
Enbridge Income Fund Holdings Inc.

The logo consists of the letters "ENF" in white, uppercase font, centered within a blue circle.

First Quarter

Interim Report to Shareholders

For the three months ended March 31, 2014

NEWS RELEASE

Enbridge Income Fund Holdings Inc. Announces First Quarter Results; Declares Monthly Dividend

HIGHLIGHTS

(all financial figures are unaudited and in Canadian dollars)

- Enbridge Income Fund Holdings Inc. (the Company) delivered earnings for the first quarter ended March 31, 2014 of \$21.7 million (\$0.38 per common share) compared to earnings of \$21.2 million (\$0.40 per common share) for the first quarter ended March 31, 2013.
- The Company's investee, Enbridge Income Fund (the Fund), generated cash available for distribution (CAFD) of \$73.5 million in the first quarter of 2014 compared to \$70.2 million in the first quarter of 2013 primarily as a result of strong contributions from the Fund's renewable power generation assets and a full quarter of contribution from the Bakken Expansion.
- A monthly dividend of \$0.1146 per common share was declared by the Company's Board of Directors to be paid on June 16, 2014.

CALGARY, ALBERTA, May 5, 2014 – Enbridge Income Fund Holdings Inc. (TSX: ENF) announced today earnings of \$21.7 million, or \$0.38 per common share, for the three months ended March 31, 2014, reflecting distributions received from its investment in Enbridge Income Fund.

The Company's financial performance is a direct reflection of the Fund's ability to generate cash for distribution. The Fund's CAFD totaled \$73.5 million for the three months ended March 31, 2014 compared with \$70.2 million for the same period in the prior year. The improvement in CAFD is primarily due to increased cash flow generated by the Fund's renewable power generation assets which benefitted from strong wind and solar resource in the quarter. CAFD also reflected a full quarter of cash flow contributions from the Bakken Expansion which was placed into service on March 1, 2013, and higher contributions from the Alliance Canada natural gas transportation segment.

"The Fund's strong first quarter results are a reflection of all three business segments performing well. We continue to deliver on our objective to provide reliable and predictable cash returns to our shareholders," said Perry Schuldhaus, President of Enbridge Income Fund Holdings Inc. "Our renewable power generation facilities were a major contributor to earnings this quarter and the Fund achieved solid performance within its gas transmission and liquids transportation and storage businesses.

"The Fund's strategy includes further growth through acquisition and development of complementary energy infrastructure. We remain well positioned to respond to acquisition opportunities including through asset drop downs into the Fund from our sponsor, Enbridge Inc., as contemplated in Enbridge Inc.'s announced funding strategy," said Mr. Schuldhaus.

On May 5, 2014, the Company's Board of Directors declared a monthly cash dividend of \$0.1146 per common share to be paid on June 16, 2014 to shareholders of record at the close of business on June 2, 2014. The dividend is designated an eligible dividend for Canadian tax purposes which qualifies for the enhanced dividend tax credit.

FIRST QUARTER 2014 REVIEW

The unaudited financial statements and Management's Discussion and Analysis (MD&A) of both the Company and the Fund, which contain additional notes and disclosures, are available on the Company's website at www.enbridgeincomefund.com.

- The Company's earnings for the first quarter ended March 31, 2014 were \$21.7 million (\$0.38 per common share) compared with \$21.2 million (\$0.40 per common share) for the first quarter ended March 31, 2013. First quarter 2014 earnings reflected a 1% per unit increase in the Fund's distribution to the Company effective November 2013 combined with the Company's increased ownership in the Fund following the February 2013 acquisition of 4,768,000 trust units. Earnings for the first quarter ended March 31, 2014 were impacted by higher income tax expense compared to the first quarter ended March 31, 2013 as a result of an increase in the estimated taxability of distributions paid by the Fund.
- The Fund generated cash available for distribution for the three months ended March 31, 2014 of \$73.5 million compared to \$70.2 million for the three months ended March 31, 2013 as a result of strong contributions from each of the Fund's operating segments: Green Power, Liquids Transportation and Storage and Alliance Canada. The Fund's Green Power assets had a strong start to 2014 as a result of strong wind and solar resource. The Fund's Liquids Transportation and Storage segment reflected a full quarter contribution from the Bakken Expansion which was placed into service on March 1, 2013 and a steady contribution from the Fund's crude oil storage business. Within the Alliance Canada segment, the Fund's investee Sable NGL Services L.P. (Sable), a joint venture that holds capacity on the Alliance system, benefitted from large differentials between the cost of natural gas in Western Canada and the sales price of natural gas in the Chicago area which arose due to abnormal winter weather conditions. Strong performance from the Fund's operating businesses was partially offset by higher current income tax expense recorded within the Fund's Corporate segment.
- The Company's Board of Directors declared monthly dividends of \$0.1146 per common share for each of January, February and March 2014. In addition, monthly dividends of \$0.1146 per common share were declared on April 15, 2014 and on May 5, 2014 for payment to shareholders on May 15, 2014 and June 16, 2014, respectively.

ABOUT ENBRIDGE INCOME FUND HOLDINGS INC.

Enbridge Income Fund Holdings Inc. is a publicly traded corporation. The Company, through its investment in Enbridge Income Fund, holds high quality, low risk energy infrastructure assets. The Fund's assets include interests in more than 500 megawatts of renewable and alternative power generation capacity, a portfolio of liquids transportation and storage businesses and a 50% interest in the Canadian segment of the Alliance Pipeline. Information about Enbridge Income Fund Holdings Inc. is available on the Company's website at www.enbridgeincomefund.com.

NON-GAAP MEASURES

This News Release contains references to the Fund's cash available for distribution (CAFD). CAFD represents the Fund's cash available to fund distributions on Fund Units and ECT Preferred Units as well as for debt repayments and reserves. This measure is important to shareholders as the Company's objective is to provide a predictable flow of dividends to shareholders and the Company's cash flows are derived from its investment in the Fund. CAFD is not a measure that has standardized meaning prescribed by United States Generally Accepted Accounting Principles (U.S.GAAP) and is not considered a GAAP measure. Therefore, this measure may not be comparable with similar measures presented by other issuers. The Fund's CAFD reconciliation is as follows:

Three months ended March 31, <i>(millions of Canadian dollars)</i>	2014	2013
Cash provided by operating activities	53.1	49.6
Add/(deduct):		
Green Power maintenance capital expenditures	(0.3)	(0.1)
Green Power joint ventures cash distributed/(retained)	0.2	(0.1)
Liquids Transportation and Storage maintenance capital expenditures	(0.6)	(1.1)
Change in operating assets and liabilities in the period	21.1	21.9
Cash available for distribution	73.5	70.2

MANAGEMENT'S DISCUSSION & ANALYSIS FOR THE THREE MONTHS ENDED MARCH 31, 2014

This Management's Discussion and Analysis (MD&A) dated May 5, 2014 should be read in conjunction with the unaudited interim financial statements and notes thereto of Enbridge Income Fund Holdings Inc. (the Company) as at and for the three months ended March 31, 2014 which are prepared in accordance with International Financial Reporting Standards (IFRS). It should also be read in conjunction with the Company's audited financial statements and notes thereto and MD&A for the year ended December 31, 2013. Unless otherwise noted, all financial information is presented in Canadian dollars. Additional information related to the Company, including its Annual Information Form, is available on SEDAR at www.sedar.com.

OVERVIEW

The Company is a publicly traded corporation whose common shares trade on the Toronto Stock Exchange under the symbol ENF. The Company's business is limited to ownership of its interest in Enbridge Income Fund (the Fund) and its objective is to pay out a high proportion of available cash in the form of dividends to shareholders. The Fund is involved in the generation, transportation and storage of energy through its interests in 579 (524 net) megawatts (MW) of renewable and alternative power generation capacity (Green Power), its liquids transportation and storage business in Western Canada (Liquids Transportation and Storage) and natural gas transmission through its 50% interest in the Canadian segment of Alliance Pipeline (Alliance Canada).

Enbridge Inc. (Enbridge), a North American transporter, distributor and generator of energy, held 19.9% of the Company's common shares as at March 31, 2014 (March 31, 2013 – 19.9%). At March 31, 2014, the Company held 85.6% (March 31, 2013 – 85.6%) of the issued and outstanding common trust units of the Fund, and Enbridge held the remaining 14.4% of the Fund's issued and outstanding common trust units. Enbridge's total economic interest in the Fund was 67.3% as at March 31, 2014 based on its direct interest in the Fund via common units, its interest in preferred units of a subsidiary of the Fund and its indirect interest in the Fund through its ownership interest in the Company.

Financial Performance

Three months ended March 31, <i>(thousands of Canadian dollars, except per share amounts)</i>	2014	2013
Distribution and other income	23,173	22,182
Earnings	21,655	21,154
Earnings per common share, basic and diluted	\$0.38	\$0.40
Cash flows from operating activities	18,206	17,324
Dividends declared	19,422	18,323
Dividends per common share	\$0.344	\$0.334
Number of common shares outstanding ¹	56,491,000	56,491,000

¹ As at March 31, 2014 and 2013.

The Company's earnings and cash flows are derived from its investment in the Fund and are dependent upon its ownership interest, the level of cash distributions paid by the Fund and income taxes.

Effective with the November 2013 distribution, the Fund increased its distribution rate to \$0.135 per Fund trust unit per month from \$0.134 per unit. Further, the proceeds from an equity offering by the Company in February 2013 were used to subscribe for an additional 4,768,000 trust units of the Fund, increasing its overall ownership of Fund trust units to 85.6%. As a result of the Fund's increased distribution rate and the Company's increased ownership interest, the Company realized incremental earnings during the first quarter of 2014 compared with the same quarter of 2013.

The Company incurs income taxes on distributions received from the Fund, the level of which will vary depending on the taxability of such trust distributions in any given year. To the extent a portion of the distribution represents a tax-free inter-corporate dividend or return of capital, cash tax will not be incurred on that portion of the distribution. During the first quarter of 2014, the Company recorded higher current income tax expense as compared to the first quarter of 2013, reflecting that a larger portion of distributions received from the Fund are expected to be taxable than in the prior year.

The Company's objective is to pay out a high proportion of available cash in the form of dividends to shareholders. The Company declared dividends totalling \$19.4 million during the quarter ended March 31, 2014, a rate equivalent to \$0.344 per common share per quarter representing a payout ratio of 89.7% for the first quarter of 2014, compared to a payout ratio of 86.6% in the same period of 2013. Retained cash is expected to be used for contingencies and future income tax payments and acts as a reserve to sustain dividends over the long-term.

Enbridge Income Fund Financial Performance

A summary of financial information of the Company's investee, Enbridge Income Fund, derived from the Fund's consolidated financial statements prepared in accordance with U.S. GAAP, for the three months ended March 31, 2014 and 2013 is provided below. Readers are encouraged to read the Fund's consolidated financial statements and MD&A which are filed on SEDAR at www.sedar.com.

Three months ended March 31, <i>(thousands of Canadian dollars)</i>	2014	2013
Cash available for distribution, Enbridge Income Fund ¹		
Green Power	46,058	41,244
Liquids Transportation and Storage	36,110	33,093
Alliance Canada	19,463	17,914
Corporate	(28,178)	(22,002)
Cash available for distribution, Enbridge Income Fund	73,453	70,249
Enbridge Commercial Trust (ECT) preferred unit distributions	(29,403)	(28,466)
Cash retained	(17,273)	(15,810)
Cash distributions declared to holders of Fund Units	26,777	25,973
Percentage of units held by Enbridge Income Fund Holdings Inc.	85.6%	84.5% - 85.6%
Distribution income, Enbridge Income Fund Holdings Inc.	22,921	22,098
Interest income and other	252	84
Income tax	(1,518)	(1,028)
Earnings, Enbridge Income Fund Holdings Inc.	21,655	21,154

¹ See *Non-GAAP Measures*.

The Fund's cash available for distribution (CAFD) totaled \$73.5 million for the quarter ended March 31, 2014 compared with \$70.2 million for the same quarter of the prior year, an increase of 5%.

Green Power CAFD for the quarter ended March 31, 2014 was higher than the first quarter of 2013, reflecting strong wind and solar resource across the portfolio. First quarter 2013 Green Power CAFD was negatively impacted by snowfall accumulating on the solar panels of the Sarnia facility for portions of the quarter.

Liquids Transportation and Storage CAFD for the three months ended March 31, 2014 increased compared to the same period of the prior year due to a full quarter contribution from the Bakken Expansion which commenced operations in March 2013.

