

ENBRIDGE INCOME FUND
Consolidated Financial Statements
December 31, 2009

AUDITORS' REPORT

To the Unitholders of Enbridge Income Fund

We have audited the consolidated statements of financial position of Enbridge Income Fund (the "Fund") as at December 31, 2009 and 2008 and the consolidated statements of earnings, comprehensive income, unitholders' equity and cash flows for the years then ended. These financial statements are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of Enbridge Income Fund as at December 31, 2009 and 2008 and the results of its operations and its cashflows for the years then ended in accordance with Canadian generally accepted accounting principles.

PricewaterhouseCoopers LLP

Chartered Accountants,
Calgary, Alberta

February 1, 2010

ENBRIDGE INCOME FUND
CONSOLIDATED STATEMENTS OF EARNINGS

(millions of Canadian dollars, except per unit amounts)

Year ended December 31,	2009	2008
Revenues	314.8	297.0
Expenses		
Operating and maintenance	101.0	93.4
Management and administrative	9.7	6.5
Depreciation and amortization	91.3	85.8
	202.0	185.7
	112.8	111.3
Other Income	1.1	7.5
Interest Expense (Note 10)	(56.0)	(59.9)
ECT Preferred Unit Distributions (Note 11)	(43.8)	(39.2)
	14.1	19.7
Income Tax (Expense)/Recovery (Note 14)	(1.1)	2.2
Earnings	13.0	21.9
Basic and Diluted Earnings per Trust Unit (Note 13)	0.38	0.63

The accompanying notes are an integral part of these consolidated financial statements.

ENBRIDGE INCOME FUND
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(millions of Canadian dollars)

Year ended December 31,	2009	2008
Earnings	13.0	21.9
Other Comprehensive Income/(Loss)		
Change in unrealized gains/(losses) on cash flow hedges, net of tax	6.0	(4.6)
Reclassification of realized (gains)/losses on cash flow hedges to earnings, net of tax	(0.5)	1.2
Comprehensive Income	5.5	(3.4)
	18.5	18.5

The accompanying notes are an integral part of these consolidated financial statements.

ENBRIDGE INCOME FUND
CONSOLIDATED STATEMENTS OF UNITHOLDERS' EQUITY

(millions of Canadian dollars)

Year ended December 31,	2009	2008
Trust Units (Note 13)	333.4	333.4
Deficit at Beginning of Year	(61.9)	(48.1)
Earnings	13.0	21.9
Distributions to unitholders	(39.9)	(35.7)
Deficit at End of Year	(88.8)	(61.9)
Accumulated Other Comprehensive Loss at Beginning of Year	(9.6)	(6.2)
Other comprehensive income/(loss), net of tax	5.5	(3.4)
Accumulated Other Comprehensive Loss at End of Year	(4.1)	(9.6)
Total Unitholders' Equity	240.5	261.9

The accompanying notes are an integral part of these consolidated financial statements.

ENBRIDGE INCOME FUND
CONSOLIDATED STATEMENTS OF CASH FLOWS

(millions of Canadian dollars)

Year ended December 31,	2009	2008
Cash Provided by Operating Activities		
Earnings	13.0	21.9
Charges/(credits) not affecting cash		
Depreciation and amortization	91.3	85.8
Amortization of deferred financing charges	2.3	1.6
Amortization of fair value increment on debt	(4.5)	(4.9)
Future income taxes	0.4	(3.7)
Other	(1.1)	1.1
Changes in operating assets and liabilities		
Change in accounts receivable and other	0.3	(6.0)
Change in accounts payable and accrued liabilities	4.0	16.8
Change in deferred amounts and other assets	(5.6)	(16.6)
Change in long-term liabilities	(5.9)	2.4
Asset retirements	-	(0.3)
	94.2	98.1
Investing Activities		
Additions to property, plant and equipment	(40.2)	(51.8)
Additions to intangible assets	(0.2)	(4.6)
Change in construction payable	(0.7)	(7.2)
	(41.1)	(63.6)
Financing Activities		
Net change in long-term credit facility	115.5	(6.5)
Repayment of long-term debt	(100.0)	-
Net change in non-recourse long-term credit facility	(57.1)	39.1
Repayment of non-recourse long-term debt	(31.0)	(28.8)
Non-recourse long-term debt issues	59.4	-
Trust unit distributions (Note 13)	(39.6)	(35.7)
	(52.8)	(31.9)
Increase in Cash and Cash Equivalents	0.3	2.6
Cash and Cash Equivalents at Beginning of Year	17.3	14.7
Cash and Cash Equivalents at End of Year	17.6	17.3
Cash and Cash Equivalents	3.9	7.4
Cash and Cash Equivalents in Trust (Note 15)	13.7	9.9
	17.6	17.3
Supplementary Cash Flow Information		
Income taxes paid	2.2	3.8
Interest paid	57.2	63.2

The accompanying notes are an integral part of these consolidated financial statements.

ENBRIDGE INCOME FUND
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(millions of Canadian dollars)

December 31,	2009	2008
Assets		
Current Assets		
Cash and cash equivalents	17.6	17.3
Accounts receivable and other	38.5	38.8
	56.1	56.1
Property, Plant and Equipment, net (Note 6)	1,261.2	1,304.1
Intangible Assets (Note 7)	89.1	95.7
Goodwill	308.1	308.1
Deferred Amounts and Other Assets (Note 3)	194.6	90.7
Future Income Taxes (Note 14)	6.2	3.5
	1,915.3	1,858.2
Liabilities and Unitholders' Equity		
Current Liabilities		
Accounts payable and accrued liabilities	53.3	49.6
Distributions payable	3.3	3.0
Current portion of long-term debt (Note 8)	-	100.0
Current portion of non-recourse long-term debt (Note 9)	57.9	30.9
	114.5	183.5
Long-Term Debt (Note 8)	296.1	178.8
Non-Recourse Long-Term Debt (Note 9)	705.1	764.7
ECT Preferred Units (Note 11)	380.2	380.2
Long-Term Liabilities	3.2	18.3
Asset Retirement Obligations (Note 12)	12.4	10.9
Future Income Taxes (Note 14)	163.3	59.9
	1,674.8	1,596.3
Unitholders' Equity		
Trust units (Note 13)	333.4	333.4
Deficit	(88.8)	(61.9)
Accumulated other comprehensive loss	(4.1)	(9.6)
	240.5	261.9
	1,915.3	1,858.2

The accompanying notes are an integral part of these consolidated financial statements.

Approved by the Trustees of Enbridge Commercial Trust on behalf of Enbridge Income Fund:

(signed) "Catherine M. Best"
Trustee

(signed) "Gordon G. Tallman"
Trustee

ENBRIDGE INCOME FUND

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. NATURE AND DESCRIPTION OF THE FUND

Enbridge Income Fund (the Fund) is an unincorporated open-ended trust established by a trust indenture under the laws of the Province of Alberta. The Fund commenced operations on June 30, 2003. Enbridge Management Services Inc. (EMSI), a wholly owned subsidiary of Enbridge Inc. (Enbridge), administers the Fund. EMSI also serves as the manager of Enbridge Commercial Trust (ECT), a subsidiary of the Fund.

The Fund conducts its business through three operating segments: Alliance Canada, Saskatchewan System and Green Power. These segments are strategic business units established along service lines by management to assess operational performance and to achieve the Fund's long-term objectives.

Alliance Canada

Alliance Canada consists of the Fund's 50% interest in the Canadian portion of the 3,000 kilometre (km) Alliance System. The Alliance System, comprised of Alliance Canada and Alliance US, transports natural gas from supply areas in northwestern Alberta and northeastern British Columbia to delivery points near Chicago, Illinois. The Canadian portion includes approximately 1,560 km of the Alliance System's high-pressure, natural gas transmission system as well as its lateral pipeline system, which connects the mainline to a number of upstream receipt points, and related infrastructure.

Saskatchewan System

The Saskatchewan System includes four crude oil and liquids pipeline systems: Saskatchewan Gathering, Westspur, Weyburn, and Virden. Together these systems include approximately 356 km of trunk line and 1,900 km of gathering pipeline with operating capacities ranging from 37,000 barrels of oil per day (bpd) to 255,000 bpd. As at December 31, 2009, expansion projects have been initiated that are expected to increase capacity across the system by approximately 125,000 bpd.

Green Power

Green Power includes the Fund's 33% to 50% interests in three wind power projects in Saskatchewan and southern Alberta. Green Power also includes the Fund's 50% interest in NRGreen, which operates waste heat recovery power generation facilities in Saskatchewan along the Alliance System.

Proposed Restructuring

In November 2009, EMSI, the Fund's administrator, recommended to the Fund's Board of Trustees a restructuring of the Fund to take effect prior to the January 1, 2011 implementation of tax legislation impacting specified investment flow-through entities (SIFTs). The proposed restructuring would involve an 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., plus a small amount of cash. The Fund would cease to be a SIFT and would not be subject to the SIFT tax under the proposed restructuring.

