ENBRIDGE INCOME FUND

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2015

MANAGEMENT'S DISCUSSION & ANALYSIS
FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2015

This Management's Discussion and Analysis (MD&A) dated July 27, 2015 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 and six months ended June 30, 2015, 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, 2014. 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.

CONSOLIDATED EARNINGS

	Three months ended June 30,		Six months ended June 30,	
	2015	2014	**2015**	2014
(millions of Canadian dollars)				
Liquids Transportation and Storage	**76.6**	23.3	**69.2**	42.5
Natural Gas Transmission	**49.5**	14.1	**77.0**	34.2
Green Power	**22.5**	23.7	**51.0**	54.4
Corporate	**(114.3)**	(31.9)	**(93.3)**	(65.6)
	34.3	29.2	**103.9**	65.5
Retrospective Adjustments – Alliance US	**-**	11.5	**-**	23.0
Earnings	**34.3**	40.7	**103.9**	88.5

In November 2014, the Fund acquired a 50 percent interest in the U.S. segment of the Alliance Pipeline (Alliance US) and subscribed for and purchased Class A units of Enbridge subsidiaries which provide a defined cash flow stream from the Southern Lights Pipeline (Southern Lights Class A Units), collectively, the 2014 Transaction. The Alliance US component of the 2014 Transaction was accounted for as an acquisition of entities under common control which required the Fund to present its results of operations as if the Fund has always owned Alliance US. Earnings for the three and six months ended June 30, 2014 include retrospective adjustments of $11.5 million and $23.0 million, respectively, to reflect the historical earnings from Alliance US while under Enbridge Inc.'s (Enbridge) control. The Southern Lights Class A Unit component of the transaction was accounted for as a loan investment and did not require retrospective restatement.

Earnings were $34.3 million for the three months ended June 30, 2015, compared with $40.7 million for the three months ended June 30, 2014. Despite the net benefits of the 2014 Transaction, the Fund's earnings decreased quarter-over-quarter, the comparability of which was impacted by a number of unusual, non-recurring or non-operating factors. The most significant of these factors include the negative impact of the re-valuation of deferred income taxes given a higher enacted corporate tax rate in Alberta, the de-recognition of net regulatory balances related to Alliance Pipeline (see *Recent Developments*), unrealized changes in derivative instrument fair value, unrealized foreign exchange translation on the Fund's U.S. dollar denominated intercompany loan and finally, transaction costs related to the 2015 Transaction (see *Recent Developments*), partially offset by a gain on disposition of certain crude oil pipeline assets. Excluding the impact of adjusting items, adjusted earnings for the second quarter of 2015 increased by $22.2 million to $53.3 million, as discussed below in *Adjusted Earnings*.

Earnings were $103.9 million for the six months ended June 30, 2015 compared with $88.5 million for the six month period ended June 30, 2014. The increase in earnings was a result of the contributions from the 2014 Transaction offsetting the net impact of the same unusual, non-recurring or non-operating factors experienced in the three month period discussed above. Excluding the impact of adjusting items, adjusted earnings for the first six months of 2015 increased by $37.7 million to $105.9 million, as discussed in *Adjusted Earnings*.

Forward-Looking Information

Forward-looking information, or forward-looking statements, have been included in this MD&A to provide information about the Fund, and the Fund's subsidiaries and joint ventures, including management's assessment of future plans and operations of the Fund. 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. Forward-looking statements or statements included or incorporated by reference in this document include, but are not limited to, statements with respect to the following: expected earnings/(loss) or adjusted earnings/(loss); expected cash available for distribution (CAFD); expected future cash flows; expected capital expenditures; estimated future distributions; expectations regarding, and anticipated impact and timing of, the 2015 Transaction; distribution payout policy and distribution payout expectation; satisfaction of closing conditions and the obtaining of consents and approvals required to complete the 2015 Transaction.

Although the Fund believes 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 following: the expected supply and demand for crude oil, natural gas, natural gas liquids and renewable energy; prices of crude oil, natural gas, natural gas liquids and renewable energy; expected exchange rates; inflation; interest rates; availability and price of labour and pipeline construction materials; operational reliability; customer and regulatory approvals; maintenance of support and regulatory approvals for the Fund's projects; anticipated in-service dates; weather; expected timing and terms of the 2015 Transaction; anticipated completion of the 2015 Transaction and satisfaction of all closing conditions and receipt of regulatory, shareholder and third party consents and approvals with respect to the 2015 Transaction; the impact of the 2015 Transaction on the Fund's future cash flows and capital project funding; impact of the 2015 Transaction on the Fund's credit rating; expected earnings/(loss) or adjusted earnings/(loss); expected future cash flows and expected future CAFD; and estimated future distributions. Assumptions regarding the expected supply of and demand for crude oil, natural gas, natural gas liquids and renewable energy, and the prices of these commodities, are material to and underlie 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 services. Similarly, exchange rates, inflation and interest rates impact the economies and business environments in which the Fund operates and may impact level of demand for the Fund's 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/(loss), adjusted earnings/(loss) and CAFD, the impact of the 2015 Transaction or estimated future distributions. The most relevant assumptions associated with forward-looking statements and projects under construction, including estimated completion dates and expected capital expenditures include the following: availability and price of labour and pipeline construction materials; the effects of inflation and foreign exchange rates on labour and material costs; the effects of interest rates on borrowing costs; the impacts of weather; and customer and regulatory approvals on construction and in-service schedules.