The Fund's CAFD from its Alliance Canada segment increased for the three months ended March 31, 2014 as compared to the three months ended March 31, 2013, attributable to contributions from the Fund's investee, Sable NGL Services L.P. (Sable), an equity investment that holds 20 million cubic feet per day (mmcf/d) of capacity on the Alliance System. During the first quarter of 2014, Sable benefitted

from the large differential between the cost for natural gas purchased in Alberta and the sales price for natural gas in the Chicago area as a result of abnormal weather conditions.

Corporate costs which include income taxes, financing costs and management and administrative expenses, increased compared to the first quarter of 2013, attributable to higher current income taxes from increased earnings subject to tax.

FORWARD-LOOKING INFORMATION

In the interest of providing the Company's shareholders and potential investors with information about the Company and its investee, the Fund, and the Fund's subsidiaries and joint ventures, including management's assessment of future plans and operations of the Company and the Fund, certain information provided in this MD&A constitutes forward-looking statements or information (collectively, "forward-looking statements"). This information may not be appropriate for other purposes. 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. In particular, forward-looking statements include:

- *expected earnings or earnings per share;*
- *expected costs related to projects under construction;*
- *expected scope and in-service dates for projects under construction;*
- *expected timing and amount of recovery of capital costs of assets;*
- *expected capital expenditures;*
- *expected future dividends, Fund distributions and taxability thereof;*
- *the Fund's expected cash available for distribution; and*
- *expected future actions of regulators.*

Although the Company believes that these forward-looking statements are reasonable based on the information available on the date such statements are made and the processes used to prepare the information, 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, natural gas liquids and green energy; prices of crude oil, natural gas, natural gas liquids and green energy; expected exchange rates; inflation; interest rates; the availability and price of labour and construction materials; operational reliability; customer project approvals; maintenance of support and regulatory approval for the Fund's projects; anticipated in-service dates; and weather. Assumptions regarding the expected supply and demand of crude oil, natural gas, natural gas liquids and green energy, and the prices of these commodities, are material to and underlay all forward-looking statements. These factors are relevant to all forward-looking statements as they may impact current and future levels of demand for the Fund's products and services. Similarly, exchange rates, inflation and interest rates impact the economies and business environments in which the Company and the Fund operate, may impact levels of demand for the Fund's products, services and cost of inputs, and are therefore inherent in all forward-looking statements. Due to the interdependencies and correlation of these macroeconomic factors, the impact of any one assumption on a forward-looking statement cannot be determined with certainty, particularly with respect to expected earnings and associated per unit or per share amounts, or estimated future distributions or dividends. The most relevant assumptions associated with forward-looking statements on projects under construction, including estimated in-service dates and expected capital expenditures, include: the availability and price of labour and construction materials; the effects of inflation on labour and material costs; the effects of interest rates on borrowing costs; and the impact of weather, customer and regulatory approvals on construction schedules.

The Company's forward-looking statements and forward-looking statements with respect to the Fund are subject to risks and uncertainties pertaining to operating performance, regulatory parameters, project approval and support, weather, economic and competitive conditions, changes in tax law, tax rates, exchange rates, interest rates and commodity prices, including but not limited to those risks and uncertainties discussed in this MD&A and in the other filings of the Company and the Fund 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 Company's 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 Company and the Fund assume 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 Company or the Fund or persons acting on the Company's or the Fund's behalf, are expressly qualified in their entirety by these cautionary statements.

NON-GAAP MEASURES

This MD&A contains references to the Fund's cash available for distribution (CAFD). CAFD represents the Fund's cash available to fund distributions on trust units and Enbridge Commercial Trust (ECT) preferred units as well as for debt repayments and reserves. CAFD 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 determined by the Manager of the Fund. This measure is important to shareholders as the Company's objective is to provide a predictable flow of dividends to shareholders and the Company's cash flows are derived from its investment in the Fund. CAFD is not a measure that has standardized meaning prescribed by United States Generally Accepted Accounting Principles (U.S. GAAP) and is not considered a GAAP measure. Therefore, this measure may not be comparable with similar measures presented by other issuers.

ENBRIDGE INCOME FUND RECENT DEVELOPMENTS

Cromer Rail Interconnection Project

On January 29, 2014, the Fund announced plans to construct a pipeline interconnection that will connect the Westspur System and Bakken Expansion to a crude oil rail terminal near Cromer, Manitoba. The estimated cost of the project is \$25 million and is expected to be in-service in the first quarter of 2015. The project is fully backstopped by the operator of the crude oil rail terminal pursuant to a five-year Financial Support Agreement. In addition, the Fund has an option to acquire 50% of the rail terminal which is currently capable of handling 30,000 bpd and is expandable to 60,000 bpd.

Whitecourt Recovered Energy Project

The Whitecourt Recovered Energy Project is a new waste heat recovery facility being constructed by NRGreen, adjacent to a compressor station on the Alliance Pipeline near Whitecourt, Alberta. The Fund has contributed approximately \$42 million as at March 31, 2014 to the Whitecourt Recovered Energy Project. The Whitecourt Recovered Energy Project is expected to be in-service in the second quarter of 2014.

LIQUIDITY AND CAPITAL RESOURCES

The cash distributions the Company receives from its investment in the Fund are its primary source of liquidity. The Company pays out a high proportion of the distributions received from the Fund after prudently reserving for contingencies and future taxes, with the objective of sustaining a predictable stream of dividends to its shareholders. Cash not required to fund dividends or to meet working capital requirements is advanced to subsidiary corporations of the Fund pursuant to a demand loan, which the Company may request repayment of at any time. At March 31, 2014, the Company had \$23.1 million outstanding pursuant to the demand loan. The Company did not have any outstanding long-term debt as at March 31, 2014 or December 31, 2013.

The Company's working capital requirements are not expected to be significant in 2014. The Company has an agreement with ECT whereby ECT reimburses the Company for certain corporate costs.

Additional capital resources to finance the Company's future investment in the Fund, if necessary, are expected to be available through access to equity markets. The Company maintains a current equity shelf prospectus with Canadian securities regulators, which enables ready access to Canadian public capital markets, subject to market conditions.

Operating Activities

Cash flows from operating activities totaled \$18.2 million for the quarter ended March 31, 2014 (2013 – \$17.3 million). Cash flows from operating activities represented distributions received from the Fund, net of income taxes and changes in operating assets and liabilities. The Fund declared distributions of \$0.406 per unit or \$22.9 million in aggregate to the Company in the first quarter of 2014 (2013 – \$0.403 per unit or \$22.1 million in aggregate to the Company).

Financing Activities

The Company declared monthly dividends at a rate of \$0.115 per share for the first three months of 2014 as compared to \$0.111 per share for the same period of 2013.

Investing Activities

Included in investing activities are repayments received from a subsidiary corporation of the Fund pursuant to a demand loan, of which \$23.1 million was outstanding as at March 31, 2014.

RELATED PARTY TRANSACTION

In 2014, the Company received repayment of \$1.1 million (2013 – \$0.8 million) from a subsidiary corporation of the Fund pursuant to a subordinated demand loan. At March 31, 2014, \$23.1 million (December 31, 2013 – \$24.3 million) was outstanding to the Company. Interest on the demand loan was charged at 4.25%.

SELECTED QUARTERLY FINANCIAL INFORMATION

The following table presents a summary of the Company's quarterly financial results.

	2014		2013			2012		
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
<i>(thousands of Canadian dollars, except per share amounts)</i>								
Revenues	23,173	23,102	22,924	22,836	22,182	16,611	14,434	14,399
Earnings	21,655	22,139	21,507	21,770	21,154	16,591	14,638	14,315
Earnings per common share, basic and diluted	0.38	0.39	0.38	0.39	0.40	0.39	0.37	0.36
Dividends declared, per common share	0.344	0.340	0.334	0.334	0.334	0.317	0.309	0.309

- The Company increased its dividend per common share by 3.0% to \$0.115 per month effective with the November 2013 dividend.
- The Company subscribed for 4,768,000 trust units of the Fund in February 2013. The incremental ownership of trust units of the Fund increased the amount of distributions received on the trust units of the Fund and therefore, increased the Company's revenues and earnings.
- The Company increased its dividend per common share by 8.0% to \$0.111 per month effective with the December 2012 dividend, which corresponded with a distribution increase from the Fund.
- The Company subscribed for 11,982,000 trust units of the Fund in December 2012 in connection with the acquisition of a portfolio of crude oil storage and wind and solar assets, which increased the total trust units of the Fund owned by the Company from 39,741,000 to 51,723,000. The incremental ownership of trust units of the Fund increased the amount of distributions received on the trust units and therefore, increased the Company's revenues and earnings.

OUTSTANDING SHARE DATA

As at May 5, 2014, 56,491,000 common shares and 1 special voting share of the Company were issued and outstanding.

STATEMENTS OF COMPREHENSIVE INCOME

Three months ended March 31,	2014	2013
<i>(unaudited; thousands of Canadian dollars, except per share amounts)</i>		
Distribution and other income	23,173	22,182
Income tax <i>(Note 5)</i>	(1,518)	(1,028)
Earnings	21,655	21,154
Items that may be reclassified to earnings		
Other comprehensive income		
Unrealized fair value change in available-for-sale investment <i>(Note 3)</i>	158,739	62,688
Income tax <i>(Note 5)</i>	(19,842)	(7,836)
	138,897	54,852
Comprehensive income	160,552	76,006
Basic and diluted earnings per common share <i>(Note 4)</i>	0.38	0.40

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

STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

Three months ended March 31, <i>(unaudited; thousands of Canadian dollars)</i>	2014	2013
Share capital		
Common shares		
Balance at beginning of period	921,883	802,683
Issued for cash	-	119,200
	921,883	921,883
Special voting share	-	-
Balance at end of period	921,883	921,883
Share premium	192,458	192,458
Retained earnings		
Balance at beginning of period	20,868	9,562
Earnings	21,655	21,154
Common share dividends declared <i>(Note 4)</i>	(19,422)	(18,323)
Balance at end of period	23,101	12,393
Accumulated other comprehensive income		
Balance at beginning of period	175,189	212,266
Other comprehensive income	138,897	54,852
Balance at end of period	314,086	267,118
Total shareholders' equity	1,451,528	1,393,852

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

STATEMENTS OF CASH FLOWS

Three months ended March 31, <i>(unaudited; thousands of Canadian dollars)</i>	2014	2013
Operating activities		
Earnings	21,655	21,154
Deferred income taxes	17	4
Changes in operating assets and liabilities		
Accounts receivable and other	(229)	(3,008)
Distributions receivable	-	(640)
Accounts payable and accrued liabilities	151	(186)
Income taxes payable	(3,388)	-
	18,206	17,324
Financing activities		
Common shares issued	-	119,200
Common share dividends paid <i>(Note 4)</i>	(19,422)	(17,792)
	(19,422)	101,408
Investing activities		
Purchase of Enbridge Income Fund trust units <i>(Note 3)</i>	-	(119,200)
Demand loan repayments from investee <i>(Note 7)</i>	1,125	800
	1,125	(118,400)
Change in cash and cash equivalents	(91)	332
Cash and cash equivalents at beginning of period	270	90
Cash and cash equivalents at end of period	179	422
Supplementary cash flow information		
Income taxes paid	4,890	10

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

STATEMENTS OF FINANCIAL POSITION

	March 31, 2014	December 31, 2013
<i>(unaudited; thousands of Canadian dollars)</i>		
Assets		
Current assets		
Cash and cash equivalents	179	270
Accounts receivable and other	450	221
Demand loan due from investee <i>(Note 7)</i>	23,125	24,250
Distributions receivable <i>(Note 3)</i>	7,640	7,640
	31,394	32,381
Investment in Enbridge Income Fund <i>(Notes 3 and 6)</i>	1,473,284	1,314,545
	1,504,678	1,346,926
Liabilities and shareholders' equity		
Current liabilities		
Accounts payable and accrued liabilities	230	79
Income taxes payable	935	4,323
Dividends payable <i>(Note 4)</i>	6,474	6,474
	7,639	10,876
Deferred income taxes	45,511	25,652
	53,150	36,528
Shareholders' equity		
Share capital	921,883	921,883
Share premium	192,458	192,458
Retained earnings	23,101	20,868
Accumulated other comprehensive income	314,086	175,189
	1,451,528	1,310,398
	1,504,678	1,346,926

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

NOTES TO THE UNAUDITED FINANCIAL STATEMENTS

1. GENERAL BUSINESS DESCRIPTION

Enbridge Income Fund Holdings Inc. (the Company) is a publicly traded corporation, incorporated on March 26, 2010 under the laws of the Province of Alberta. The Company's common shares commenced trading on the Toronto Stock Exchange on December 21, 2010. The Company holds an investment in Enbridge Income Fund (the Fund), which is an unincorporated open-ended trust established by a trust indenture under the laws of the Province of Alberta. The Company's registered office is 3000, 425 – 1st Street SW, Calgary, Alberta, Canada.