The proposed restructuring would be subject to approval by unitholders and regulators, as applicable. A committee of independent trustees of the Fund, assisted by independent legal and

financial advisors, is reviewing the proposal in light of potential alternatives and will provide its recommendation to public unitholders.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements of the Fund have been prepared in accordance with Canadian generally accepted accounting principles (GAAP). Amounts are stated in Canadian dollars unless otherwise noted. The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses, as well as the disclosure of contingent assets and liabilities in the financial statements. Significant estimates and assumptions used in preparation of the consolidated financial statements include, but are not limited to: carrying values of regulatory assets and liabilities (Note 5); depreciation rates and carrying value of property, plant and equipment (Note 6); amortization rates of intangible assets (Note 7); carrying value of goodwill; fair values of financial instruments (Note 17); and income taxes (Note 14). Actual results could differ from these estimates.

Basis of Presentation

The consolidated financial statements include the accounts of the Fund, its subsidiaries and its proportionate share of the accounts of its joint venture interests.

Regulation

Both Alliance Canada and the systems comprising the Saskatchewan System are subject to regulation by various authorities, including the National Energy Board (NEB), Saskatchewan Ministry of Energy and Resources (SMER) and Manitoba Innovation, Energy and Mines. Regulatory bodies exercise statutory authority over matters such as construction, rates and ratemaking and agreements with customers. In order to recognize the economic effects of the actions of the regulator, the timing of recognition of certain revenues and expenses in these operations may differ from that otherwise expected under GAAP for non rate-regulated entities.

Regulatory assets represent amounts that are expected to be recovered from customers in future periods through rates. Regulatory liabilities represent amounts that are expected to be refunded to customers in future periods through rates. In the absence of rate regulation, the Fund would not recognize regulatory assets or liabilities and the earnings impact would be recorded in the period the expenses are incurred or revenues are earned. Long-term regulatory assets are recorded in Deferred Amounts and Other Assets and current regulatory assets are recorded in Accounts Receivable and Other. Long-term regulatory liabilities are recorded in Long-Term Liabilities, whereas current regulatory liabilities are recorded in Accounts Payable and Accrued Liabilities. Regulatory assets are assessed for impairment if the Fund identifies an event indicative of possible impairment. The recognition of regulatory assets and liabilities is based on the actions, or expected future actions of the regulator. To the extent that the regulator's actions differ from the Fund's expectations, the timing and amount of recovery or settlement of regulatory balances could differ significantly from those recorded.

An Allowance for Funds Used During Construction (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. AFUDC includes both an interest component and, if approved by the regulator, a cost of equity component. In the absence of rate regulation, the Fund would capitalize only the interest component; therefore, the capitalized equity component, the corresponding earnings during the construction phase and the subsequent depreciation would not be recognized.

Certain regulators prescribe the pool method of accounting for property, plant and equipment where similar assets with comparable useful lives are grouped and depreciated as a pool. When those assets are retired or otherwise disposed of, gains and losses are not reflected in earnings but are booked as an adjustment to accumulated depreciation. Entities not subject to rate regulation write off the net book value of the retired asset and include any resulting gain or loss in earnings.

Revenue Recognition

For businesses which are not rate-regulated, revenues are recorded when products have been delivered or services have been performed, the amount of revenue can be reliably measured and collectability is reasonably assured. Customer credit worthiness is assessed before contracts are signed as well as continuously through the duration of the contract.

The Saskatchewan Gathering and Westspur systems within the Saskatchewan System as well as Alliance Canada generate revenues under the cost of service model which is designed to provide toll revenues sufficient to recover prudently incurred costs of service as well as to provide an allowed return. Therefore, revenue is recognized at the amount that is expected to be recovered from shippers in future tolls under the cost of service model. Differences between the recorded transportation revenue and actual toll receipts give rise to regulatory receivable or payable balances.

Revenues from operating leases of certain Green Power assets are recognized on a straight-line basis over the term of the lease.

Financial Instruments

The Fund classifies financial assets and financial liabilities as held for trading, loans and receivables, other financial liabilities or instruments in qualifying hedging relationships. All financial instruments are initially recorded at fair value on the balance sheet. Subsequent measurement of the financial instrument is based on its classification. At December 31, 2009 and 2008, the Fund had no held to maturity or available for sale instruments.

Held for Trading

Financial assets and liabilities that are classified as held for trading are measured at fair value with changes in fair value recognized in earnings. The Fund has classified cash and cash equivalents, the Alliance Canada investment in Master Asset Vehicle (MAV) notes and its non-qualifying derivative instruments as held for trading.

Loans and Receivables

Loans and receivables, which include accounts receivable and other, are measured at amortized cost, using the effective interest rate method, net of any impairment losses recognized.

Other Financial Liabilities

Other financial liabilities are recorded at amortized cost using the effective interest rate method and include accounts payable and accrued liabilities, distributions payable, long-term debt, non-recourse long-term debt and ECT Preferred Units.

Derivatives in Qualifying Hedging Relationships

The Fund uses financial derivatives to manage changes in commodity prices and interest rates. Hedge accounting is optional and requires the Fund to document the hedging relationship and to test the hedging item's effectiveness in offsetting changes in the fair value or cash flow of the underlying hedged item on an ongoing basis. The Fund presents the earnings and cash flow effects of hedging items with the hedged transaction. Instruments in qualifying hedging relationships are categorized as cash flow hedges or fair value hedges. At December 31, 2009 and 2008, the Fund held no fair value hedges.

Cash Flow Hedges

The Fund may use cash flow hedges to manage changes in power prices and interest rates. The effective portion of the change in the fair value of a cash flow hedging instrument is recorded in Other Comprehensive Income (OCI) and reclassified to earnings when the hedged item impacts earnings. Any hedge ineffectiveness is recorded in current period earnings with the hedged item.

If a derivative instrument designated as a cash flow hedge ceases to be effective or is terminated, hedge accounting is discontinued and the gain or loss at that date is deferred in OCI and recognized concurrently with the related transaction. Subsequent gains and losses from ineffective derivative instruments are recognized in earnings in the period in which they occur. If a hedged anticipated transaction is no longer probable, the gain or loss is recognized immediately in earnings.

Impairment

The Fund assesses at each balance sheet date whether there is objective evidence that a financial asset is impaired. If there is determined to be objective evidence of impairment, the Fund internally values the expected discounted cash flows using observable market inputs and determines whether the decline below carrying value is other than temporary. If the decline is determined to be other than temporary, an impairment charge is recorded in earnings with an offsetting reduction to the carrying value of the asset.

Transaction Costs

Transaction costs are incremental costs directly related to the acquisition of a financial asset or the issuance of a financial liability. The Fund incurs transaction costs primarily through the issuance of debt and classifies these costs with the related debt. These costs are amortized using the effective interest rate method over the life of the related debt instrument.

Income Taxes

Pursuant to the *Income Tax Act (Canada)* as presently enacted, the Fund and ECT, as trusts, are not subject to income taxes to the extent that income and taxable capital gains are paid or payable to unitholders. However, certain subsidiary corporations are taxable and applicable income and capital taxes have been reflected in these consolidated financial statements.

The liability method of accounting for income taxes is followed. Future income tax assets and liabilities are recorded based on temporary differences between the tax bases of assets and liabilities and their carrying values for accounting purposes. Future income tax assets are recognized only to the extent they are more likely than not to be realized in future periods. Future income tax assets and liabilities are measured using the tax rate that is expected to apply when the temporary differences reverse (Note 3).

Cash and Cash Equivalents

Cash and cash equivalents include short-term deposits with a term to maturity of three months or less when purchased. Cash and cash equivalents include amounts in trust, pursuant to Alliance Canada's financing agreements which require amounts for current principal and interest payments to be deposited into debt service trust accounts. Alliance Canada can only distribute funds in non-trust accounts to its partners.

Property, Plant and Equipment

Expenditures for construction, expansion, major renewals and betterments are capitalized. Maintenance and repair costs are expensed as incurred. The Fund capitalizes interest incurred during construction.

Depreciation of property, plant and equipment is generally provided on a straight-line basis over the estimated service life of the assets commencing when the asset is placed in service. Certain pipeline assets in service within the Saskatchewan System are depreciated based on unit of throughput. Line fill is not depreciated.

Impairment of Long-Lived Assets

The Fund reviews the carrying values of its long-lived assets as events or changes in circumstances warrant. If it is determined that the carrying value of an asset exceeds the undiscounted cash flows expected from the asset, the asset is written down to fair value.

Intangible Assets

Intangible assets consist primarily of acquired long-term transportation service agreements (TSAs) with shippers on Alliance Canada, computer software and the production incentive agreements for several wind power projects. Intangible assets are amortized on a straight-line basis over their expected lives.

Goodwill

Goodwill represents the excess of the purchase price over the fair value of net identifiable assets upon acquisition of a business. Goodwill is not subject to amortization but is tested for impairment at least annually and written down to fair value if impairment occurs. For the purposes of impairment testing, reporting units comprise business operations with similar economic characteristics and strategies and may represent either a business segment or a business unit within a business segment. Potential impairment is identified when the carrying value of a reporting unit, including allocated goodwill, exceeds its fair value. Goodwill impairment is measured as the excess of the carrying amount of the reporting unit's allocated goodwill over the implied fair value of the goodwill, based on the fair value of the assets and liabilities of the reporting unit.

