	3.4	3.3	4.8	4.9	4.6	7.6	10.8
Earnings Per Unit (basic and diluted)	**0.08**	0.10	0.10	0.14	0.14	0.13	0.22	0.31
Cash Distributions Declared[2]	**20.92**	20.92	20.92	18.70	18.70	20.10	17.40	17.30

[1]Selected Quarterly Financial Information has been extracted from financial statements prepared in accordance with GAAP.

[2] Cash distributions declared on Trust units and ECT preferred units.

Significant items that have impacted quarterly financial information are as follows:

- Fourth quarter revenues from the Fund's regulated entities, including Alliance Canada, the Westspur System and the Saskatchewan Gathering System, are typically higher than other quarters due to higher cost of service recoveries.
- First quarter earnings in 2008 reflected a $6.1 million increase from the CESCA bankruptcy settlement in Alliance Canada offset by increased current taxes in the Corporate segment and unrealized derivative losses in Green Power.
- Fourth quarter earnings in 2007 reflected future income tax recoveries of $7.6 million due to the substantive enactment of reductions in future tax rates during the quarter.
- Increased cash distributions declared in the first nine months of 2009 reflected an increase in the monthly distribution from $0.086 per unit to $0.096 per unit. This increase in the distribution resulted in higher ECT preferred unit distributions and incentive fees thereby reducing earnings in the first three quarters of 2009.
- In the second quarter of 2008 monthly distributions on the Fund's trust units and the ECT preferred units were increased from $0.08 per unit to $0.086 per unit, effective with the distributions payable to holders of record on May 31, 2008. A special distribution of $0.024 per unit was also paid to holders of record on May 31, 2008.

SUPPLEMENTARY INFORMATION

Outstanding Unit Data	Number of Units Outstanding
Trust Units	34,625,000
ECT Preferred Units	38,023,750

Outstanding unit data is provided as at November 2, 2009.

SELECTED OPERATING AND FINANCIAL HIGHLIGHTS[1]

(millions of dollars except where otherwise noted)	Three months ended September 30, **2009**	2008	Nine months ended September 30, **2009**	2008
Average Daily Throughput Volume				
Alliance Canada (millions of cubic feet per day)	**1,559**	1,546	**1,612**	1,618
Saskatchewan System[2] (thousands of barrels per day)				
Westspur System	**198.7**	190.3	**195.1**	169.7
Saskatchewan Gathering System	**138.2**	128.3	**135.7**	119.8
Weyburn System	**36.0**	35.1	**35.7**	34.8
Virden System	**12.6**	22.1	**16.2**	27.0
Green Power[3] (thousands of megawatt hours produced)	**74.6**	64.7	**260.2**	210.4
Revenues	**79.4**	72.2	**231.4**	213.3
Earnings	**2.7**	4.9	**9.4**	17.1
Per Unit (dollars per unit)	**0.08**	0.14	**0.27**	0.49
Cash Provided by Operating Activities	**45.3**	30.1	**85.1**	87.6
Cash Available for Distribution[4]	**22.0**	22.2	**68.2**	68.6
Cash Distributions Declared	**20.9**	18.7	**62.8**	56.2
Cash Distributions Declared Per Unit (dollars per unit)				
Trust Units	**0.2880**	0.2580	**0.8640**	0.7740
ECT Preferred Units	**0.2880**	0.2580	**0.8640**	0.7740
Total Long-Term Liabilities			**1,488.6**	1,506.0
Total Assets			**1,917.1**	1,859.4
ECT Preferred Units (number of units)			**38,023,750**	38,023,750
Trust Units (number of units)			**34,625,000**	34,625,000

[1]Financial Highlights have been extracted from financial statements prepared in accordance with GAAP.

[2]Totals are not presented as the same volumes can be transported through a combination of the pipelines comprising the Saskatchewan System.

[3]NRGreen's Loreburn, Estlin and Alameda waste heat recovery facilities began operations in May, July and November of 2008, respectively.

[4]See Non-GAAP Measures.