The business of the Company is limited to investment in the Fund. The Fund is involved in the generation, transportation and storage of energy through its green power generation facilities, liquids transportation and storage facilities and 50% interest in the Canadian segment of the Alliance Pipeline.

2. BASIS OF PREPARATION

These unaudited interim condensed financial statements have been prepared using the same accounting policies as those used in the Company's annual financial statements for the year ended December 31, 2013 prepared in accordance with International Financial Reporting Standards (IFRS). These interim financial statements comply with International Accounting Standards (IAS) 34, Interim Financial Reporting and accordingly do not include all disclosures required for annual financial statements, and should therefore be read in conjunction with the financial statements and notes thereto for the year ended December 31, 2013.

Amounts are stated in Canadian dollars, the Company's functional and presentation currency.

These financial statements were authorized for issuance by the Board of Directors of the Company on May 5, 2014.

3. INVESTMENT IN ENBRIDGE INCOME FUND

At March 31, 2014, the Company owned 56,491,000 (December 31, 2013 – 56,491,000), or 85.6% (December 31, 2013 – 85.6%), of the Fund's issued and outstanding trust units.

	Three months ended March 31, 2014	Year ended December 31, 2013
<i>(unaudited; thousands of Canadian dollars)</i>		
Balance at beginning of period	1,314,545	1,237,731
Investment acquired	-	119,200
Fair value change for the period	158,739	(42,386)
Balance at end of period	1,473,284	1,314,545

Summarized financial information of the Fund, derived from the Fund's consolidated financial statements prepared in accordance with United States generally accepted accounting principles (U.S. GAAP), is as follows:

Three months ended March 31, <i>(unaudited; thousands of Canadian dollars)</i>	2014	2013
Revenues	107,883	102,613
Earnings	36,297	13,625

	March 31, 2014	December 31, 2013
<i>(unaudited; thousands of Canadian dollars)</i>		
Total assets	2,761,380	2,756,810
Total liabilities	2,228,787	2,197,052

The Fund's summarized financial information, prepared in accordance with U.S. GAAP, would differ had it been prepared under IFRS. The most significant differences between U.S. GAAP and IFRS applicable to the Fund are as follows:

Rate Regulation

The operations of Alliance Canada and certain Liquids Transportation and Storage businesses are subject to regulation by various authorities which exercise statutory authority over matters such as construction, rates and ratemaking and agreements with customers. The timing of recognition of certain revenues and expenses impacted by regulation and the recognition of regulatory assets and liabilities under U.S. GAAP differs from IFRS. IFRS does not historically recognize regulatory assets and liabilities and also prohibits recognition of the equity component of allowance for funds used during construction (AFUDC), which is permitted under U.S. GAAP. At March 31, 2014, the Fund's net regulatory asset as presented in accordance with U.S. GAAP was \$58.4 million (December 31, 2013 – \$60.9 million) including an equity component of AFUDC. The earnings impact of rate regulation was an approximate after tax decrease of \$1.8 million for the three months ended March 31, 2014 (2013 – \$9.6 million decrease).

Preferred and Trust Unit Presentation

Under U.S. GAAP, the Fund's preferred and trust units are presented as mezzanine equity on the Consolidated Statements of Financial Position between long-term liabilities and unitholders' deficit. The Fund's preferred and trust units are recorded at their maximum redemption value with changes in estimated redemption value reflected as a charge or credit to deficit.

Under IFRS, the Fund's preferred units would be designated as a financial liability at fair value through profit or loss. The Fund's trust units would be recognized at amortized cost and presented as a liability by virtue of the holders' right to redeem the trust units for cash, subject to certain limitations. Adjustments to estimated future cash flows of a financial liability carried at amortized cost would be recognized in earnings.

Distribution Income

The Fund declared monthly distributions of \$0.13525 (2013 – \$0.13417) per unit for each month during the three month period ended March 31, 2014.

4. SHARE CAPITAL

Dividends

The Company declared monthly distributions of \$0.1146 (2013 – \$0.11125) per share for each month during the three month period ended March 31, 2014.

On April 15, 2014, the Company declared a monthly dividend of \$0.1146 to be paid on May 15, 2014 to shareholders of record on April 30, 2014. On May 5, 2014, the Company declared a monthly dividend of \$0.1146 to be paid on June 16, 2014 to shareholders of record on June 2, 2014.

Earnings per common share

Weighted average shares outstanding used to calculate both basic and diluted earnings per share were 56,491,000 (2013 – 53,471,267) for the three month period ended March 31, 2014.

5. INCOME TAXES

Income tax expense included in earnings for the three months ended March 31, 2014 comprised current income tax expense of \$1.5 million (2013 – \$1.0 million) and deferred income tax expense of \$17,000 (2013 – \$4,000). Income tax expense on distribution income is accrued in interim periods based on the estimated annual taxability and return of capital.

Other comprehensive income included \$19.8 million (2013 – \$7.8 million) of deferred income tax expense for the three months ended March 31, 2014 related to the change in the difference between the accounting and tax bases of the investment in the Fund.

6. FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair value of financial instruments reflects the Company's best estimates of market value based on valuation techniques, supported by observable market prices where available. The fair value of cash and cash equivalents, loans and receivables and other financial liabilities approximate their carrying value due to the short period to maturity.

The Company categorizes those financial assets and liabilities measured 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 financial instruments 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 a financial instrument is considered to be a market where transactions occur with sufficient frequency and volume to provide pricing information on an ongoing basis. The Company did not have any financial instruments categorized as Level 1 as at March 31, 2014 or December 31, 2013.

Level 2

Level 2 includes financial instrument valuations determined using directly or indirectly observable inputs other than quoted prices included within Level 1. The fair value measurement of the investment in the Fund is classified as Level 2, as the valuation technique references the quoted market price of the Company's common shares, and adjusts for assets and liabilities not applicable to the Fund. At March 31, 2014, the Company's investment in the Fund had a fair value of \$1.5 billion (December 31, 2013 – \$1.3 billion).

Level 3

Level 3 includes financial instrument valuations based on inputs which are less observable, unavailable or where the observable data does not support a significant portion of the financial instruments' fair value. Generally, Level 3 financial instruments 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. The Company did not have any financial instruments categorized as Level 3 as at March 31, 2014 or December 31, 2013.

The Company's policy is to recognize transfers as of the last day of the reporting period. There were no transfers between levels as at March 31, 2014 and December 31, 2013.

7. RELATED PARTY TRANSACTION

In 2014, the Company has received repayment of \$1.1 million (2013 – \$0.8 million) from a subsidiary corporation of the Fund pursuant to a subordinated demand loan. At March 31, 2014, \$23.1 million (December 31, 2013 – \$24.3 million) was outstanding. Interest on the demand loan was charged at 4.25%.

MANAGEMENT'S DISCUSSION & ANALYSIS FOR THE THREE MONTHS ENDED MARCH 31, 2014

This Management's Discussion and Analysis (MD&A) dated May 5, 2014 should be read in conjunction with the unaudited consolidated financial statements and notes thereto of Enbridge Income Fund (the Fund) as at and for the three months ended March 31, 2014, which are prepared in accordance with United States generally accepted accounting principles (U.S. GAAP). It should also be read in conjunction with the Fund's audited consolidated financial statements and notes thereto and MD&A for the year ended December 31, 2013. Unless otherwise noted, all financial information is presented in Canadian dollars. Additional information related to the Fund, including its Annual Information Form, is available on SEDAR at www.sedar.com.

OVERVIEW

The Fund is involved in the generation, transportation and storage of energy through its interests in 579 (524 net) megawatts (MW) of renewable and alternative power generation capacity (Green Power), its liquids transportation and storage business in Western Canada (Liquids Transportation and Storage) and natural gas transmission through its 50% interest in the Canadian segment of Alliance Pipeline (Alliance Canada).

The unitholders of the Fund are Enbridge Income Fund Holdings Inc. (ENF), a public company listed on the Toronto Stock Exchange (TSX), and Enbridge Inc. (Enbridge), a North American transporter, distributor and generator of energy listed on the TSX and New York Stock Exchange. Enbridge's total economic interest in the Fund was 67.3% as at March 31, 2014 and May 5, 2014 based on its indirect interest in the Fund through ENF, its direct interest in the Fund via common units and its interest in preferred units of a subsidiary of the Fund, Enbridge Commercial Trust (ECT).

FINANCIAL OVERVIEW

Earnings and cash available for distribution (CAFD) for the quarter ended March 31, 2014 reflected strong operational performance of the Fund's assets, particularly from the Fund's Green Power business which benefitted by strong wind and solar resource, as well as a full quarter of contributions from the Bakken Expansion which was declared in service on March 1, 2013, and higher contributions from the Alliance Canada natural gas transportation segment.

Three months ended March 31, <i>(millions of Canadian dollars)</i>	2014	2013
Earnings		
Green Power	30.7	26.1
Liquids Transportation and Storage	19.2	2.7
Alliance Canada	20.1	12.3
Corporate	(33.7)	(27.5)
	36.3	13.6
Cash available for distribution¹		
Green Power	46.1	41.2
Liquids Transportation and Storage	36.1	33.1
Alliance Canada	19.5	17.9
Corporate	(28.2)	(22.0)
	73.5	70.2

¹ See definition within "Non-GAAP Measures" section, as well as the reconciliation to Cash Provided by Operating Activities.

Green Power earnings for the quarter ended March 31, 2014 were higher than the first quarter of 2013, reflecting strong wind and solar resource across the portfolio. First quarter 2013 Green Power earnings were negatively impacted by snowfall accumulation on the solar panels of the Sarnia facility.

Liquids Transportation and Storage earnings for the three months ended March 31, 2014 increased compared to the same period of the prior year due to a full quarter of contributions from the Bakken Expansion which commenced operations in March 2013. Further contributing to the increase was the impact of an extraordinary pre-tax write-off of \$16.5 million in the first quarter of 2013 in relation to the discontinuance of rate regulated accounting for the Westspur System.

The Fund's earnings from its Alliance Canada segment were \$20.1 million for the three months ended March 31, 2014, an increase from the comparable period in 2013 attributable to contributions from the Fund's investee, Sable NGL Services L.P. (Sable), an equity investment that holds 20 million cubic feet per day (mmcf/d) of capacity on the Alliance System. During the first quarter of 2014, Sable benefitted from the large differential between the cost for natural gas purchased in Alberta and the sales price for natural gas in the Chicago area as a result of abnormal weather conditions. Further, in the prior year period, the National Energy Board (NEB) denied the recovery of certain indirect costs incurred by Alliance Canada, resulting in a one-time charge of \$2.1 million to earnings.

Corporate costs which include income taxes, financing costs and management and administrative expenses, increased compared to the first quarter of 2013. A portion of this variance is attributable to higher current income taxes from increased earnings subject to tax. Additionally, Corporate costs in the first quarter of 2013 reflected a \$4.5 million tax recovery resulting from the discontinuance of rate regulated accounting for the Westspur System.

The Fund's CAFD totaled \$73.5 million for the three months ended March 31, 2014 compared with \$70.2 million for the same period of the prior year, representing an increase of 5% due to strong operational performance across all segments, partially offset by higher current income taxes within the Corporate segment.