Deferred Amounts

Deferred amounts and other assets include costs that regulatory authorities have permitted or are expected to permit to be recovered through future rates.

Asset Retirement Obligations

Asset retirement obligations (AROs) associated with the retirement of long-lived assets are recognized and measured at fair value when they can be reasonably determined. The fair value approximates the cost a third party would charge in performing the tasks necessary to retire such assets and is recognized at the present value of expected future cash flows. AROs are added to the carrying value of the associated asset and depreciated over the asset's useful life. The corresponding liability is accreted over time through charges to earnings and is reduced by actual costs of decommissioning and reclamation. The Fund's estimates of retirement costs could change as a result of changes in timing and cost estimates as well as changes in regulatory requirements.

Comparative Amounts

Certain comparative amounts have been reclassified to conform with the current year's financial statement presentation.

3. CHANGES IN ACCOUNTING POLICIES

Accounting for the Effects of Rate Regulation

Effective January 1, 2009, the Fund adopted revisions to the Canadian Institute of Chartered Accountants (CICA) Handbook Section 1100, Generally Accepted Accounting Principles and Section 3465, Income Taxes. The revisions to Section 3465 were applied retrospectively without restating prior periods. There was no material impact upon adoption of the revisions to Section 1100.

The adoption of revisions to Section 3465 did not impact the Fund's earnings or cash flows.

Income Taxes

The revised standard removed the exemption for rate regulated enterprises to recognize future income taxes to the extent they were expected to be included in regulator-approved future rates and recovered from or refunded to future customers.

As a result of the revised standard for income taxes, on January 1, 2009, the Fund recognized a liability of \$120.2 million for future income taxes on regulated assets, primarily property, plant and equipment, along with an offsetting regulatory asset of \$120.2 million. The regulatory asset is recorded on the consolidated statement of financial position in Deferred Amounts and Other Assets.

At December 31, 2009, the Fund had a liability of \$98.2 million for future income taxes on regulated assets, primarily property, plant and equipment, with an offsetting regulatory asset of \$98.2 million. The decrease in the future income tax liability related to regulated assets between January 1, 2009 and December 31, 2009 was \$22.0 million, of which \$15.2 million related to changes in legislated income tax law.

Intangible Assets

Effective January 1, 2009, the Fund adopted CICA Handbook Section 3064, Goodwill and Intangible Assets, which establishes standards for the recognition, measurement, presentation and disclosure of goodwill and intangible assets. As a result of adopting this standard, the Fund has reclassified certain software costs from property, plant and equipment to intangible assets. This standard has been applied retrospectively and affects presentation only.

As a result of adopting this standard, on January 1, 2009, the Fund reclassified \$4.8 million of net software costs from property, plant and equipment to intangible assets. At December 31, 2009, the Fund had \$3.7 million of net intangible software costs.

Capital Disclosures and Financial Instruments – Disclosures and Presentation

Effective January 1, 2008, the Fund adopted new standards for Capital Disclosures, CICA Handbook Section 1535, and Financial Instruments – Disclosures and Presentation, sections 3862 and 3863. These standards resulted in additional disclosures.

Future Accounting Policy Changes

Business Combinations

The CICA issued Section 1582, Business Combinations, which replaces Section 1581. This new standard aligns accounting for business combinations under Canadian GAAP with International Financial Reporting Standards (IFRS). The standard requires assets and liabilities acquired in a business combination to be measured at fair value at the acquisition date. The standard also requires acquisition-related costs, such as advisory or legal fees, incurred to effect a business combination to be expensed in the period in which they are incurred. The adoption of the

revised standard will impact the accounting treatment of future business combinations. The revised standard is effective for business combinations occurring on or after January 1, 2011; however, earlier application is permitted.

4. SEGMENTED INFORMATION

<i>(millions of Canadian dollars)</i>	Alliance	Saskatchewan	Green		
Year ended December 31, 2009	Canada	System	Power	Corporate	Consolidated
Revenues	224.7	78.8	11.3	-	314.8
Operating and maintenance	(59.4)	(38.3)	(3.3)	-	(101.0)
Management and administrative	-	-	-	(9.7)	(9.7)
Depreciation and amortization	(63.8)	(23.4)	(4.1)	-	(91.3)
	101.5	17.1	3.9	(9.7)	112.8
Other income/(expense)	1.0	(0.4)	0.4	0.1	1.1
Interest expense	(43.3)	-	(0.4)	(12.3)	(56.0)
ECT preferred unit distributions	-	-	-	(43.8)	(43.8)
Income tax recovery/(expense)	0.1	3.0	0.1	(4.3)	(1.1)
Earnings	59.3	19.7	4.0	(70.0)	13.0
Goodwill	308.1	-	-	-	308.1
Total assets	1,550.0	274.8	76.4	14.1	1,915.3
Additions to Property, Plant and Equipment	1.7	37.2	2.2	-	41.1

<i>(millions of Canadian dollars)</i>	Alliance	Saskatchewan	Green		
Year ended December 31, 2008	Canada	System	Power	Corporate	Consolidated
Revenues	222.1	68.0	6.9	-	297.0
Operating and maintenance	(57.4)	(33.2)	(2.8)	-	(93.4)
Management and administrative	-	-	-	(6.5)	(6.5)
Depreciation and amortization	(62.4)	(20.1)	(3.3)	-	(85.8)
	102.3	14.7	0.8	(6.5)	111.3
Other income/(expense)	7.0	(0.2)	0.6	0.1	7.5
Interest expense	(46.3)	-	(0.4)	(13.2)	(59.9)
ECT preferred unit distributions	-	-	-	(39.2)	(39.2)
Income tax recovery/(expense)	0.1	3.0	0.1	(1.0)	2.2
Earnings	63.1	17.5	1.1	(59.8)	21.9
Goodwill	308.1	-	-	-	308.1
Total assets	1,496.7	278.0	78.2	5.3	1,858.2
Additions to Property, Plant and Equipment	16.1	29.8	5.9	-	51.8

5. FINANCIAL STATEMENT EFFECTS OF RATE REGULATION

General Information on Rate Regulation and its Economic Effects

Alliance Canada

Shippers on the Alliance System entered into 15-year transportation contracts, expiring in December 2015, which set out the cost of service toll methodology used to calculate annual tolls. Alliance Canada is regulated by the NEB, with whom Alliance files toll adjustments annually. The tolls include a return on equity component of 11.26% (2008 - 11.26%) after tax and are based on a deemed 70% debt and 30% equity structure.

Saskatchewan System

The Saskatchewan Gathering System and the Westspur System are regulated by SMER and the NEB, respectively. Both systems follow the cost of service methodology. Toll rates are subject to change from time to time based on the differences between the estimated cost of service and actual costs incurred and include a 6.5% return on a semi-depreciated rate base.

The regulators do not regularly review or approve the rates established by the pipeline systems comprising the Saskatchewan System. However, in the event of a customer complaint, the regulator would review and provide a ruling on the rates in question.

Financial Statement Effects

Accounting for rate-regulated entities has resulted in recognition of the following regulatory assets and liabilities:

<i>(millions of Canadian dollars)</i>			Estimated Settlement Period (years)	Earnings Impact¹	
December 31,	2009	2008		2009	2008
Regulatory Assets/(Liabilities)					
Alliance Canada					
Deferred transportation revenue ²	91.5	79.8	16	11.7	14.2
Transportation revenue adjustment ³	(2.3)	(2.0)	1	(0.3)	(2.0)
Saskatchewan System					
Transportation revenue adjustment ³	0.2	(0.3)	1	0.5	0.3

1. The effect of rate regulation resulted in an increase/(decrease) in after tax reported earnings.

2. Deferred transportation revenue is related to the cumulative difference between GAAP depreciation expense included in the financial statements of Alliance Canada and depreciation expense included in transportation tolls. Alliance Canada expects to recover this difference over a number of years when depreciation rates in the TSAs are expected to exceed the GAAP depreciation rates, beginning in 2012 and ending in 2025. This regulatory asset is not included in the rate base.

3. The transportation revenue adjustment is the cumulative difference between actual expenses and estimated expenses included in transportation tolls. The transportation revenue adjustments are not included in the rate base.

Other Item Affected by Rate Regulation

Allowance for Funds Used During Construction (AFUDC)

To date, an equity component of \$67.6 million (2008 - \$67.6 million) is included in property, plant and equipment.

Future Income Taxes

Effective January 1, 2009, the Fund adopted the revisions to CICA Handbook Section 3465, Income Taxes which removed the exemption for rate regulated enterprises to recognize future income taxes (see Note 3). Therefore, the following items relate solely to the prior year.

In the absence of rate regulation, future income tax liabilities of \$67.3 million associated with certain assets, primarily plant, property and equipment, would have been recorded in the year ended December 31, 2008. Accumulated unrecorded future income tax liabilities of \$21.8 million in 2008 relate to the regulatory deferral accounts identified above. In the absence of rate regulation, regulatory deferrals would not be recorded nor would the associated future income tax liabilities.

As a result of the tax impacts discussed above, earnings during the year ended December 31, 2008 would have increased by \$3.8 million in the absence of rate regulation.