The Fund's forward-looking statements are subject to risks and uncertainties pertaining to the 2015 Transaction, operating performance, regulatory parameters, project approval and support, weather, economic and competitive conditions, changes in tax law and tax rate increases, exchange rates, interest rates, commodity prices and supply of 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 applicable 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 adjusted earnings and CAFD. Adjusted earnings represents earnings adjusted for unusual, non-recurring or non-operating factors on both a consolidated and segmented basis. These factors, referred to as adjusting items, are reconciled and discussed in the financial results sections for the affected business segments. 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 pertaining to items of an unusual or transient nature which are not indicative of the underlying or sustainable cash flows of the business. Such reserves are determined by Enbridge Management Services Inc. (the Manager). CAFD is important to unitholders as the Fund's objective is to provide a predictable flow of distributions to unitholders. Management believes the presentation of adjusted earnings and CAFD provides useful information to investors and unitholders as it provides increased transparency and predictive value. Management uses adjusted earnings and CAFD to set targets, including the Fund's distribution payout target, and to assess the performance of the Fund. Adjusted earnings and CAFD are not measures that have standardized meaning prescribed by U.S. GAAP and are not considered U.S. GAAP measures. Therefore, these measures may not be comparable with similar measures presented by other issuers. Please refer to the earnings reconciliation within the financial results for each business segment and the reconciliation between the GAAP and non-GAAP measures.

NON-GAAP RECONCILIATIONS

ADJUSTED EARNINGS

	Three months ended June 30,		Six months ended June 30,	
	2015	2014	**2015**	2014
(millions of Canadian dollars)				
Earnings	**34.3**	40.7	**103.9**	88.5
Adjusting items[1,2]:				
Disposition of certain Virden System assets	**(18.9)**	-	**(18.9)**	-
Deferred tax impact of Alberta corporate tax rate increase	**18.0**	-	**18.0**	-
De-recognition of Alliance Canada deferred tax regulatory asset[3]	**15.6**	-	**15.6**	-
Changes in unrealized derivative instrument fair value	**(15.0)**	-	**29.6**	-
Changes in unrealized position on foreign currency translation on intercompany loan	**14.9**	-	**(47.4)**	-
Transaction costs related to the 2015 Transaction[3] and 2014 Transaction	**10.9**	0.2	**12.3**	0.2
De-recognition of Alliance Pipeline's regulatory liabilities[3]	**(5.3)**	-	**(5.3)**	-
Bakken Expansion make-up rights	**(1.2)**	0.6	**(1.9)**	0.9
Alliance US retrospective accounting adjustments[4]	**-**	(11.5)	**-**	(23.0)
Greenwich Wind Facility transformer outage	**-**	1.1	**-**	1.6
Adjusted earnings	**53.3**	31.1	**105.9**	68.2

1 The above table summarizes adjusting items by nature. For a detailed listing of adjusting items by segment, refer to individual segment discussions.
2 Adjusting items are shown net of tax in this reconciliation if incurred within a taxable subsidiary corporation of the Fund. Income tax expense associated with adjustments to earnings was recognized within the Corporate segment.
3 See Recent Developments section.
4 In accordance with U.S. GAAP, earnings for the three and six months ended June 30, 2014 have been retrospectively adjusted to furnish comparative information related to Alliance US. The impact of the retrospective adjustments has been removed from adjusted earnings to reflect earnings generated under the Fund's ownership effective November 7, 2014.

	Three months ended June 30,		Six months ended June 30,	
	2015	2014	**2015**	2014
(millions of Canadian dollars)				
Liquids Transportation and Storage	**38.3**	23.9	**78.1**	43.4
Natural Gas Transmission	**37.0**	14.1	**76.5**	34.2
Green Power	**22.5**	25.2	**51.0**	56.5
Corporate	**(44.5)**	(32.1)	**(99.7)**	(65.9)
Adjusted earnings	**53.3**	31.1	**105.9**	68.2

Adjusted earnings were $53.3 million and $105.9 million for the three and six months ended June 30, 2015, respectively compared with $31.1 million and $68.2 million for the three and six month periods ended June 30, 2014.