FORWARD-LOOKING INFORMATION

In the interest of providing the Fund's unitholders and potential investors with information about the Fund, its subsidiaries and joint ventures, including management's assessment of the Fund, its subsidiaries' and joint ventures' future plans and operations, certain information provided in this MD&A constitutes forward-looking statements or information (collectively, "forward-looking statements"). This information may not be appropriate for other purposes. 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. In particular, forward-looking statements included or incorporated by reference in this document include, but are not limited to, statements with respect to:

- *expected costs related to projects under construction;*
- *expected scope and in-service dates for projects under construction;*
- *expected timing and amount of recovery of capital costs of assets;*
- *expected capital expenditures;*
- *expected future levels of demand for the Fund's products and services;*
- *expected future earnings and cash flows;*
- *expected future actions of regulators;*
- *expected future distributions to unitholders and the taxability thereof; and*
- *expected cash available for distribution.*

Although the Fund believes that these forward-looking statements are reasonable based on the information available on the date such statements are made and processes used to prepare the information, 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, natural gas liquids and green energy; prices of crude oil, natural gas, natural gas liquids and green energy; expected exchange rates; inflation; interest rates; the availability and price of labour and construction materials; operational reliability; customer project approvals; maintenance of support and regulatory approval for the Fund's projects; anticipated in-service dates and weather. Assumptions regarding the expected supply and demand of crude oil, natural gas, natural gas liquids and green energy, and the prices of these commodities, are material to and underlay all forward-looking statements. These factors are relevant to all forward-looking statements as they may impact current and future levels of demand for the Fund's products and services. Similarly, exchange rates, inflation and interest rates impact the economies and business environments in which the Fund operates, may impact levels of demand for the Fund's products, services and cost of inputs, and are therefore inherent in all forward-looking statements. Due to the interdependencies and correlation of these macroeconomic factors, the impact of any one assumption on a forward-looking statement cannot be determined with certainty, particularly with respect to expected earnings and associated per unit amounts, or estimated future distributions. The most relevant assumptions associated with forward-looking statements on projects under construction, including estimated in-service dates, and expected capital expenditures include: the availability and price of labour and construction materials; the effects of inflation on labour and material costs; the effects of interest rates on borrowing costs; and the impact of weather and customer and regulatory approvals on construction schedules.

The Fund's forward-looking statements are subject to risks and uncertainties pertaining to operating performance, regulatory parameters, project approval and support, weather, economic and competitive conditions, changes in tax law, tax rates, exchange rates, interest rates, commodity prices and supply and demand for commodities, 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 the Fund's cash available for distribution (CAFD). CAFD represents the Fund's cash available to fund distributions on trust units and ECT preferred units as well as for debt repayments and reserves. CAFD 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 determined by the Manager. 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 CAFD reconciliation within this MD&A. CAFD is not a measure that has standardized meaning prescribed by United States Generally Accepted Accounting Principles (U.S. GAAP) and is not considered a GAAP measure. Therefore, this measure may not be comparable with similar measures presented by other issuers.

FUND DESCRIPTION

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 or the Manager), a wholly-owned subsidiary of Enbridge, administers the Fund. EMSI is also the manager of ECT and ENF.

The following table presents the direct and indirect ownership of the Fund:

	At May 5, 2014
Enbridge Income Fund Holdings Inc. <i>(number of common shares outstanding)</i>	
Held by public	45,249,000
Held by Enbridge	11,242,000
	56,491,000
Enbridge Income Fund <i>(number of common units outstanding)</i>	
Held by Enbridge	9,500,000
Held by Enbridge Income Fund Holdings Inc.	56,491,000
	65,991,000
Enbridge Commercial Trust <i>(number of preferred units outstanding)</i>	
Held by Enbridge	72,465,750
Total number of common units and ECT preferred units outstanding	138,456,750

GREEN POWER

Overview

Green Power includes assets that produce electricity from renewable and alternative energy sources and consists of the following assets:

Wind Facilities

The Fund has a 100% interest in the following facilities which have an aggregate power generation capacity of 388 MW:

- the 190 MW Ontario Wind Facility;
- the 99 MW Talbot Wind Facility; and
- the 99 MW Greenwich Wind Facility.

All power produced from these wind facilities is sold to the Ontario Power Authority (OPA) pursuant to power purchase agreements (PPA) which expire between 2028 and 2031.

The Fund also has interests in three wind power projects with a net capacity of 26 MW including:

- a 50% interest in the SunBridge Wind Facility, which has an aggregate capacity of 11 MW (6 MW net to the Fund); and
- a 33% interest in each of the Magrath and Chin Chute Wind Facilities, which have an aggregate capacity of 30 MW per facility (10 MW per facility net to the Fund).

The power from SunBridge is delivered into the Saskatchewan power grid, while the energy produced at Magrath and Chin Chute is delivered into the Alberta power grid. Power price swap agreements, which are in place to mitigate the risk of fluctuating power prices in Alberta, expire between 2017 and 2024.

Solar Facilities

The Fund has a 100% interest in the following solar generation facilities with an aggregate capacity of 100 MW:

- the 80 MW Sarnia Solar Facility;
- the 15 MW Amherstburg Solar Facility; and
- the 5 MW Tilbury Solar Facility.

All power produced from these solar facilities is sold to the OPA pursuant to PPAs which expire between 2028 and 2031.

NRGreen

The Fund has a 50% interest in NRGreen. NRGreen operates four waste heat recovery facilities with an aggregate capacity of 20 MW (10 MW net to the Fund), all located in Saskatchewan at compressor stations along the Alliance Pipeline. The power generated from the NRGreen facilities is sold under long-term PPAs to SaskPower.

The Whitecourt Recovered Energy Project is a waste heat recovery facility being constructed by NRGreen, adjacent to a compressor station on the Alliance Pipeline near Whitecourt, Alberta. The Fund has contributed approximately \$42 million as at March 31, 2014 to the Whitecourt Recovered Energy Project. The Whitecourt Recovered Energy Project is expected to be in service in the second quarter of 2014.

Results of Operations

Three months ended March 31,	2014	2013
Financial highlights (<i>millions of Canadian dollars</i>)		
Earnings	30.7	26.1
Operating highlights (<i>thousands of megawatt hours produced</i>)		
Wind Facilities (including joint ventures)	360.4	354.3
Solar Facilities	30.4	23.9
Waste Heat Facilities (50%)	20.5	19.2
	411.3	397.4

Green Power earnings for the quarter ended March 31, 2014 were higher than the first quarter of 2013, reflecting strong wind and solar resource across the segment. The 2013 comparable period was also impacted by cold weather related turbine outages at the Greenwich Wind Facility and unusually high snowfall conditions at the Sarnia Solar Facility that reduced panel performance, both of which contributed to the positive earnings variance year-over-year.

LIQUIDS TRANSPORTATION AND STORAGE

Overview

The Fund's Liquids Transportation and Storage business serves customers in Western Canada and North Dakota and includes the Saskatchewan System which transports crude oil and natural gas liquids (NGLs) from producing fields and facilities in southeastern Saskatchewan, southwestern Manitoba and North Dakota to Cromer, Manitoba where the crude oil and NGLs enter Enbridge's Mainline System to be transported to the United States or eastern Canada. Liquids Transportation and Storage also includes related terminals and tankage facilities in Saskatchewan and the Hardisty Contract Terminals and Hardisty Storage Caverns located near Hardisty, Alberta, a key crude pipeline hub in Western Canada.

Collectively referred to as the Saskatchewan System, the Saskatchewan Gathering, Westspur, Weyburn and Virden pipeline systems, as well as the Canadian portion of the Bakken Expansion, collectively comprise approximately 545 kilometres of trunk line and approximately 1,800 kilometres of gathering pipeline. The Bakken Expansion is a joint project which provides crude oil pipeline capacity to growing production from the Bakken and Three Forks formations located in North Dakota. The capacity of each of the Saskatchewan Gathering and the Westspur Systems is 255,000 barrels per day (bpd), the capacity of

the Weyburn and Virden Systems is approximately 47,000 bpd and 37,000 bpd, respectively, and the capacity of the Bakken Expansion is 145,000 bpd. The Saskatchewan System also includes storage terminals and tankage facilities in Saskatchewan, comprised of 21 above ground storage tanks with total capacity of approximately 450,000 barrels.

The Hardisty Contract Terminals, located adjacent to Enbridge's Mainline System terminal in Hardisty, Alberta, are comprised of 18 above ground crude oil storage tanks, ranging in size from 250,000 to 560,000 barrels, and one above ground condensate storage tank with a capacity of 250,000 barrels which together have an aggregate storage capacity of 7.5 million barrels. The Hardisty Storage Caverns are comprised of four underground salt caverns and two above ground storage tanks, with approximately 3.5 million barrels of storage capacity. Each of the Hardisty assets has long-term take-or-pay storage contracts in place with credit-worthy counterparties in respect of virtually all of their storage capacity.

Results of Operations

Three months ended March 31,	2014	2013
Financial highlights (millions of Canadian dollars)		
Earnings before extraordinary item	19.2	19.2
Extraordinary item	-	(16.5)
Earnings	19.2	2.7
Operating highlights (thousands of barrels per day)		
Liquids Transportation and Storage ¹		
Westspur System	176.2	161.2
Saskatchewan Gathering System	134.2	112.0
Weyburn System	31.5	31.8
Virden System	26.2	24.7
Bakken Expansion	8.9	-

¹ Totals are not presented as the same volumes can be transported through a combination of the pipelines comprising the Liquids Transportation and Storage segment.

Earnings before extraordinary item for the three months ended March 31, 2014 remained consistent with the same period of the prior year. The Fund benefitted from a full quarter contribution from the Bakken Expansion which commenced operations in March 2013 in addition to the expiry of a waiver which had enabled certain committed shippers to reduce their commitment on the Bakken Expansion for the first year of operations. The Hardisty Storage assets provided steady and predictable performance during the first quarter of 2014. Increases were partially offset by lower earnings from the Westspur System moving off its historical cost of service toll model, effective in the second quarter of 2013.

On April 1, 2013, the Fund announced that it had concluded a settlement (the Settlement) with a group of shippers relating to new tolls on the Westspur System which the NEB subsequently ordered final on February 6, 2014. Pursuant to the Settlement, the tolls on the Westspur System were fixed and increased annually with reference to a pre-identified inflation index, subject to throughput remaining within a volume band. The Settlement resulted in the discontinuance of rate regulated accounting for the Westspur System and the Fund recorded a write-off of \$16.5 million (\$12.0 million after tax) in the first quarter of 2013 related to a deferred regulatory asset which was not collected under the terms of the Settlement.

Throughput volumes increased on the Westspur System and Saskatchewan Gathering System for the first quarter of 2014 compared to the same period of the prior year due to customers partially returning volumes to the Fund's pipeline systems from alternative transportation options, primarily rail. Throughputs in 2013 periods reflected the increased use of rail by shippers which was attributable to wide crude oil price differentials between local delivery points and delivery points which had access to world market prices at tidewater due to the absence of pipeline infrastructure to those markets. The improvement over the first quarter of 2013 was driven by narrowing price differentials as well as extreme cold weather which impacted rail deliveries. Management expects throughput to further recover on these Systems as expansions on downstream pipelines and new market access projects should relieve bottlenecks and further reduce price discounts for producers delivering into the Saskatchewan System. Capacity on the

Bakken Expansion has not been well utilized since its in-service date due to high crude oil differentials between local delivery points and markets not serviced by downstream pipelines; however, fixed take-or-pay tariffs protect the Fund.

Throughput variances do not directly impact earnings on the Saskatchewan Gathering System since this system is cost of service based. Prior to the filing of the new tolls for the Westspur System with the NEB on April 1, 2013, throughput variances also did not impact earnings for the Westspur System. As a consequence of the new tolling structure and the discontinuance of rate-regulated accounting, earnings on the Westspur System became more sensitive to volumetric throughput beginning in the second quarter of 2013. Volume risk is somewhat mitigated for the Westspur System due to the fact that toll surcharges or discounts will be applied should throughput increase or decrease on a sustained basis outside a pre-defined band. Throughput levels directly impact earnings of the Weyburn and Virden Systems, which operate on a basis similar to a common carrier and charge a market-based toll per barrel of crude oil transported. The Fund continues to collect cash tolls with respect to the Bakken Expansion regardless of actual system throughput pursuant to firm take-or-pay commitments totaling 100,000 bpd.

Cromer Rail Interconnection Project

On January 29, 2014, the Fund announced plans to construct a pipeline interconnection that will connect the Westspur System and Bakken Expansion to a crude oil rail terminal near Cromer, Manitoba. The estimated cost of the project is \$25 million and is expected to be in-service in the first quarter of 2015. The project is fully backstopped by the operator of the crude oil rail terminal pursuant to a five-year Financial Support Agreement. In addition, the Fund has an option to acquire 50% of the rail terminal which is currently capable of handling 30,000 bpd and is expandable to 60,000 bpd.