6. PROPERTY, PLANT AND EQUIPMENT

<i>(millions of Canadian dollars)</i> December 31, 2009	Weighted Average Depreciation Rate	Cost	Accumulated Depreciation	Net
Alliance Canada				
Pipeline in service	4.0%	1,249.1	(342.7)	906.4
Plant assets	19.3%	13.8	(11.1)	2.7
Other assets	23.5%	11.7	(1.6)	10.1
		1,274.6	(355.4)	919.2
Saskatchewan System				
Pipeline in service	6.6%	345.1	(110.6)	234.5
Line fill	-	7.4	-	7.4
Under construction	-	30.9	-	30.9
		383.4	(110.6)	272.8
Green Power				
Machinery and equipment	4.6%	76.8	(9.5)	67.3
Other assets	4.7%	2.1	(0.2)	1.9
		78.9	(9.7)	69.2
		1,736.9	(475.7)	1,261.2

<i>(millions of Canadian dollars)</i> December 31, 2008	Weighted Average Depreciation Rate	Cost	Accumulated Depreciation	Net
Alliance Canada				
Pipeline in service	4.0%	1,249.0	(285.9)	963.1
Plant assets	17.2%	12.3	(10.5)	1.8
Other assets	32.6%	11.7	(1.6)	10.1
		1,273.0	(298.0)	975.0
Saskatchewan System				
Pipeline in service	6.0%	335.2	(87.9)	247.3
Line fill	-	5.3	-	5.3
Under construction	-	5.7	-	5.7
		346.2	(87.9)	258.3
Green Power				
Machinery and equipment	4.6%	74.9	(5.8)	69.1
Other assets	5.3%	1.8	(0.1)	1.7
		76.7	(5.9)	70.8
		1,695.9	(391.8)	1,304.1

The cost and accumulated depreciation of property, plant and equipment under operating leases at December 31, 2009 was \$34.6 million and \$2.9 million, respectively (2008: cost - \$32.4 million, accumulated depreciation - \$1.2 million).

7. INTANGIBLE ASSETS

<i>(millions of Canadian dollars)</i> December 31, 2009	Weighted Average Amortization Rate	Cost	Accumulated Amortization	Net
Alliance Canada				
Long term transportation agreements	4.4%	116.0	(33.5)	82.5
Software	31.0%	16.7	(13.1)	3.6
Saskatchewan System				
Software	30.2%	0.5	(0.4)	0.1
Green Power				
Production incentive agreements	8.4%	4.0	(1.1)	2.9
		137.2	(48.1)	89.1

<i>(millions of Canadian dollars)</i> December 31, 2008	Weighted Average Amortization Rate	Cost	Accumulated Amortization	Net
Alliance Canada				
Long term transportation agreements	4.4%	116.0	(28.4)	87.6
Software	31.0%	16.5	(11.8)	4.7
Saskatchewan System				
Software	30.2%	0.5	(0.4)	0.1
Green Power				
Production incentive agreements	8.4%	4.0	(0.7)	3.3
		137.0	(41.3)	95.7

8. LONG TERM-DEBT

(millions of Canadian dollars)

December 31,	2009	2008
Medium Term Notes		
5.25% due December 22, 2014	90.0	90.0
4.19% due December 21, 2009	-	100.0
Third Party Credit Facilities	197.0	92.0
Affiliate Credit Facility	11.7	-
Deferred Financing Charges	(2.6)	(3.2)
Total Debt	296.1	278.8
Current Maturities	-	(100.0)
Long-Term Debt	296.1	178.8

Medium Term Notes

The Medium Term Note (MTN) due 2014 is unsecured and redeemable by the Fund prior to maturity, in whole or in part, at the option of the Fund at the applicable Government of Canada yield plus a premium. Interest on the MTN is payable semi-annually in June and December.

The MTN due 2009 was repaid in full in December 2009. As at December 31, 2008, the MTN was unsecured and redeemable by the Fund prior to maturity, in whole or in part, at the option of the Fund at the Government of Canada yield plus 0.14%. Interest was payable semi-annually in June and December.

At December 31, 2009, the Medium Term Notes have a fair value of \$94.2 million (2008 - \$180.5 million) based on quoted market prices.

Credit Facilities

The available credit facilities, detailed below, provide the Fund with a total of \$300.0 million of combined credit facilities, exclusive of non-recourse credit facilities at operating affiliates. At December 31, 2009, \$1.4 million (2008 - \$0.7 million) of letters of credit were outstanding under the Fund's credit facilities and \$89.9 million (2008 - \$57.3 million) was undrawn and available. The weighted average interest rate on indebtedness incurred on all of the Fund's credit facilities for the year ending December 31, 2009 was 1.4%.

Third Party Credit Facilities

The Fund has a \$150.0 million unsecured credit facility that matures on February 10, 2011. The Fund may receive advances on this facility up to an aggregate principal amount of the credit limit by requesting prime rate advances, United States dollar base rate advances, United States dollar LIBOR advances, letter of credit advances, bankers' acceptance advances, or by requesting bankers' acceptance equivalent loans. Interest is charged at a rate per annum, dependent on the type of advance requested plus applicable margin. The current applicable margins range from 0.0% to 0.53%.

In June 2009, the Fund arranged an additional \$50.0 million of unsecured committed revolving standby credit from a commercial bank. This 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. The Fund may receive advances on the new credit facility up to an aggregate principal amount of the credit limit by requesting prime rate advances, United States dollar base rate advances, LIBOR loans, and CDOR rate loans. Interest is charged at a rate per annum, dependent on the type of advance requested plus applicable margin. The current applicable margins range from 1.5% to 2.75%.

Affiliate Credit Facility

In June 2009, Enbridge Inc., an affiliated entity of the Fund's administrator, provided the Fund with a \$100.0 million unsecured credit facility, the terms of which are identical in all material respects to the newly secured \$50.0 million bank facility discussed above.

In December 2009, the third party and affiliate credit facilities were drawn on in part to finance the repayment of the \$100.0 million MTN which matured on December 21, 2009.

9. NON-RECOURSE LONG-TERM DEBT

(millions of Canadian dollars)

December 31,	2009	2008
Alliance Canada		
Bank credit facility	1.0	57.5
Senior notes		
7.230% due 2015	98.2	113.2
4.928% due 2019	60.0	-
7.181% due 2023	165.7	168.2
5.546% due 2023	100.4	100.4
7.217% due 2025	132.5	134.8
6.765% due 2025	151.4	162.4
NRGreen		
Bank credit facility	24.0	24.6
	733.2	761.1
Fair Value Increment on Long-Term Debt Acquired	33.7	38.2
Deferred Financing Charges	(3.9)	(3.7)
Total Non-recourse Debt	763.0	795.6
Current Portion of Non-recourse Debt	(57.9)	(30.9)
Non-recourse Long-term Debt	705.1	764.7

Non-recourse long-term debt maturities for the years ending December 31, 2010 through 2014 are \$57.9 million, \$36.3 million, \$39.9 million, \$39.9 million, and \$41.7 million, respectively, and \$517.5 million thereafter.

At December 31, 2009, Alliance Canada senior notes have a fair value of \$727.1 million (2008 - \$756.7 million) based on quoted market prices.

Alliance Canada Bank Credit Facility

Alliance Canada maintains an unsecured committed extendible revolving credit facility in the amount of \$200.0 million with an expansion provision to facilitate timely increases of the facility to \$300.0 million if required. The facility agreement contains provisions for an extension of one additional year on each anniversary of the closing date. The existing credit facility matures on June 28, 2012.

Interest is accrued and payable based on bankers' acceptance rates, plus applicable margins, for terms not exceeding six months. The weighted average interest rate on the facility for the year ending December 31, 2009 was 1.1%.

At December 31, 2009, Alliance Canada's credit facility had \$80.0 million (2008 - \$80.0 million) of letters of credit outstanding and \$118.0 million (2008 - \$5.0 million) in undrawn credit

available, of which the Fund's proportionate share is 50%. The outstanding letters of credit secure six months of interest and principal payments on Alliance Canada's senior notes.

Alliance Canada Affiliate Credit Facility

In July 2009, Alliance Canada entered into a 365 day unsecured operating facility with Alliance Pipeline L.P., an affiliated entity. The facility allows Alliance Canada to borrow up to US\$20 million on similar terms to those Alliance Canada would receive from commercial banks in Canada. Interest will be charged on amounts outstanding under the facility, at the LIBOR rate plus applicable margins. As at December 31, 2009, Alliance Canada has not drawn on the new facility, of which the Fund's proportionate share is 50%.

New Alliance Canada Senior Notes

On December 16, 2009, Alliance Canada issued \$120.0 million of unsecured senior notes due in 2019 at an interest rate of 4.928%, of which the Fund's proportionate share is 50%. Interest on the senior notes is payable semi-annually in arrears on June 16 and December 16 of each year. The bonds are non-amortizing with the entire principal due and payable upon maturity.

Existing Alliance Canada Senior Notes

The Fund recorded the senior notes at their fair value on the date of acquisition of its interest in Alliance Canada. The difference between the fair value and the principal amount of the debt is amortized using the effective interest method over the remaining life of the debt. The senior notes are non-recourse to the Fund as security provided by Alliance Canada is limited to the rights and assets of Alliance Canada and does not extend to the rights and assets of the Fund.