ALLIANCE CANADA

Overview

Alliance Canada consists of 1,560 kilometres of the Alliance System's natural gas mainline pipeline beginning near Gordondale, Alberta which connects to Alliance US at the Canada/United States border near Elmore, Saskatchewan. Alliance Canada also includes the Alliance System's lateral pipelines, which connect the mainline to a number of upstream receipt points, primarily at natural gas processing facilities in northwestern Alberta and northeastern British Columbia, and related infrastructure.

The Alliance System is designed to transport 1,325 million cubic feet per day of natural gas on a firm service basis primarily from supply areas in northwestern Alberta and northeastern British Columbia to delivery points near Chicago, Illinois. Additional transportation capacity is available to shippers for no additional cost other than the cost of the associated fuel requirements through Authorized Overrun Service (AOS).

Alliance Canada has transportation service agreements (TSAs) with shippers for substantially all of its available firm transportation capacity. The TSAs are designed to provide toll revenues sufficient to recover prudently incurred costs of service, including operating and maintenance, depreciation, an allowance for income tax, 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 the TSAs expires in December 2015, with the exception of a small proportion of shippers that have elected to extend their contracts beyond 2015. Alliance Canada is in discussions with the shipper community regarding its service offerings post the December 2015 expiry of the majority of its existing contracts.

Tolls and tariffs for Alliance Canada are regulated by the NEB. Toll adjustments, based on variances between the cost of service forecast used to calculate the toll and the actual cost of service, are made annually. Following consultation with shippers, amended tolls are filed annually with the NEB.

Results of Operations

Three months ended March 31,	2014	2013
Financial highlights (millions of Canadian dollars)		
Earnings	20.1	12.3
Operating highlights (millions of cubic feet per day)		
Alliance Canada	1,652.0	1,643.0

The Fund's earnings from its Alliance Canada segment were \$20.1 million for the three months ended March 31, 2014. The increase from the comparable period in 2013 was due to a \$4.1 million earnings contribution from Sable, an equity investment in which the Fund owns a 50% interest. Sable holds 20 mmcf/d of firm capacity on the Alliance System at tolls equal to those charged to third party shippers through to December 2015. Pursuant to an agreement with an affiliate of Enbridge, Sable's share of costs are fixed to cover its demand charges, while still providing for participation in earnings if Alberta/Chicago natural gas price differentials exceed a pre-defined threshold. During the first quarter of 2014, Alberta/Chicago natural gas price differentials widened significantly above that pre-defined threshold due to abnormal winter weather conditions, resulting in higher than normal earnings for the period. Alliance Canada earnings in the prior year period were also negatively impacted by a one-time charge of \$2.1 million to earnings due to the NEB denial of the recovery of indirect costs incurred by Alliance Canada in connection with the relocation of a segment of the Alliance pipeline.

CORPORATE

Overview

Corporate costs are comprised of corporate financing costs, management and administrative costs which include incentive fees paid to the Manager, and current and deferred income taxes.

Results of Operations

Three months ended March 31,	2014	2013
(millions of Canadian dollars)		
Interest expense	17.6	17.6
Management and administrative	6.2	5.4
Income taxes	9.9	9.0
Corporate costs before extraordinary item	33.7	32.0
Extraordinary item	-	(4.5)
Corporate costs	33.7	27.5

In the quarter ended March 31, 2014, a portion of the increase in Corporate costs was attributable to higher current income taxes from increased earnings subject to tax. Additionally, Corporate costs in the first quarter of 2013 reflected an extraordinary item comprised of a \$4.5 million tax recovery resulting from the discontinuance of rate regulated accounting for the Westspur System.

Management and administrative expense included incentive fees of \$5.2 million (2013 - \$4.9 million) for the quarter ended March 31, 2014. Incentive fees are based on distributions declared by the Fund compared to a predetermined distribution target. As such, the increase in incentive fees was driven by the higher monthly distributions of \$0.135 per unit effective with the November 2013 distribution as compared to \$0.134 per unit in the first quarter of 2013.

LIQUIDITY AND CAPITAL RESOURCES

In keeping with its low risk value proposition, the Fund actively monitors and manages exposure to financial risks. The Fund's financing strategy is to maintain strong, investment grade credit ratings and ongoing access to capital markets. To protect against more severe market disruptions, the Manager targets to maintain sufficient liquidity in the form of committed standby credit facilities to finance anticipated operating and capital requirements for at least a year without having to access long-term capital markets.

Cash Requirements

Liquidity needs can be met through a variety of sources, including cash from operations and drawdowns on available capacity under the Fund's committed standby credit facilities. The Fund maintains a current medium term note (MTN) shelf prospectus with Canadian securities regulators, which enables ready access to Canadian public capital markets, subject to market conditions. These sources are expected to be sufficient to meet currently forecasted liquidity and capital resource requirements of the Fund.

Sources and Uses of Cash

The Fund's primary uses of cash are distributions to unitholders, administrative and operational expenses, maintenance and enhancement capital spending, and interest and principal repayments on the Fund's long-term debt. Sources of cash include cash flows from operations, new offerings of debt and equity, draws under committed credit facilities, as well as loans from affiliates.

Debt

Long-term debt consists of MTNs and a committed credit facility. No MTNs were issued during the quarter ended March 31, 2014.

At March 31, 2014, the Fund's credit facility was comprised of a \$500.0 million, 3-year standby facility with a syndicate of commercial banks. The facility includes a feature under which up to \$250.0 million of additional standby credit may be provided at the lender's consent on the same terms and conditions as the existing facility. At March 31, 2014, letters of credit totaling \$3.4 million were outstanding and \$451.6 million remained undrawn under the credit facility, available to meet liquidity requirements.

The Fund is subject to several covenants under its credit facility, including a covenant that limits outstanding debt to a percentage of the Fund's consolidated capitalization. The Fund is in compliance with all covenants as at March 31, 2014.

Equity

No equity was issued during the first quarter of 2014. During the quarter ended March 31, 2013, the Fund issued trust units to Enbridge Income Fund Holdings Inc. for proceeds of \$119.2 million and ECT preferred units to Enbridge for proceeds of \$130.8 million.

Distributions

Effective with the November 2013 distribution, the Fund's distribution rate increased to \$0.135 per trust unit and ECT preferred unit from \$0.134 per trust unit and ECT preferred unit.

Capital expenditures

The Fund's capital expenditures before changes in construction payable (including contributions to equity investees to fund expansion projects) were \$2.8 million (2013 – \$16.0 million) for the quarter ended March 31, 2014, including \$1.0 million directed to the Bakken Expansion (2013 – \$12.0 million) and \$0.5 million incurred for organic growth projects including the Cromer Rail Interconnection Project.

Maintenance capital expenditures for the Liquids Transportation and Storage segment totalled \$0.6 million (2013 – \$1.1 million) for the first quarter of 2014. No contributions were made to NRGreen during the quarter ended March 31, 2014 compared to contributions of \$7.9 million in the first quarter of 2013 which were used to partially fund the Whitecourt Recovered Energy Project.

CASH AVAILABLE FOR DISTRIBUTION¹

Three months ended March 31,	2014	2013
<i>(millions of Canadian dollars)</i>		
Cash provided by operating activities	53.1	49.6
Green Power maintenance capital expenditures ²	(0.3)	(0.1)
Green Power joint venture cash distributed /(retained) ³	0.2	(0.1)
Liquids Transportation and Storage maintenance capital expenditures ²	(0.6)	(1.1)
Changes in operating assets and liabilities in the period ⁴	21.1	21.9
Cash available for distribution	73.5	70.2
Cash available for distribution is comprised of the following:		
Green Power operating income before depreciation and amortization	45.0	40.3
Green Power maintenance capital expenditures	(0.3)	(0.1)
Green Power joint venture distributions	1.4	1.0
Liquids Transportation and Storage operating income before depreciation and amortization	36.7	34.2
Liquids Transportation and Storage maintenance capital expenditures	(0.6)	(1.1)
Alliance Canada distributions	19.5	17.9
Corporate management and administrative expense	(6.2)	(5.4)
Corporate interest expense	(16.3)	(16.4)
Corporate current income tax expense	(5.7)	(0.2)
Cash available for distribution	73.5	70.2
ECT preferred unit distributions declared	29.4	28.5
Trust unit distributions declared	26.8	25.9
Cash distributions declared	56.2	54.4
Payout ratio	76.5%	77.5%

¹ See Non-GAAP measures.

² Maintenance capital expenditures reduce CAFD since these expenditures are funded through cash from operations.

³ The cash retained or distributed by certain Green Power joint ventures reflects the cash from operations of these joint ventures 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.

⁴ Changes in operating assets and liabilities in the period reflects changes in non-cash working capital related to operating activities. The change has been added back to CAFD 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 previous table, CAFD 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 determined by the Manager. CAFD represents cash available to fund distributions on trust units and ECT preferred units, as well as for debt repayments and reserves.

For the quarter ended March 31, 2014, cash distributions declared represented 76.5% of CAFD compared with 77.5% for the quarter ended March 31, 2013. The Fund targets to distribute a high proportion of CAFD each calendar year, after prudently reserving for contingencies and debt repayment.

ANALYSIS OF CASH DISTRIBUTIONS DECLARED

Three months ended March 31, <i>(millions of Canadian dollars)</i>	2014	2013
Cash provided by operating activities	53.1	49.6
Earnings	36.3	13.6
Cash distributions declared	56.2	54.4
(Shortfall) of cash provided by operating activities over cash distributions declared	(3.1)	(4.8)
(Shortfall) of earnings over cash distributions declared	(19.9)	(40.8)

For the quarter ended March 31, 2014, cash provided by operating activities was lower than cash distributions declared by \$3.1 million (2013 – \$4.8 million). Changes in non-cash working capital which are included in cash provided by operating activities reflect fluctuations in working capital that are expected each period.

Earnings were \$19.9 million lower than cash distributions for the quarter ended March 31, 2014 (2013 – \$40.8 million). Earnings reflected non-cash items such as amortization of deferred financing costs, depreciation and deferred income taxes, all of which do not impact cash flow. Depreciation does not necessarily represent the cost of maintaining productive capacity; therefore, cash required for maintenance is generally lower than depreciation expense.

RELATED PARTY TRANSACTION

In 2014, \$1.1 million (2013 – \$0.8 million) was repaid to ENF which had been loaned by ENF to a subsidiary corporation of the Fund pursuant to a subordinated demand loan. At March 31, 2014, \$23.1 million (December 31, 2013 – \$24.3 million) was outstanding to ENF. Interest on the demand loan was charged at 4.25%.

RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

MARKET RISK

The Fund's earnings, cash flows and other comprehensive income (OCI) are subject to movements in interest rates, foreign exchange rates and commodity prices (collectively, market risk). Formal risk management policies, processes and systems have been designed to mitigate these risks.

The following summarizes the types of market risks to which the Fund is exposed and the risk management instruments used to mitigate them.

Interest Rate Risk

The Fund's earnings, cash flows and OCI are exposed to short term interest rate variability due to the regular repricing of its variable rate debt, primarily credit facilities. Floating to fixed interest rate swaps are used to hedge against the effect of future interest rate movements. The Fund has implemented a program to significantly mitigate the volatility of short-term interest rates on interest expense through 2017 at an average swap rate of 1.87%.

The Fund's earnings, cash flows and OCI are also exposed to variability in longer term interest rates ahead of anticipated fixed rate debt issuances. Forward starting interest rate swaps may be used to hedge against the effect of future interest rate movements. At March 31, 2014, \$180.0 million of future fixed rate term debt issuances had been hedged at a swap rate of 4.29%.

The Fund uses qualifying derivative instruments to manage interest rate risk.

Foreign Exchange Risk

The Fund's earnings, cash flows and OCI are subject to foreign exchange rate variability due to certain United States dollar denominated revenues and expenses. The Fund uses qualifying derivative instruments to manage foreign exchange rate risk.

Commodity Price Risk

The Fund's earnings, cash flows and OCI are exposed to changes in commodity prices due to collection of allowance oil on certain crude oil pipelines, generation of power sold pursuant to floating rate supply agreements, and through commitments to purchase and sell natural gas in connection with capacity held on the Alliance System. The Fund may use crude oil, power and natural gas derivative instruments to fix a portion of the variable price exposures that may arise from these activities. The Fund uses a combination of qualifying and non-qualifying derivative instruments to manage commodity price risk.

Effect of Derivative Instruments on the Statements of Earnings and Comprehensive Income

The following table presents the effect of cash flow hedges on the Fund's consolidated earnings and comprehensive income.

Three months ended March 31,	2014	2013
<i>(millions of Canadian dollars)</i>		
Amount of unrealized gain/(loss) recognized in OCI		
Interest rate contracts	(8.3)	(0.7)
Foreign exchange contracts	0.4	0.2
Commodity contracts	(0.1)	0.4
Total unrealized loss recognized in OCI	(8.0)	(0.1)
Amount of gain/(loss) reclassified from accumulated other comprehensive income (AOCI) to earnings <i>(effective portion)</i>		
Interest rate contracts ¹	0.9	1.3
Foreign exchange contracts ²	0.1	-
Commodity contracts ³	(0.1)	(0.1)
Total gain reclassified from AOCI to earnings <i>(effective portion)</i>	0.9	1.2

¹ Gain/(loss) reported within Interest Expense in the Consolidated Statements of Earnings.

² Gain/(loss) reported within Other income in the Consolidated Statements of Earnings.

³ Gain/(loss) reported within Electricity sales revenue in the Consolidated Statements of Earnings.

LIQUIDITY RISK

Liquidity risk is the risk that the Fund will not be able to meet its financial obligations, including commitments, as they become due. In order to manage this risk, the Fund forecasts the cash requirements over the near and long term to determine whether sufficient funds will be available when required. The Fund's primary sources of liquidity and capital resources are funds generated from operations, draws under committed credit facilities and the issuance of 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 flow from operations, in combination with available committed credit facilities and, if required, capital markets funding, is expected to be sufficient to meet the forecast liquidity and capital resource requirements of the Fund.

CREDIT RISK

Entering into derivative financial instruments may result in exposure to credit risk. Credit risk arises from the possibility that a counterparty will default on its contractual obligations. 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.

Credit risk also arises from trade and other receivables, and is mitigated through credit exposure limits and by requiring less creditworthy counterparties to provide credit enhancement which may include letters of credit, posting of collateral, netting provisions or other contractual requirements. The maximum exposure to credit risk related to non-derivative financial assets is their carrying value.

FAIR VALUE MEASUREMENTS

The Fund uses the most observable inputs available to estimate the fair value of its financial instruments. When possible, the Fund estimates the fair value of its financial instruments based on quoted market prices. If quoted market prices are not available, the Fund uses estimates from third party brokers. For non-exchange traded derivatives, the Fund uses standard valuation techniques to calculate the estimated fair value. These methods include discounted cash flows for forwards and swaps. Depending on the type of financial instrument and nature of the underlying risk, the Fund uses observable market prices (interest, foreign exchange and commodity) and volatility as primary inputs to these valuation techniques. Finally, the Fund considers its own credit default swap spread as well as the credit default swap spreads associated with its counterparties in its estimation of fair value.

CRITICAL ACCOUNTING ESTIMATES

Regulation

Both Alliance Canada and the systems comprising the Saskatchewan System are subject to regulation by various authorities, including the NEB, Saskatchewan Ministry of Economy and Manitoba Innovation, Energy and Mines. Regulatory bodies exercise statutory authority over matters such as construction, rates and ratemaking and agreements with customers. 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 U.S. GAAP for entities that are not rate-regulated.

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. 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 other long-term liabilities and current regulatory liabilities are recorded in accounts payable and other. 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. In the absence of rate regulation, the Fund would generally not recognize regulatory assets or liabilities and the earnings impact would be recorded in the period the expenses are incurred or revenues are earned. As at March 31, 2014, the Fund's net regulatory assets totalled \$58.4 million (December 31, 2013 – \$60.9 million).

Asset Retirement Obligations

Asset retirement obligations (ARO) 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 to perform the tasks necessary to retire such assets and is recognized at the present value of expected future cash flows. ARO 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.

In May 2009, the NEB released a report on the financial issues associated with pipeline abandonment and established a goal for pipelines regulated under the NEB Act to begin collecting and setting aside funds to cover future abandonment costs no later than January 1, 2015. Since then, the NEB has issued revised “base case assumptions” based on feedback from member companies. Companies have the option to follow the base case assumptions or to submit pipeline specific applications.

On February 28, 2013, Group 1 pipeline companies, which include Alliance Canada, filed a proposed process and mechanism to set aside the funds for future abandonment costs and chose the qualified environmental trust as the appropriate set-aside mechanism to hold pipeline abandonment funds. On May 31, 2013, the Group 1 companies filed collection mechanism applications, and the Group 2 companies, which include certain pipelines in the Saskatchewan System, filed both their set-aside and collection mechanism applications. Once the set-aside and collection mechanism is approved by the NEB, both Group 1 and Group 2 companies can start to recover these costs from shippers through tolls in accordance with the NEB’s determination that abandonment costs are a legitimate cost of providing service and are recoverable upon NEB approval from users of the system. The collections are expected to begin in 2015.

All applications by the Fund will require NEB approval. The NEB hearings commenced January 14, 2014, covering both the set-aside mechanism applications and the collection mechanism applications for both Group 1 and Group 2 companies. A decision is expected in the second quarter of 2014.

Currently, for certain of the Fund’s assets, there is insufficient data or information to reasonably determine the timing of a settlement for estimating the fair value of the ARO. In these cases, the ARO cost is considered indeterminate for accounting purposes as there is no data or information that can be derived from past practice, industry practice or the estimated economic life of the asset.

CHANGES IN ACCOUNTING POLICIES

Adoption of New Standard

Obligations Resulting from Joint and Several Liability Arrangements

Effective January 1, 2014, the Fund adopted Accounting Standards Update (ASU) 2013-04 which provides both measurement and disclosure guidance for obligations with fixed amounts at a reporting date resulting from joint and several liability arrangements. There was no impact to the Fund’s consolidated financial statements for the current or prior periods presented as a result of adopting this update.

Future Accounting Policy Change

Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity

ASU 2014-08 was issued in April 2014 and changes the criteria and requires expanded disclosures for reporting discontinued operations. The adoption of the pronouncement is not anticipated to have an impact on the Fund’s consolidated financial statements. This accounting update is effective for annual and interim periods beginning after December 15, 2014 and is to be applied prospectively.

SELECTED QUARTERLY FINANCIAL INFORMATION

	2014		2013				2012 ¹	
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
<i>(millions of Canadian dollars)</i>								
Revenues	107.9	103.7	92.5	104.4	102.6	93.8	91.2	101.2
Earnings	36.3	22.1	16.9	27.2	13.6	16.6	20.5	25.5
Cash distributions declared ²	56.2	56.1	55.7	55.7	54.4	42.2	37.4	37.4

¹ Revenues and earnings for 2012 periods have been retrospectively adjusted to furnish comparative information related to the 2012 acquisition of crude oil storage and renewable energy assets from Enbridge as prescribed by U.S. GAAP for common control transactions.

² Cash distributions declared on trust units and ECT preferred units.

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

- First quarter 2014 earnings reflected \$4.1 million of income from the Fund's equity investment in Sable. Sable, which holds capacity on the Alliance Pipeline, benefitted from wide Alberta/Chicago natural gas price differentials experienced in the quarter as a result of abnormal winter weather conditions.
- The Fund increased its monthly distribution per unit to \$0.135 effective with the November 2013 distribution.
- The Bakken Expansion commenced operations in the first quarter of 2013, resulting in an increase in revenues and earnings.
- First quarter 2013 earnings were impacted by a regulatory asset write-off of \$12.0 million after tax related to the discontinuance of rate regulated accounting for the Westspur System.
- The Fund issued 4,768,000 trust units and ECT issued 5,232,000 preferred units in February 2013. The proceeds were used to repay debt used to fund capital expenditures and to partially fund ongoing capital expenditures associated with the Fund's organic expansion strategy.
- The Fund issued 11,982,000 trust units and ECT issued 13,159,000 preferred units in December 2012 in connection with the acquisition of a portfolio of crude oil storage and renewable energy assets. Incremental cash flow from the acquisition enabled the Fund to increase the monthly distribution per unit to \$0.134 effective with the December 2012 distribution. The increase in units outstanding and the increase in the amount of the monthly distribution per unit resulted in a corresponding increase in cash distributions declared.
- Revenues and earnings generated by the Green Power segment are subject to seasonal variations. This is driven by stronger wind resources in the first and fourth quarters and stronger solar resources in the second and third quarters. Although these trends are offsetting, revenues and earnings are generally expected to be lowest in the third quarter, attributable to seasonally weaker wind resources.

CONSOLIDATED STATEMENTS OF EARNINGS

Three months ended March 31, <i>(unaudited; millions of Canadian dollars)</i>	2014	2013
Revenues		
Transportation and other services	55.3	54.4
Electricity sales	52.6	48.2
	107.9	102.6
Expenses		
Operating and maintenance	25.5	27.3
Management and administrative	6.2	5.4
Depreciation and amortization	33.4	30.7
	65.1	63.4
	42.8	39.2
Income from equity investments	20.8	12.9
Other income	0.2	0.1
Interest expense	(17.6)	(17.6)
	46.2	34.6
Income taxes <i>(Note 7)</i>	(9.9)	(9.0)
Earnings before extraordinary item	36.3	25.6
Extraordinary loss, net of tax <i>(Note 10)</i>	-	(12.0)
Earnings	36.3	13.6

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

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

Three months ended March 31, <i>(unaudited; millions of Canadian dollars)</i>	2014	2013
Earnings	36.3	13.6
Other comprehensive income/(loss)		
Change in unrealized gain/(loss) on cash flow hedges, net of tax ¹ <i>(Note 6)</i>	(8.1)	(0.3)
Reclassification of cash flow hedges to earnings, net of tax ² <i>(Note 6)</i>	0.9	1.2
Other comprehensive income/(loss)	(7.2)	0.9
Comprehensive income	29.1	14.5

¹ Tax expense/recovery was \$0.1 million (2013 – (\$0.2) million) for the three months ended March 31, 2014.

² Tax expense was nil (2013 – nil) for the three months ended March 31, 2014.

³ The accompanying notes are an integral part of these unaudited consolidated financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN UNITHOLDERS' EQUITY

Three months ended March 31, <i>(unaudited; millions of Canadian dollars)</i>	2014	2013
Deficit		
Balance at beginning of period	(2,644.6)	(2,631.5)
Earnings	36.3	13.6
ECT preferred unit distributions	(29.4)	(28.5)
Distributions to trust unitholders	(26.8)	(25.9)
Redemption value adjustment attributable to ECT preferred units <i>(Note 4)</i>	(203.7)	(84.5)
Redemption value adjustment attributable to trust units <i>(Note 5)</i>	(185.4)	(68.3)
Balance at end of period	(3,053.6)	(2,825.1)
Accumulated other comprehensive loss		
Balance at beginning of period	(17.5)	(23.4)
Other comprehensive income/(loss), net of tax	(7.2)	0.9
Balance at end of period	(24.7)	(22.5)
Total unitholders' deficit	(3,078.3)	(2,847.6)

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

Three months ended March 31,	2014	2013
<i>(unaudited; millions of Canadian dollars)</i>		
Operating activities		
Earnings	36.3	13.6
Charges/(credits) not affecting cash		
Depreciation and amortization	33.4	30.7
Cash distributions in excess of/(less than) equity earnings	(0.7)	5.3
Deferred income taxes <i>(Note 7)</i>	4.2	8.8
Regulatory asset write-off <i>(Note 10)</i>	-	12.0
Other	1.0	1.1
Changes in operating assets and liabilities <i>(Note 8)</i>	(21.1)	(21.9)
	53.1	49.6
Investing activities		
Additions to property, plant and equipment	(5.9)	(37.8)
Contributions to equity investees	-	(7.9)
Additions to intangible assets	(0.1)	-
	(6.0)	(45.7)
Financing activities		
Net change in bank indebtedness	37.1	45.1
Net change in credit facility draws	5.1	(209.2)
ECT preferred units issued <i>(Note 4)</i>	-	130.8
Trust units issued, net <i>(Note 5)</i>	-	115.0
ECT preferred unit distributions declared	(29.4)	(28.5)
Trust unit distributions declared	(26.8)	(25.9)
Change in distributions payable	-	1.4
Loans from affiliates	(1.1)	(0.8)
	(15.1)	27.9
Increase in cash and cash equivalents	32.0	31.8
Cash and cash equivalents at beginning of period	29.0	189.6
Cash and cash equivalents at end of period	61.0	221.4