The senior notes may be redeemed by Alliance Canada at any time at a price equal to the greater of (i) the applicable Government of Canada yield price plus a premium and (ii) par, together with accrued interest. Alliance Canada may be required to redeem the senior notes, in whole or in part, from proceeds received under insurance claims or other claims for damages if the proceeds are not applied to repair or rebuild the Alliance pipeline system.

Interest on the senior notes is payable semi-annually in June and December. Principal repayments are closely tied to the recovery rates for depreciation contained in the TSAs.

Certain assets of Alliance Canada are pledged as collateral to Alliance Canada's lenders and to the lenders to Alliance Pipeline US. Alliance Canada's long-term debt is collateralized by a first priority perfected security interest in Alliance Canada's TSAs with its shippers, Alliance Canada's NEB permit, certain other material contracts, the trust accounts into which Alliance Canada's transportation revenue is deposited and a floating charge debenture over Alliance Canada's real property and tangible personal property. Alliance Canada is required to meet certain financial conditions and adhere to certain covenants on an ongoing basis. As at December 31, 2009 and 2008, Alliance Canada is compliant with all conditions and covenants.

NRGreen Bank Credit Facility

NRGreen's credit facilities consist of a revolving credit facility of \$52.5 million and an operating credit facility of \$5.0 million. The operating credit facility is an extendible revolving facility that matures on August 31, 2011 and is subject to one year extension requests on August 31st of each year. The revolving credit facility matures in 2010. However, as part of a request to extend the term of the operating credit facility, NRGreen may request to convert part or all of the revolving credit facility into the operating credit facility.

Interest is accrued and payable based on bankers' acceptance rates, plus applicable margins, for terms not exceeding six months. The weighted average interest rate on the facility for the year ended December 31, 2009 was 1.12%.

At December 31, 2009, NRGreen had \$9.4 million (2008 - \$8.4 million) in undrawn credit available, of which the Fund's proportionate share is 50%.

The facility is secured by a first ranking floating charge over all property of NRGreen, which includes the four waste heat recovery facilities and an assignment of material contracts. The NRGreen credit facility is non-recourse to the Fund as security provided by NRGreen is limited to the rights and assets of NRGreen and does not extend to the rights and assets of the Fund.

10. INTEREST EXPENSE

(millions of Canadian dollars)

Year ended December 31,	2009	2008
Interest expense on:		
Long-term debt	10.2	12.5
Non-recourse long-term debt	47.7	51.1
Amortization of deferred financing fees and bank charges	3.0	1.7
Capitalized interest	(0.3)	(0.5)
Amortization of the fair value increment on debt	(4.6)	(4.9)
	56.0	59.9

Interest capitalized in 2009 was \$0.3 million and related to the construction on Phase II of the Saskatchewan System Capacity Expansion (2008 - \$0.5 million of interest was capitalized related to the Westspur Expansion, Phase I of the Saskatchewan System Capacity Expansion).

Interest obligations on long-term debt for each of the years ending December 31, 2010 through 2014 are \$4.7 million.

Interest obligations on non-recourse long-term debt for the years ending December 31, 2010 through 2014 are \$47.4 million, \$44.4 million, \$41.9 million, \$39.2 million and \$36.4 million, respectively.

11. ECT PREFERRED UNITS

The ECT preferred units are entitled to non-cumulative monthly distributions in an amount equal to the monthly distribution per trust unit. The ECT preferred units have no voting rights except in limited circumstances and mature on June 30, 2033, at which time ECT is obligated to redeem all of the outstanding ECT preferred units for a price of \$10 per preferred unit. At December 31, 2009 and 2008, 38,023,750 ECT preferred units were outstanding. Cash distributions of \$43.8 million (2008 - \$39.2 million) were declared on the ECT preferred units during the year ended December 31, 2009.

The ECT preferred units provide the holder with the option to request redemption based on a redemption price that is referenced to the market value of a trust unit. Upon request by the holder and satisfaction of the necessary conditions, including financing on terms acceptable to independent ECT Trustees, the ECT preferred units will be repurchased for cancellation by ECT with a repurchase price per ECT preferred unit based on the net issue price realized from the

sale (or that could be realized from the sale) of a trust unit to the public. This redemption is paid in cash and the Fund must use its best efforts to finance the redemption request through the issue of additional equity or debt. As a result, it is necessary to record the fair value of the redemption option at the date of issue. The redemption option was assigned a nil value at the time the Fund was created.

12. ASSET RETIREMENT OBLIGATIONS

(millions of Canadian dollars)

Year ended December 31,	2009	2008
Obligations at beginning of year	10.9	7.9
Liabilities incurred related to NRGreen waste heat facilities	0.7	-
Liabilities incurred with Westspur expansion	-	0.5
Revision to retirement date	-	2.1
Accretion expense	0.8	0.7
Liabilities settled	-	(0.3)
Obligations at end of year	12.4	10.9

A legal obligation exists for the retirement of certain assets within the Saskatchewan System and Green Power operating segments. During 2009, an asset retirement obligation was established for the four NRGreen waste heat facilities. The undiscounted amount of expected cash flows required to settle the asset retirement obligations related to assets in the Saskatchewan System and Green Power segments is estimated at \$43.0 million (2008 - \$40.5 million) with the majority estimated to be settled beginning in the year 2026. The liability for the expected cash flows as recognized in the financial statements reflects a weighted average discount rate of 6.55%.

Although a legal obligation exists for costs associated with retirement of the Alliance Canada pipeline and certain other assets, it is not possible to make a reasonable estimate of AROs due to the indeterminate timing and scope of the asset retirements.

13. TRUST UNITS

(millions of Canadian dollars except number of units)

December 31,	2009		2008	
	Number of Units	Amount	Number of Units	Amount
Trust Units ¹	34,625,000	333.4	34,625,000	333.4

¹ 14,500,000 of these trust units are owned by Enbridge Inc.

Pursuant to the trust indenture, an unlimited number of trust units may be issued. Each unit represents an equal undivided beneficial interest in any distributions from the Fund and in the net assets in the event of termination or wind-up of the Fund. All units have equal rights and privileges.

Trust units are redeemable at any time at the option of the holder. The redemption price is equal to the lesser of 90% of the weighted average market price of the units during a 10 day period occurring immediately prior to the redemption date and the closing market price on the redemption date. The total amount payable by the Fund in respect of redemptions in any calendar month may not exceed \$0.1 million. To the extent that a unitholder is not entitled to

receive cash upon the redemption of the trust units, the Fund may satisfy the redemption price by distributing a pro-rata number of ECT notes or other assets held by the Fund.

The Fund makes monthly distributions to unitholders of record on the last business day of each month. The amount of cash distributed monthly consists of all amounts received by the Fund including the income, interest, dividends, return of capital or other amounts, if any, from investments held by the Fund, less amounts that may be paid by the Fund in connection with any cash redemptions or repurchases of trust units and amounts which the administrator or the Trustees of ECT may withhold as reserves.

The distribution will not typically be adjusted in circumstances where a change in cash available for distribution is not considered to be recurring. In the event the Fund pursues activities which are consistent with the purposes of the Fund as outlined in the Trust Indenture, the Fund has the discretion to set aside reserves for such amounts, thereby reducing the percentage of cash available to be distributed. For the year ended December 31, 2009, the Fund declared \$39.9 million (2008 - \$35.7 million) in cash distributions to trust unitholders.

14. INCOME TAXES

Income Tax Rate Reconciliation

(millions of Canadian dollars)

Year ended December 31,	2009	2008
Earnings before income taxes	14.1	19.7
Combined statutory income tax rate	29.0%	29.5%
Income taxes at statutory rate	4.1	5.8
Increase/(decrease) resulting from:		
Interest deductions of subsidiaries arising from intercorporate debt	(25.3)	(25.8)
Legislated tax changes on future income tax balances	(0.5)	0.1
Distributions on ECT preferred units	12.7	11.6
Deductions allocated to unitholders	6.5	5.8
Future income taxes related to regulated operations	3.6	0.3
Income tax expense/(recovery)	1.1	(2.2)
Effective income tax rate	7.7%	(11.2%)

Components of Future Income Taxes

(millions of Canadian dollars)

December 31,	2009	2008
Future income tax liabilities/(assets)		
Differences in accounting and tax bases of:		
Property, plant and equipment and intangible assets	123.5	74.5
Regulatory liabilities/(assets)	46.0	-
Fair value increment on long-term debt acquired	(8.7)	(10.1)
Asset retirement obligations	(2.7)	(2.9)
Cash flow hedges	(1.6)	(3.7)
Other	0.6	(1.4)
	157.1	56.4

On January 1, 2009, the Fund adopted a change in accounting standard that impacted the recognition of future income taxes as it relates to rate regulated activities. Effective January 1, 2009, future income tax balances arising primarily from property, plant and equipment are recognized, along with offsetting regulatory assets or liabilities to the extent such balances are

expected to be included in future rates. Previously, neither the future income tax balance or associated regulatory asset or liability would have been recognized.