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

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	March 31, 2014	December 31, 2013
<i>(unaudited; millions of Canadian dollars)</i>		
Assets		
Current assets		
Cash and cash equivalents	61.0	29.0
Accounts receivable and other	66.8	60.3
	127.8	89.3
Property, plant and equipment, net	2,287.4	2,317.1
Long-term investments	220.2	219.5
Deferred amounts and other assets	66.4	70.9
Intangible assets, net	27.1	27.5
Goodwill	28.8	28.8
Long-term note receivable from equity investee	3.7	3.7
	2,761.4	2,756.8
Liabilities and unitholders' equity		
Current liabilities		
Bank indebtedness	43.4	6.3
Accounts payable and other	54.1	54.8
Due to affiliates	33.4	49.8
Distributions payable	18.7	18.7
Current maturities of long-term debt	290.0	290.0
	439.6	419.6
Long-term debt	1,369.3	1,364.2
Other long-term liabilities	30.0	23.0
Deferred income taxes	389.9	390.3
	2,228.8	2,197.1
ECT preferred units <i>(Note 4)</i>	1,889.9	1,686.2
Trust units <i>(Note 5)</i>	1,721.0	1,535.6
	3,610.9	3,221.8
Unitholders' deficit		
Deficit	(3,053.6)	(2,644.6)
Accumulated other comprehensive loss	(24.7)	(17.5)
	(3,078.3)	(2,662.1)
	2,761.4	2,756.8

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

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PRESENTATION

The accompanying unaudited interim consolidated financial statements of Enbridge Income Fund (the Fund) have been prepared in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP) for interim consolidated financial information. Accordingly, they do not include all of the information and footnotes required by U.S. GAAP for complete consolidated financial statements and should be read in conjunction with the Fund's consolidated financial statements and notes thereto for the year ended December 31, 2013. In the opinion of management, the interim consolidated financial statements contain all adjustments, consisting only of normal recurring adjustments, which management considers necessary to present fairly the Fund's financial position as at March 31, 2014 and results of operations and cash flows for the three month periods ended March 31, 2014 and 2013. These interim consolidated financial statements follow the same significant accounting policies as those included in the Fund's audited consolidated financial statements as at and for the year ended December 31, 2013, except as described in Note 2, Changes in Accounting Policies. Amounts are stated in Canadian dollars unless otherwise noted.

2. CHANGES IN ACCOUNTING POLICIES

ADOPTION OF NEW STANDARD

Obligations Resulting from Joint and Several Liability Arrangements

Effective January 1, 2014, the Fund adopted Accounting Standards Update (ASU) 2013-04 which provides both measurement and disclosure guidance for obligations with fixed amounts at a reporting date resulting from joint and several liability arrangements. There was no impact to the Fund's consolidated financial statements for the current or prior periods presented as a result of adopting this update.

FUTURE ACCOUNTING POLICY CHANGE

Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity

ASU 2014-08 was issued in April 2014 and changes the criteria and requires expanded disclosures for reporting discontinued operations. The adoption of the pronouncement is not anticipated to have an impact on the Fund's consolidated financial statements. This accounting update is effective for annual and interim periods beginning after December 15, 2014 and is to be applied prospectively.

3. SEGMENTED INFORMATION

Three months ended March 31, 2014	Liquids				Consolidated
	Green Power	Transportation and Storage	Alliance Canada	Corporate	
<i>(unaudited; millions of Canadian dollars)</i>					
Transportation and other services	-	55.3	-	-	55.3
Electricity sales	52.6	-	-	-	52.6
Operating and maintenance	(7.2)	(18.3)	-	-	(25.5)
Management and administrative	-	-	-	(6.2)	(6.2)
Depreciation and amortization	(15.6)	(17.8)	-	-	(33.4)
	29.8	19.2	-	(6.2)	42.8
Income from equity investments	0.8	-	20.0	-	20.8
Other income	0.1	-	0.1	-	0.2
Interest expense	-	-	-	(17.6)	(17.6)
Income tax expense	-	-	-	(9.9)	(9.9)
Earnings	30.7	19.2	20.1	(33.7)	36.3
Total assets	1,418.2	1,109.5	199.7	34.0	2,761.4
Additions to property, plant and equipment	0.3	5.6	-	-	5.9
Goodwill	-	28.8	-	-	28.8

Three months ended March 31, 2013	Liquids				Consolidated
	Green Power	Transportation and Storage	Alliance Canada	Corporate	
<i>(unaudited; millions of Canadian dollars)</i>					
Transportation and other services	-	54.4	-	-	54.4
Electricity sales	48.2	-	-	-	48.2
Operating and maintenance	(7.1)	(20.2)	-	-	(27.3)
Management and administrative	-	-	-	(5.4)	(5.4)
Depreciation and amortization	(15.7)	(15.0)	-	-	(30.7)
	25.4	19.2	-	(5.4)	39.2
Income from equity investments	0.8	-	12.1	-	12.9
Other income/(expense)	(0.1)	-	0.2	-	0.1
Interest expense	-	-	-	(17.6)	(17.6)
Income tax expense	-	-	-	(9.0)	(9.0)
Earnings before extraordinary item	26.1	19.2	12.3	(32.0)	25.6
Extraordinary item, net of tax	-	(16.5)	-	4.5	(12.0)
Earnings	26.1	2.7	12.3	(27.5)	13.6
Total assets	1,464.6	1,065.6	217.0	269.7	3,016.9
Additions to property, plant and equipment	3.3	34.5	-	-	37.8
Goodwill	-	28.8	-	-	28.8

4. ECT PREFERRED UNITS

	2014		2013	
	Number of Units	Amount	Number of Units	Amount
March 31, <i>(unaudited; millions of Canadian dollars, number of units in millions)</i>				
ECT preferred units, series 1				
Balance, beginning of period	38.0	884.8	38.0	894.8
Redemption value adjustment	-	106.9	-	44.4
Balance, end of period	38.0	991.7	38.0	939.2
ECT preferred units, series 2				
Balance, beginning of period	16.1	373.5	16.1	377.7
Redemption value adjustment	-	45.1	-	18.7
Balance, end of period	16.1	418.6	16.1	396.4
ECT preferred units, series 3				
Balance, beginning of period	13.2	306.2	13.2	349.8
Redemption value adjustment	-	37.0	-	15.3
Balance, end of period	13.2	343.2	13.2	365.1
ECT preferred units, series 4				
Balance, beginning of period	5.2	121.7	-	-
Issued	-	-	5.2	130.8
Redemption value adjustment	-	14.7	-	6.1
Balance, end of period	5.2	136.4	5.2	136.9
Total ECT preferred units	72.5	1,889.9	72.5	1,837.6

5. TRUST UNITS

	2014		2013	
	Number of Units	Amount	Number of Units	Amount
March 31, <i>(unaudited; millions of Canadian dollars, number of units in millions)</i>				
Common trust units, beginning of period	66.0	1,535.6	61.2	1,477.3
Issued	-	-	4.8	119.2
Share issue costs	-	-	-	(4.2)
Redemption value adjustment	-	185.4	-	68.3
Common trust units, end of period ¹	66.0	1,721.0	66.0	1,660.6

¹ Enbridge owned 9.5 million common trust units at March 31, 2014 (2013 – 9.5 million)

6. RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

MARKET RISK

The Fund's earnings, cash flows and other comprehensive income (OCI) are subject to movements in interest rates, foreign exchange rates and commodity prices (collectively, market risk). Formal risk management policies, processes and systems have been designed to mitigate these risks.

The following summarizes the types of market risks to which the Fund is exposed and the risk management instruments used to mitigate them.

Interest Rate Risk

The Fund's earnings, cash flows and OCI are exposed to short term interest rate variability due to the regular repricing of its variable rate debt, primarily credit facilities. Floating to fixed interest rate swaps are used to hedge against the effect of future interest rate movements. The Fund has implemented a program to significantly mitigate the volatility of short-term interest rates on interest expense through 2017 at an average swap rate of 1.87%.

The Fund's earnings, cash flows and OCI are also exposed to variability in longer term interest rates ahead of anticipated fixed rate debt issuances. Forward starting interest rate swaps may be used to hedge against the effect of future interest rate movements. At March 31, 2014, \$180 million of future fixed rate term debt issuances had been hedged at a swap rate of 4.29%.

The Fund uses qualifying derivative instruments to manage interest rate risk.

Foreign Exchange Risk

The Fund's earnings, cash flows and OCI are subject to foreign exchange rate variability due to certain United States dollar denominated revenues and expenses. The Fund uses qualifying derivative instruments to manage foreign exchange rate risk.

Commodity Price Risk

The Fund's earnings, cash flows and OCI are exposed to changes in commodity prices due to collection of allowance oil on certain crude oil pipelines, generation of power sold pursuant to floating rate supply agreements and through commitments to purchase and sell natural gas in connection with capacity held on the Alliance System. The Fund may use crude oil, power and natural gas derivative instruments to fix a portion of the variable price exposures that may arise from these activities. The Fund uses a combination of qualifying and non-qualifying derivative instruments to manage commodity price risk.

TOTAL DERIVATIVE INSTRUMENTS

The following table summarizes the balance sheet location, carrying value and fair value of the Fund's derivatives instruments. The Fund did not have any outstanding fair value hedges or net investment hedges as at March 31, 2014 or December 31, 2013.

The Fund enters into individual International Swaps and Derivatives Association, Inc. (ISDA) agreements, or other similar derivative agreements, with certain of its derivative counterparties. These agreements provide for the net settlement of derivative instruments outstanding with specific counterparties in the event of bankruptcy or other significant credit event, and would reduce the Fund's credit risk exposure on derivative asset positions outstanding with the counterparties in these particular circumstances. The following table also summarizes the maximum potential settlement in the event of these specific circumstances. All amounts are presented gross in the Consolidated Statements of Financial Position.

	Derivative Instruments used as Cash Flow Hedges	Non- Qualifying Derivative Instruments	Total Derivative Instruments	Amounts Available for Offset	Total Net Derivative Instruments
March 31, 2014					
<i>(unaudited; millions of Canadian dollars)</i>					
Accounts receivable and other					
Foreign exchange contracts	0.1	-	0.1	-	0.1
Commodity contracts	0.1	-	0.1	-	0.1
	0.2	-	0.2	-	0.2
Deferred amounts and other assets					
Interest rate contracts	0.4	-	0.4	(0.3)	0.1
Foreign exchange contracts	0.5	-	0.5	-	0.5
Commodity contracts	0.2	0.1	0.3	-	0.3
	1.1	0.1	1.2	(0.3)	0.9
Accounts payable and other					
Interest rate contracts	(0.7)	-	(0.7)	-	(0.7)
Commodity contracts	-	(0.1)	(0.1)	-	(0.1)
	(0.7)	(0.1)	(0.8)	-	(0.8)
Other long-term liabilities					
Interest rate contracts	(6.7)	-	(6.7)	0.3	(6.4)
Commodity contracts	(0.5)	(0.3)	(0.8)	-	(0.8)
	(7.2)	(0.3)	(7.5)	0.3	(7.2)
Total net derivative asset/(liability)					
Interest rate contracts	(7.0)	-	(7.0)	-	(7.0)
Foreign exchange contracts	0.6	-	0.6	-	0.6
Commodity contracts	(0.2)	(0.3)	(0.5)	-	(0.5)
	(6.6)	(0.3)	(6.9)	-	(6.9)

December 31, 2013	Derivative Instruments used as Cash Flow Hedges	Non- Qualifying Derivative Instruments	Total Derivative Instruments	Amounts Available for Offset	Total Net Derivative Instruments
<i>(unaudited; millions of Canadian dollars)</i>					
Accounts receivable and other					
Commodity contracts	0.2	-	0.2	-	0.2
	0.2	-	0.2	-	0.2
Deferred amounts and other assets					
Interest rate contracts	1.9	-	1.9	(0.2)	1.7
Foreign exchange contracts	0.2	-	0.2	-	0.2
Commodity contracts	0.3	0.1	0.4	-	0.4
	2.4	0.1	2.5	(0.2)	2.3
Accounts payable and other					
Interest rate contracts	(0.7)	-	(0.7)	-	(0.7)
Commodity contracts	-	(0.1)	(0.1)	-	(0.1)
	(0.7)	(0.1)	(0.8)	-	(0.8)
Other long-term liabilities					
Interest rate contracts	(0.2)	-	(0.2)	0.2	-
Commodity contracts	(0.3)	(0.3)	(0.6)	-	(0.6)
	(0.5)	(0.3)	(0.8)	0.2	(0.6)
Total net derivative asset/(liability)					
Interest rate contracts	1.0	-	1.0	-	1.0
Foreign exchange contracts	0.2	-	0.2	-	0.2
Commodity contracts	0.2	(0.3)	(0.1)	-	(0.1)
	1.4	(0.3)	1.1	-	1.1

The following table summarizes the maturity and notional principal or quantity outstanding related to the Fund's derivative instruments.