Current income taxes were \$0.7 million (2008 - \$1.5 million). At December 31, 2009, the Fund does not have any remaining unused tax loss carryforwards. During the year ended December 31, 2008, the Fund recognized the benefit of federal unused loss carryforwards of \$6.4 million.

15. JOINT VENTURES

The Fund's proportionate share of the net assets, earnings, cash flows and financial position of its interests in joint ventures is summarized below.

Net Assets

(millions of Canadian dollars)

December 31,	Ownership Interest	2009	2008
Alliance Canada	50%	676.3	687.9
Green Power			
NRGreen	50%	8.8	8.5
Wind Power Assets	33% - 50%	37.2	39.2
		722.3	735.6

Earnings

(millions of Canadian dollars)

Year ended December 31,	2009	2008
Revenues	234.2	230.8
Operating and maintenance	(62.7)	(59.1)
Depreciation and amortization	(67.9)	(65.4)
Interest expense	(43.7)	(46.7)
Other income and expense	1.3	7.3
Proportionate share of net earnings	61.2	66.9

Cash Flows

(millions of Canadian dollars)

Year ended December 31,	2009	2008
Cash provided by operating activities	112.5	118.3
Cash used in investing activities	(9.2)	(33.6)
Cash used in financing activities	(100.8)	(83.7)
Proportionate share of increase/(decrease) in cash and cash equivalents	2.5	1.0

Financial Position

(millions of Canadian dollars)

December 31,	2009	2008
Current assets	41.1	38.1
Property, plant and equipment, net	983.3	1,045.3
Intangible assets	89.0	90.9
Goodwill	308.1	308.1
Deferred amounts and other assets	96.2	86.9
Current liabilities	(73.6)	(52.2)
Non-recourse long-term debt	(705.1)	(764.7)
Long-term liabilities	(2.8)	(2.8)
Asset retirement obligations	(0.3)	(0.3)
Future Income Taxes	(13.6)	(13.7)
Proportionate share of net assets	722.3	735.6

Included in the Fund's proportionate share of cash from Alliance Canada is \$13.7 million (2008 - \$9.9 million) of cash held in trust. Under the terms of Alliance Canada's finance agreements, all funds received from shippers in settlement of transportation tolls, as well as interest earned on trust account balances, are segregated in trust accounts and first applied to meet debt service and operating requirements before distributions, if any, are made to the partners. At the completion of each fiscal quarter, Alliance Canada determines the amount of cash and cash equivalents necessary to satisfy this requirement and applies to have funds, if any, in excess of this amount transferred to a non-trust account. Only funds in non-trust accounts may be distributed to the partners of Alliance Canada.

16. RISK MANAGEMENT

Market Price Risk

The Fund's earnings, cash flows and OCI are subject to movements in interest rates and commodity prices (collectively, market price risk). Risk management policies, processes and systems are in place to mitigate these risks. The following summarizes the types of market price risks to which the Fund is exposed, and the risk management instruments used to mitigate such risks.

Interest Rate Risk

The Fund is exposed to cash flow interest rate risk and fair value interest rate risk as a result of fluctuations in market interest rates. Cash flows are impacted by changes in market interest rates on the cost of variable rate debt and anticipated fixed rate debt issues. The Fund may enter into interest rate derivatives such as floating to fixed interest rate swaps and forward rate agreements to mitigate the interest rate risk associated with this debt. The fair value of existing fixed rate long-term debt is also impacted by changes in market interest rates. The Fund does not typically manage the fair value risk of its debt instruments as they are classified as financial liabilities and recorded at amortized cost.

A 1.0% increase in interest rates would have caused a \$12.2 million increase (2008 - nil) in OCI for the year ended December 31, 2009 due to the revaluation of interest rate derivatives. The sensitivity has been calculated assuming a 1.0% shift in interest rates across the yield curve. If interest rates had been 1.0% higher during the 12 months ended December 31, 2009, after-tax earnings would have decreased by \$0.8 million (2008 - \$0.7 million) due to higher interest expense on variable rate debt balances, excluding Alliance Canada. This would have been partially offset by an increase in earnings due to increased realized fair value gains on settled

interest rate hedges of \$0.3 million (2008 – nil). The earnings of Alliance Canada are not sensitive to fluctuations in interest rates under its cost of service toll methodology. The total carrying value of the Fund's variable rate debt was \$233.8 million at December 31, 2009 (2008 - \$174.1 million), of which \$1.0 million relates to Alliance Canada's variable rate debt (2008 - \$57.5 million).

Commodity Price Risk

Commodity price risk is the risk of changes in cash flows or earnings due to changes in the market price of commodities. The Fund is exposed to movements in the price of power through its interest in certain wind power assets. To manage this exposure, the Fund uses fixed price power agreements that convert the floating price received when power is sold at a fixed rate.

For the year ended December 31, 2009, a \$5/MWh increase in the price of power would have increased after-tax earnings by \$0.2 million (2008 - \$0.3 million) as well as decreased other comprehensive income by \$1.7 million (2008 - \$1.7 million). In order to derive the impact of this change, the Fund used observable market inputs to derive future power prices, and discounted the expected cash flows.

Summary of Derivative Instruments used for Risk Management

The Fund uses the following cash flow hedges to manage fluctuations in power prices and interest rates.

<i>(millions of Canadian dollars, unless otherwise noted)</i>	Notional Principal or Quantity	Fair Value Receivable/ (Payable) ¹	Maturity	Year ended December 31, 2009	
				Unrealized Gains/(Losses), net of tax ²	Realized Gains, net of tax ²
Chin Chute Power Swap (MW/H)	2.0	0.3	2017	6.0	0.2
Magrath Power Swap (MW/H)	2.8	-	2024	2.8	0.2
Interest Rate Swaps	350.0	(4.3)	2010 - 2013	(3.1)	0.1
		(4.0)		5.7	0.5

¹See Note 17 Financial Instruments for a description of the methodology used in deriving the fair value of these instruments.

²Changes in the fair value of effective cash flow hedging instruments are recorded in OCI and reclassified to earnings when the hedged item impacts earnings.

<i>(millions of Canadian dollars, unless otherwise noted)</i>	Notional Principal or Quantity (MW/H)	Fair Value Payable ¹	Maturity	Year ended December 31, 2008	
				Unrealized Losses, net of tax ²	Realized Losses, net of tax ²
ChinChute Power Swap	2.0	(3.4)	2017	(1.5)	(0.6)
Magrath Power Swap	2.8	(8.1)	2024	(3.1)	(0.6)
		(11.5)		(4.6)	(1.2)

¹See Note 17 Financial Instruments for a description of the methodology used in deriving the fair value of these instruments.

²Changes in the fair value of effective cash flow hedging instruments are recorded in OCI and reclassified to earnings when the hedged item impacts earnings.

Realized gains or losses on derivative instruments used as cash flow hedges are reported within revenues, for the power swaps, and interest expense, for the interest rate swaps, on the income statement. The current portion of the fair value payable of \$3.8 million and receivable of \$0.3 million (2008 – a payable of \$1.2 million) are included in accounts payable and accrued liabilities. The Fund estimates these current balances related to cash flow hedges within Accumulated Other Comprehensive Loss will be reclassified to earnings in the next 12 months. Actual amounts reclassified to earnings depend on the power prices and interest rates in effect

when derivative contracts that are currently outstanding mature. The long-term portion of the fair value payable of \$0.5 million (2008 – a payable of \$10.3 million) is included in long-term liabilities.

Unrealized Gains and Losses on Non-Qualifying Derivatives

If a derivative instrument is not an effective hedge for accounting purposes or is not designated as a hedging item, changes in the fair value of the derivative instrument are recorded in current period earnings. As at December 31, 2009, the Fund is party to a 1MW fixed to floating power swap as well as an offsetting 1MW floating to fixed power swap, both of which mature in 2017. As at December 31, 2008, the Fund had a 1MW floating to fixed power swap maturing 2017. The Fund recognized an unrealized derivative gain of \$0.6 million, net of tax, for the year ended December 31, 2009 (2008 – loss of \$0.5 million after tax) related to power purchase swap agreements not designated as hedging instruments. Gains and losses on the non-qualifying derivatives are reported in revenues. These instruments have a fair value payable of \$0.5 million at December 31, 2009 (2008 - \$1.7 million payable). The current and long-term portions of this payable are reported within accounts payable and accrued liabilities and long-term liabilities, respectively.

Liquidity Risk

Liquidity risk is the risk that the Fund will not be able to meet its financial obligations, including commitments (see Note 20), as they become due. In order to manage this risk, the Fund forecasts its cashflow over the near and long term and ensures that sufficient funds will be available when required. The Fund's primary sources of liquidity and capital resources are cash provided by operating activities and the Fund's credit facilities and medium-term notes. The Fund maintains a current shelf prospectus with Canadian securities regulators, which enables, subject to market conditions, ready access to Canadian public capital markets. Cash from operations in combination with available committed standby credit facilities and planned debt capital markets funding is expected to be sufficient to meet the forecast liquidity and capital resource requirements of the Fund.

Maturities of Financial Instruments

The Fund generally has no financial instruments, other than derivative instruments, maturing beyond one year with the exception of its long-term debt (Note 8) and non-recourse long-term debt (Note 9).

The Fund has estimated the following undiscounted cash flows will arise from its derivative instruments based on valuation at the balance sheet date:

<i>(millions of Canadian dollars)</i>	2010	2011	2012	2013	2014	Thereafter
Cash inflows	0.5	0.3	-	0.4	-	-
Cash outflows	(4.0)	(0.9)	(0.2)	(0.2)	(0.1)	(0.5)
Net cash flows	(3.5)	(0.6)	(0.2)	0.2	(0.1)	(0.5)

Credit Risk

Entering into derivative financial instruments can result in exposure to credit risk. Credit risk arises from the possibility that a counterparty will default on its contractual obligations and is limited to those contracts where the Fund would incur a loss in replacing the instrument. The Fund enters into risk management transactions only with institutions that possess investment grade credit ratings. Credit risk relating to derivative counterparties is mitigated by utilization of credit exposure limits, contractual requirements and frequent assessment of counterparty credit worthiness. At December 31, 2009 the Fund does not have any material exposure to credit risk related to its derivative counterparties, as all material derivatives are in a payable position.

The Fund is exposed to credit risk through Alliance Canada's investment in the MAV notes. Due to the lack of active market for these instruments and the uncertainties regarding the fair value of the underlying assets, there is risk that Alliance Canada will not receive the carrying value for the instruments upon maturity. The fair value of the MAV notes are evaluated on a regular basis as outlined in Note 17, Fair Value of Financial Instruments.

Accounts receivable are also subject to credit risk. Generally, the Fund classifies receivables older than 30 days as past due. The maximum exposure to credit risk related to non-derivative financial assets is their carrying value, as disclosed in Note 17, Fair Value of Financial Instruments.

Alliance Canada's business is concentrated in the natural gas transportation industry and its revenue is dependent upon the ability of its shippers to pay their monthly demand charges. Alliance Canada limits, to some degree, its exposure to this credit risk by requiring its shippers to provide letters of credit or other suitable security unless they maintain specified credit ratings or can demonstrate equivalent financial strength. As at December 31, 2009, Alliance Canada held \$19.6 million in letters of credit and cash deposits as security from its shippers.

The Saskatchewan System's trade receivables consist primarily of amounts due from companies operating in the oil and gas industry. The credit risk associated with these receivables is mitigated by use of counterparty credit exposure limits and by requiring less creditworthy shippers to provide credit enhancement which may include letters of credit, posting of collateral, netting provisions or other contractual requirements.

Green Power is exposed to concentrations of credit risk since each project's primary source of fixed price revenue is a single counterparty. This risk is mitigated by the strong creditworthiness of the counterparties.

From time to time, accounts receivables and other financial assets are past due. The management and monitoring of these accounts is performed on an ongoing basis by each business. As at December 31, 2009 and December 31, 2008, accounts receivable in excess of 90 days represented less than 1% of the total balance.

17. FAIR VALUE OF FINANCIAL INSTRUMENTS

The following table summarizes the Fund's financial instrument carrying and fair values and provides a reconciliation to the balance sheet.

<i>(millions of Canadian dollars)</i>	December 31, 2009						Fair Value ¹
	Held for Trading	Loans and Receivables	Other Financial Liabilities	Derivatives	Non-Financial Instruments	Total	
Assets							
Cash and cash equivalents	17.6	-	-	-	-	17.6	17.6
Accounts receivable and other	-	37.2	-	-	1.3	38.5	37.2
Deferred amounts and other assets	4.8	-	-	-	189.8	194.6	4.8
Liabilities							
Accounts payable and accrued liabilities	-	-	45.3	3.6	4.4	53.3	48.9
Distributions payable	-	-	3.3	-	-	3.3	3.3
Long-term debt	-	-	296.1	-	-	296.1	302.9
Non-recourse long-term debt	-	-	763.0	-	-	763.0	789.0
ECT Preferred Units	-	-	380.2	-	-	380.2	505.7
Long-term liabilities	-	-	-	0.9	2.3	3.2	0.9

¹Fair value does not include non-financial instruments.

<i>(millions of Canadian dollars)</i>	December 31, 2008						Fair Value ¹
	Held for Trading	Loans and Receivables	Other Financial Liabilities	Derivatives	Non-Financial Instruments	Total	
Assets							
Cash and cash equivalents	17.3	-	-	-	-	17.3	17.3
Accounts receivable and other	-	37.4	-	-	1.4	38.8	37.4
Deferred amounts and other assets	5.0	-	-	-	85.7	90.7	5.0
Liabilities							
Accounts payable and accrued liabilities	-	-	44.3	1.5	3.8	49.6	45.8
Distributions payable	-	-	3.0	-	-	3.0	3.0
Long-term debt	-	-	278.8	-	-	278.8	272.5
Non-recourse long-term debt	-	-	795.6	-	-	795.6	781.3
ECT Preferred Units	-	-	380.2	-	-	380.2	394.3
Long-term liabilities	-	-	2.7	11.7	3.9	18.3	14.5

¹Fair value does not include non-financial instruments.

The fair value of financial instruments reflects the Fund's best estimates based on generally accepted valuation techniques or models and supported by observable market prices and rates. When such prices are not available, the Fund uses discounted cash flow analysis from applicable yield curves based on observable market inputs. The fair value of financial instruments, other than derivatives, represents the amounts that would have been received from or paid to counterparties to settle these instruments at the reporting date.

The fair value of the Fund's long-term debt is based on quoted market prices for instruments of similar yield, credit risk and tenure.

The fair value of the Fund's derivative financial instruments and investment in the MAV notes through Alliance Canada reflects the Fund's best estimates of market value based on generally accepted valuation techniques or models and supported by observable market prices, if available, for commodities.

The fair value of other financial assets and liabilities other than derivative instruments approximate their cost due to their short term to maturity.

Held for Trading Investment

In January 2009, Alliance Canada received various classes of MAV notes in exchange for Alliance Canada's investment in asset-backed commercial paper (ABCP) that was unable to be redeemed upon maturity in August 2007, due to the deterioration of liquidity in the ABCP market. The MAV notes consist of 48% MAV2 Class A-1 notes, 42% MAV2 Class A-2 notes, 7% MAV2 Class B notes and 3% MAV2 Class C notes. The Class A-1 and A-2 notes, which comprise 90% of the notes received, carry an "A" rating from DBRS and the Class B and Class C notes are not rated. The legal maturity of the notes is July 15, 2056, but the actual expected repayment of the notes, if held to maturity, is January 22, 2017. Upon exchange, Alliance Canada recognized the MAV notes at an estimated fair value of \$10.0 million, of which the Fund's share is \$5.0 million, or 50%.

The investment in the MAV notes is classified as held for trading and therefore, is measured at fair value. Due to the lack of an active market for the investment, there is uncertainty regarding the fair value of the assets underlying the MAV notes and the estimate of fair value may differ from the actual fair value that will be realized.

The Fund does not anticipate that the investment in the Master Asset Vehicle Notes will have any significant impact on Alliance Canada's operations or ability to meet upcoming debt obligations.

Fair Value of Derivatives

The Fund categorizes its financial instruments carried at fair value into one of three different levels depending on the observability of the inputs employed in the measurement.

Level 1

Level 1 includes assets and liabilities measured at fair value based on unadjusted quoted prices for identical assets and liabilities in active markets that are accessible at the measurement date. An active market for an asset or liability is considered to be a market where transactions occur with sufficient frequency and volume to provide pricing information on an ongoing basis. At December 31, 2009 and 2008, the Fund did not have any Level 1 assets or liabilities.

Level 2

Level 2 includes valuations determined using directly or indirectly observable inputs other than quoted prices included within Level 1. Financial instruments in this category are valued using models or other industry standard valuation techniques derived from observable market data. Such valuation techniques include inputs such as quoted forward prices, time value, volatility factors and broker quotes that can be observed or corroborated in the market for the entire duration of the derivative instrument. Instruments valued using Level 2 inputs include interest rate swaps and Alliance Canada's MAV notes.

Level 3

Level 3 includes valuations based on inputs which are less observable, unavailable or where the observable data does not support a significant portion of the instruments' fair value. Generally, Level 3 valuations are longer dated transactions, occur in less active markets, occur at locations where pricing information is not available, or have no binding broker quote to support Level 2 classification. Methodologies have been developed, benchmarked to industry standards, to determine the fair value for these contracts based on extrapolation of observable future prices and rates. Instruments valued using Level 3 inputs include the Chin Chute and Magrath power swaps.

When possible the estimated fair value is based on quoted market prices, and, if not available, estimates from third party brokers. For non-exchange traded derivatives classified in Levels 2 and 3, standard valuation techniques are used to calculate fair value. These methods include discounted cash flows for forwards and swaps. Primary inputs to these techniques include observable market prices (interest and commodity) and volatility, depending on the type of derivative and nature of the underlying risk. Inputs and data used by willing market participants are used when valuing derivatives, as well, the Fund's own credit default swap spread and those of its counterparties are used in the determination of fair value. Where possible the Fund uses observable inputs.