March 31, 2014	2014	2015	2016	2017	2018	Thereafter
Interest rate contracts - short-term borrowings <i>(millions of Canadian dollars)</i>	152.0	200.0	190.0	90.0	7.0	-
Interest rate contracts - long-term borrowings <i>(millions of Canadian dollars)</i>	-	-	-	180.0	-	-
U.S. dollar forwards <i>(millions of United States dollars)</i>	2.0	2.1	2.1	2.2	2.2	4.2
Commodity contracts - power <i>(megawatts per hour)</i>	3.6	4.8	4.8	4.8	2.8	2.8
December 31, 2013	202.0	200.0	190.0	90.0	7.0	-
Interest rate contracts - short-term borrowings <i>(millions of Canadian dollars)</i>	202.0	200.0	190.0	90.0	7.0	-
Interest rate contracts - long-term borrowings <i>(millions of Canadian dollars)</i>	-	-	-	180.0	-	-
U.S. dollar forwards <i>(millions of United States dollars)</i>	2.0	2.1	2.1	2.2	2.2	4.2
Commodity contracts - power <i>(megawatts per hour)</i>	4.8	4.8	4.8	4.8	2.8	2.8

Effect of Derivative Instruments on the Statements of Earnings and Comprehensive Income

The following table presents the effect of cash flow hedges on the Fund's consolidated earnings and comprehensive income.

	Three months ended March 31,	
	2014	2013
<i>(unaudited; millions of Canadian dollars)</i>		
Amount of unrealized gain/(loss) recognized in OCI		
Interest rate contracts	(8.3)	(0.7)
Foreign exchange contracts	0.4	0.2
Commodity contracts	(0.1)	0.4
Total unrealized loss recognized in OCI	(8.0)	(0.1)
Amount of gain/(loss) reclassified from accumulated other comprehensive income (AOCI) to earnings <i>(effective portion)</i>		
Interest rate contracts ¹	0.9	1.3
Foreign exchange contracts ²	0.1	-
Commodity contracts ³	(0.1)	(0.1)
Total gain reclassified from AOCI to earnings <i>(effective portion)</i>	0.9	1.2

¹ Gain/(loss) reported within Interest expense in the Consolidated Statements of Earnings.

² Gain/(loss) reported within Other income in the Consolidated Statements of Earnings.

³ Gain/(loss) reported within Electricity sales revenue in the Consolidated Statements of Earnings.

The estimated net amount of existing losses reported in accumulated other comprehensive income that is expected to be reclassified to net income within the next 12 months is \$0.5 million. Actual amounts reclassified to earnings depend on the interest rates, foreign exchange rates and commodity prices in effect when derivative contracts that are currently outstanding are settled.

Non-Qualifying Derivatives

For the three months ended March 31, 2014 and 2013, there were no unrealized gains and losses associated with changes in the fair value of the Fund's non-qualifying derivatives.

LIQUIDITY RISK

Liquidity risk is the risk that the Fund will not be able to meet its financial obligations, including commitments, as they become due. In order to manage this risk, the Fund forecasts the cash requirements over the near and long term to determine whether sufficient funds will be available when required. The Fund's primary sources of liquidity and capital resources are funds generated from operations, draws under committed credit facilities and the issuance of 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 flow from operations, in combination with available committed credit facilities and, if required, capital markets funding, is expected to be sufficient to meet the forecast liquidity and capital resource requirements of the Fund.

CREDIT RISK

Entering into derivative financial instruments may result in exposure to credit risk. Credit risk arises from the possibility that a counterparty will default on its contractual obligations. 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.

The Fund had group credit concentrations and maximum credit exposure, with respect to derivative instruments, in the following counterparty segments:

	March 31, 2014	December 31, 2013
<i>(unaudited; millions of Canadian dollars)</i>		
Canadian financial institutions	0.2	1.7
Enbridge affiliate	0.6	0.2
	0.8	1.9

Credit risk also arises from trade and other receivables and is mitigated through 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. The maximum exposure to credit risk related to non-derivative financial assets is their carrying value.

FAIR VALUE MEASUREMENTS

The Fund's financial assets and liabilities measured at fair value on a recurring basis include derivative instruments. The fair value of derivative instruments reflects the Fund's best estimates of market value based on generally accepted valuation techniques or models and supported by observable market prices and rates. When such values are not available, the Fund uses discounted cash flow analysis from applicable yield curves based on observable market inputs to estimate fair value.

FAIR VALUE OF FINANCIAL INSTRUMENTS

The Fund categorizes those financial assets and liabilities measured 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 financial instruments 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 a financial instrument is considered to be a market where transactions occur with sufficient frequency and volume to provide pricing information on an ongoing basis. The Fund did not have any financial instruments categorized as Level 1 as at March 31, 2014 or December 31, 2013.

Level 2

Level 2 includes financial instrument 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 financial instrument. Financial instruments valued using Level 2 inputs include non-exchange traded derivatives such as over-the-counter interest rate swaps for which observable inputs can be obtained.

Level 3

Level 3 includes financial instrument valuations based on inputs which are less observable, unavailable or where the observable data does not support a significant portion of the financial instruments' fair value. Generally, Level 3 financial instruments 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. The Fund has developed methodologies, benchmarked against industry standards, to determine fair value for these financial instruments based on extrapolation of observable future prices and rates. Financial instruments valued using Level 3 inputs include long-dated commodity derivative contracts.

The Fund uses the most observable inputs available to estimate the fair value of its financial instruments. When possible, the Fund estimates the fair value of its financial instruments based on quoted market prices. If quoted market prices are not available, the Fund uses estimates from third party brokers. For non-exchange traded derivatives classified in Levels 2 and 3, the Fund uses standard valuation techniques to calculate the estimated fair value. These methods include discounted cash flows for forwards and swaps. Depending on the type of financial instrument and nature of the underlying risk, the Fund uses observable market prices (interest, foreign exchange and commodity) and volatility as primary inputs to these valuation techniques. Finally, the Fund considers its own credit default swap spread as well as the credit default swap spreads associated with its counterparties in its estimation of fair value.

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

	Level 1	Level 2	Level 3	Total Gross Derivative Instruments
March 31, 2014				
<i>(unaudited; millions of Canadian dollars)</i>				
Financial assets				
Current derivative assets	-	0.1	0.1	0.2
Long-term derivative assets	-	0.9	0.3	1.2
Financial liabilities				
Current derivative liabilities	-	(0.7)	(0.1)	(0.8)
Long-term derivative liabilities	-	(6.7)	(0.8)	(7.5)
Total net asset/(liability)	-	(6.4)	(0.5)	(6.9)

	Level 1	Level 2	Level 3	Total Gross Derivative Instruments
December 31, 2013				
<i>(unaudited; millions of Canadian dollars)</i>				
Financial assets				
Current derivative assets	-	-	0.2	0.2
Long-term derivative assets	-	2.1	0.4	2.5
Financial liabilities				
Current derivative liabilities	-	(0.7)	(0.1)	(0.8)
Long-term derivative liabilities	-	(0.1)	(0.7)	(0.8)
Total net asset/(liability)	-	1.3	(0.2)	1.1

The significant unobservable inputs used in the fair value measurement of Level 3 derivative instruments were as follows:

	Fair value	Unobservable Input	Minimum Price	Maximum Price	Weighted Average Price
March 31, 2014					
<i>(Fair value in millions of Canadian dollars)</i>					
Commodity Contracts – Financial ¹	(0.5)	Forward Power Price	40.50	76.00	54.49

¹ Financial forward commodity contracts are valued using a market approach valuation technique.

If adjusted, the significant unobservable inputs disclosed in the table above would have a direct impact on the fair value of the Fund's Level 3 derivative instruments. The significant unobservable inputs used in the fair value measurement of Level 3 derivative instruments consist of forward commodity prices. Changes in forward commodity prices would result in significantly different fair values for long positions, with offsetting impacts to short positions.

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

Three months ended March 31,	2014	2013
<i>(unaudited; millions of Canadian dollars)</i>		
Level 3 net financial asset/(liability) at beginning of period	(0.2)	0.3
Total gains/(losses), unrealized		
Included in OCI	(0.3)	0.3
Settlements	-	-
Level 3 net financial asset/(liability) at end of period	(0.5)	0.6

The Fund's policy is to recognize transfers as of the last day of the reporting period. There were no transfers between levels as at March 31, 2014 and December 31, 2013.

FAIR VALUE OF OTHER FINANCIAL INSTRUMENTS

At March 31, 2014, the Fund's long-term debt had a fair value of \$1,684.8 million (December 31, 2013 – \$1,694.8 million). This fair value measurement has been classified as a Level 2 fair value measurement.

7. INCOME TAXES

Income tax expense included in earnings for the three months ended March 31, 2014 comprised current income tax expense of \$5.7 million (2013 – \$0.2 million) and deferred income tax expense of \$4.2 million (2013 – \$8.8 million).

The effective tax rate for the three months ended March 31, 2014 was 21.4% (2013 – 26.0%). The most significant factor contributing to the decrease in the effective tax rate was the tax effect relating to the character of income distributed by the Fund, partially offset by the effects of rate regulated accounting largely attributable to the Fund's investment in Alliance.

8. CHANGES IN OPERATING ASSETS AND LIABILITIES

Three months ended March 31,	2014	2013
<i>(unaudited; millions of Canadian dollars)</i>		
Accounts receivable and other, net	(8.1)	(12.7)
Accounts payable and other	2.4	2.2
Due to affiliates	(15.3)	(5.3)
Deferred amounts and other assets	-	(6.1)
Other long-term liabilities	(0.1)	-
	(21.1)	(21.9)

9. RELATED PARTY TRANSACTION

In 2014, \$1.1 million (2013 – \$0.8 million) was repaid to Enbridge Income Fund Holdings Inc. (ENF), a unitholder of the Fund, which had been loaned by ENF to a subsidiary corporation of the Fund pursuant to a subordinated demand loan. At March 31, 2014, \$23.1 million (December 31, 2013 – \$24.3 million) was outstanding to ENF. Interest on the demand loan was charged at 4.25%.

10. EXTRAORDINARY LOSS

On April 1, 2013, the Fund announced that it had concluded a settlement with a group of shippers relating to new tolls on the Westspur System (the Settlement) which the NEB subsequently ordered final on February 6, 2014. Pursuant to the Settlement, the tolls on the Westspur System were fixed and increased annually with reference to a pre-identified inflation index, subject to throughput remaining within a volume band. The Settlement resulted in the discontinuance of rate regulated accounting for the Westspur System and the Fund recorded an after-tax write-off of \$12.0 million in the first quarter of 2013 related to a deferred regulatory asset which was not collected under the terms of the Settlement.

Prior to reaching the Settlement, revenue on the Westspur System was recognized in a manner consistent with the underlying agreements consistent with rate regulated accounting guidance. The Fund discontinued the application of rate regulated accounting to the operations of the Westspur System on a prospective basis on April 1, 2013. Pursuant to the Settlement, the Westspur System retained exposure to potential variability in certain future costs and throughput volumes, subject to various protection mechanisms. As such, the Westspur System no longer met all of the criteria required for the continued application of rate-regulated accounting treatment.

**SHAREHOLDER AND INVESTOR
INFORMATION**

Registrar and Transfer Agent

CST Trust Company
600, 333 – 7th Avenue S.W.
Calgary, Alberta T2P 2Z1
Telephone: (403) 776-3900
Toll free: (800) 387-0825
Internet: www.canstockta.com

**Dividend Reinvestment and Share Purchase
Plan**

Enbridge Income Fund Holdings Inc. (the Company) maintains a Dividend Reinvestment Plan (the Plan). Participants may elect, without brokerage fees, to automatically reinvest dividends in additional common shares of the Company. Details of the Plan are available on the Company's website or from the Registrar and Transfer Agent. Investors should contact their respective investment dealer to enroll.

In order to be eligible to participate in the Plan, shareholders must be resident in Canada and hold a minimum of 100 common shares. Shareholders resident outside of Canada will be entitled to participate in the Plan subject to applicable local law. U.S. residents and citizens are not eligible to participate.

Investor Relations

Inquiries regarding additional financial information, industry and company developments, latest news releases or investor presentations, and any other investment-related inquiries should be directed to:

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