The Fund has categorized its financial instruments carried at fair value as follows:

December 31, 2009				
<i>(millions of Canadian dollars)</i>	Level 1	Level 2	Level 3	Total
Financial Liabilities:				
Current derivative liabilities	-	(3.8)	0.2	(3.6)
Long-term derivative liabilities	-	(0.5)	(0.4)	(0.9)
Total net derivative liability	-	(4.3)	(0.2)	(4.5)

December 31, 2008				
<i>(millions of Canadian dollars)</i>	Level 1	Level 2	Level 3	Total
Financial Liabilities:				
Current derivative liabilities	-	-	(1.5)	(1.5)
Long-term derivative liabilities	-	-	(11.7)	(11.7)
Total net derivative liability	-	-	(13.2)	(13.2)

Changes in the fair value of the net derivative liability classified as Level 3 in the fair value hierarchy were as follows:

<i>(millions of Canadian dollars)</i>	2009	2008
Year ended December 31,		
Balance at beginning of year	(13.2)	(7.8)
Total gains/(losses), realized and unrealized		
Included in earnings	1.8	(0.6)
Included in other comprehensive income	12.3	(6.5)
Purchases	(0.6)	-
Settlements	(0.5)	1.7
Balance at end of year	(0.2)	(13.2)

18. CAPITAL DISCLOSURES

The Fund defines capital as unitholders' equity (excluding AOCI), long-term debt (exclusive of transaction costs), and ECT Preferred Units, less cash and cash equivalents (net of proportionately consolidated cash and cash equivalents). Non-recourse debt, consisting of debt proportionately consolidated from joint venture interests, is excluded from the Fund's definition of capital as it is not controlled or managed exclusively by the Fund.

The Fund's capital is calculated as follows:

(millions of Canadian dollars)

Year ended December 31,	2009	2008
Long-Term Debt ¹	298.7	282.0
Unitholders' Equity, net of AOCI	244.6	271.5
ECT Preferred Units	380.2	380.2
Cash and Cash Equivalents ²	-	(2.6)
	923.5	931.1

¹ Includes the current portion of long-term debt and is exclusive of transaction costs.

² Excludes cash and cash equivalents of the Fund's joint venture interests.

The Fund balances several objectives when managing capital including:

- enabling its businesses to operate at the highest efficiency;
- providing liquidity and access to capital for growth opportunities; and
- providing returns and generating predictable cash flow for distribution to unitholders.

To promote access to capital and liquidity on reasonable terms, the Fund targets to maintain an investment grade credit rating. New capital can be raised through the issuance of short and long-term debt as well as equity securities. Taxation legislation limits the amount of additional equity that income trusts, including the Fund, can raise before 2011. The relative amount of debt and equity in the Fund's structure is managed with a view to adhering to such limits as well as maintaining credit metrics within parameters established by the rating agencies and lenders. The Fund's credit facilities include covenants that limit outstanding debt to a multiple of EBITDA (earnings before interest, taxes, depreciation and amortization). As at December 31, 2009 and 2008, the Fund was in full compliance with its covenants.

19. RELATED PARTY TRANSACTIONS

All related party transactions are provided in the normal course of business and, unless otherwise noted, measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

Alliance Canada has contracts with shippers who are also affiliates of the Fund through common ownership interests of Enbridge, a related party by virtue of its ECT Preferred Units and Trust Unit investment in the Fund. The Fund's share of Alliance Canada's revenue from affiliates for the year ended December 31, 2009 is \$13.3 million (2008 - \$13.5 million) of which \$1.1 million (2008 - \$1.1 million) was included in accounts receivable and other at December 31, 2009. The terms of these contracts are the same as those agreed to with independent third parties.

Administrative and operation services agreements allow for Alliance Canada to provide services to Alliance Pipeline US (an entity related to Alliance Canada by virtue of common ownership interests) in exchange for reimbursement of incurred costs or at rates consistent with those obtainable from independent third parties. Certain amounts reimbursed under the services agreements with Alliance Pipeline US also include a recovery of costs relating to the use of common administrative assets. The Fund's share of amounts charged to Alliance Pipeline US during the year ended December 31, 2009 was \$14.1 million (2008 - \$12.7 million) of which \$1.4 million (2008 - \$1.3 million) was included in accounts receivable and other as at December 31, 2009.

Administrative and facility support services are provided by Alliance Canada to Aux Sable Canada LP and Aux Sable Liquid Products LP, which are entities related to the Fund through common ownership. The Fund's share of amounts charged to Aux Sable Canada LP and Aux Sable Liquid Products LP during the year were \$0.2 million (2008 - \$0.2 million) and \$0.1 million (2008 - \$0.1 million), respectively. As at December 31, 2009, the Fund's accounts receivable and other included \$0.02 million (2008 - \$0.01 million) and \$0.04 million (2008 - \$0.03 million) owing from Aux Sable Canada LP and Aux Sable Liquid Products LP, respectively.

In July 2009, Alliance Canada entered into a 365 day unsecured operating facility with Alliance Pipeline L.P., an affiliated entity. The facility allows Alliance Canada to borrow up to US\$20 million, of which the Fund's proportionate share is 50%, on similar terms to those Alliance Canada would receive from commercial banks in Canada (Note 9).

The Saskatchewan System does not have any employees and uses the services of Enbridge, which has a 41.9% equity ownership interest in the Fund, for managing and operating the business. These services, which are charged at cost in accordance with service agreements, were \$18.0 million for 2009 (2008 - \$15.5 million) of which \$1.5 million (2008 - \$0.9 million) was included in accounts payable and accrued liabilities at December 31, 2009.

Certain wind power projects do not have any employees and use the services of Enbridge for managing and operating the business. These services, which are charged at cost, were \$0.4 million for 2009 (2008 - \$0.3 million) with \$0.02 million included in accounts payable and accrued liabilities at December 31, 2009 (2008 - \$0.02 million).

The Fund has a contract to sell all available emission reduction credits generated by the Fund's interest in the Chin Chute and Magrath projects to Enbridge. The contract has an initial 20-year term ending October 1, 2026 and provides for a fixed price of \$5 per tonne of avoided CO₂ emissions, based on a negotiated rate of converting megawatts generated to tonnes of emissions reduced, plus applicable taxes. The Fund earned \$0.3 million (2008 - \$0.3 million) for the sale of these emission reduction credits in the year, with \$0.02 million included in accounts receivable and other at December 31, 2009 (2008 - \$0.02 million).

One of the Fund's wind power projects has a long-term Power Purchase Agreement (PPA), expiring in 2024, with Enbridge Pipelines Inc., a wholly owned subsidiary of Enbridge. The terms of the PPA are for the sale of the project's total wind power production at a fixed price. Revenues of \$0.2 million (2008 - \$0.8 million expense) related to this PPA are reported within the Fund's revenue for the year ended December 31, 2009. At December 31, 2009 there is a receivable of \$0.02 million (2008 - 0.06 payable) related to this PPA.

Under the management and administrative agreements with EMSI, a wholly owned subsidiary of Enbridge, an incentive fee is payable annually to EMSI equal to 25% of cash distributions above a base distribution level of \$0.825 per unit per year. During the year ended December 31, 2009,

incentive fees were \$8.3 million (2008 - \$5.3 million), of which \$8.3 million was included in accounts payable and accrued liabilities at December 31, 2009 (2008 - \$4.7 million). In addition, a base fee of \$0.1 million is payable annually for providing administrative and management services and is included in accounts payable at December 31, 2009.

In June 2009, the Fund secured an incremental \$150.0 million of committed revolving standby credit in two separate facilities. Of the aggregate amount, \$100.0 million was provided by Enbridge, an affiliated entity of the Fund's Administrator. The remaining \$50 million was provided by a commercial bank. The \$100 million facility provided by Enbridge Inc. was identical in all material respects to the bank facility. At December 31, 2009 \$11.7 million was drawn on the \$100.0 million facility provided by Enbridge.

20. COMMITMENTS

At December 31, 2009, the Fund had operating lease obligations as detailed below:

<i>(millions of dollars)</i>	Less than						After 6
	Total	1 year	2 years	3 years	4 years	5 years	years
Operating Leases	33.5	3.1	3.3	3.5	3.0	2.7	17.9

In March 2008, Alliance Canada entered into a service agreement with General Electric Canada. The contract is for maintenance activities on Alliance Canada's compressor equipment and expires in December 2015. The Fund's share of Alliance Canada's monthly commitments related to this contract is approximately \$1.0 million (US\$0.5 million and €0.3 million). The monthly fees may escalate annually based on an indexed price formula in the contract.

In August 2009, Alliance Canada signed an agreement for the replacement of the control units used to operate all compressors along the pipeline. The Fund's share of Alliance Canada's outstanding commitment under this contract is approximately \$3.7 million (€2.5 million). This project is expected to be completed by 2013.

21. SUBSEQUENT EVENTS

Distribution by the Fund

On January 15, 2010, the Fund made a monthly cash distribution in the amount of \$0.096 per trust unit. A cash distribution of \$0.096 per unit was also paid on the same date on the ECT preferred units.

On January 18, 2010, the Fund declared a monthly cash distribution in the amount of \$0.096 per trust unit to unitholders of record on January 29, 2010, which is payable on February 12, 2010. Cash distributions of \$0.096 per unit were also declared on the same date on the ECT preferred units.