The following factors impacted adjusted earnings:

- Within Liquids Transportation and Storage and Natural Gas Transmission, adjusted earnings were higher in each of the 2015 periods presented reflecting benefits from the 2014 Transaction following its close in November 2014.
- Adjusted earnings from the Fund's legacy assets, assets exclusive of those acquired in the 2014 Transaction, decreased slightly when compared to the three and six months periods of 2014, primarily as a result of a strong first six months for the Green Power segment in 2014. Within the Natural Gas Transmission segment, the Fund's investee Sable NGL Services L.P. (Sable NGL), a joint venture that holds capacity on the Alliance Pipeline, benefitted from wide differentials in the comparable period of 2014 between the cost of natural gas in Western Canada and the sales price of natural gas in the Chicago area which rose due to abnormal winter weather conditions.
- Within Corporate, adjusted costs increased in both the three and six month periods ended June 30, 2015 compared to the same periods of 2014 as a result of higher interest expense on long-term debt incurred to partially finance the 2014 Transaction and additional income tax on higher earnings subject to tax. Also as a result of the 2014 Transaction, the Fund increased its distribution rate by 16.3 percent, resulting in higher incentive fees paid to Enbridge.

CASH AVAILABLE FOR DISTRIBUTION

	Three months ended June 30,		Six months ended June 30,	
	2015	2014	**2015**	2014
(millions of Canadian dollars)				
Cash provided by operating activities	**113.9**	113.3	**203.0**	184.7
Liquids Transportation and Storage maintenance capital expenditures[1]	**(3.7)**	(2.3)	**(6.9)**	(2.9)
Liquids Transportation and Storage distributions from Southern Lights Class A Units in excess of earnings	**5.4**	-	**10.8**	-
Alliance US retrospective accounting adjustments[2]	**-**	(13.2)	**-**	(26.0)
Green Power maintenance capital expenditures[1]	**(0.1)**	(0.1)	**(0.1)**	(0.4)
Green Power joint venture cash (retained)/distributed[3]	**(0.7)**	-	**(0.5)**	0.2
Greenwich Wind Facility transformer outage	**-**	1.1	**-**	1.6
Transaction costs related to the 2015 Transaction[4] and the 2014 Transaction	**10.9**	0.2	**12.3**	0.2
Current tax on sale of certain Virden System assets	**3.0**	-	**3.0**	-
Changes in operating assets and liabilities in the period[5]	**(36.2)**	(23.2)	**(34.0)**	(7.6)
Cash available for distribution[6]	**92.5**	75.8	**187.6**	149.8
Cash available for distribution is comprised of the following:				
Liquids Transportation and Storage adjusted operating income before depreciation and amortization	**40.9**	42.4	**80.0**	79.1
Liquids Transportation and Storage distributions from Southern Lights Class A Units	**22.4**	-	**46.6**	-
Liquids Transportation and Storage maintenance capital expenditures	**(3.7)**	(2.3)	**(6.9)**	(2.9)
Natural Gas Transmission distributions	**34.8**	19.2	**65.4**	38.7
Green Power adjusted operating income before depreciation and amortization	**38.4**	39.9	**82.7**	85.5
Green Power maintenance capital expenditures	**(0.1)**	(0.1)	**(0.1)**	(0.4)
Green Power joint venture distributions	**1.4**	1.4	**2.9**	2.8
Corporate adjusted management and administrative expense	**(9.2)**	(5.7)	**(18.7)**	(11.9)
Corporate interest expense and other income	**(22.1)**	(16.4)	**(46.8)**	(32.7)
Corporate adjusted current income tax expense	**(10.3)**	(2.6)	**(17.5)**	(8.4)
Cash available for distribution[6]	**92.5**	75.8	**187.6**	149.8
ECT preferred unit distributions declared	**41.4**	29.4	**82.8**	58.8
Trust unit distributions declared	**37.7**	26.8	**75.4**	53.6
Cash distributions declared	**79.1**	56.2	**158.2**	112.4
Payout ratio	**85.5%**	74.1%	**84.3%**	75.0%

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

2 In accordance with U.S. GAAP, cash provided by operating activities for the three and six months ended June 30, 2014 has been retrospectively adjusted to furnish comparative information related to Alliance US. The impact of the retrospective adjustments has been eliminated from CAFD as these cash flows were not available to distribute to unitholders.

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 See Recent Developments section.

5 Changes in operating assets and liabilities in the period reflect changes in non-cash working capital related to operating activities. The change has been added back to CAFD since fluctuations in working capital are expected each period and are not indicative of changes in cash available to be distributed.

6 Cash available for distribution includes reserves pertaining to items of an unusual or transient nature which are not indicative of the underlying or sustainable cash flows of the business.

	Three months ended June 30,		Six months ended June 30,	
	2015	2014	**2015**	2014
(millions of Canadian dollars)				
Liquids Transportation and Storage	**59.6**	40.1	**119.7**	76.2
Natural Gas Transmission	**34.8**	19.2	**65.4**	38.7
Green Power	**39.7**	41.2	**85.5**	87.9
Corporate	**(41.6)**	(24.7)	**(83.0)**	(53.0)
Cash available for distribution	**92.5**	75.8	**187.6**	149.8

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 pertaining to items of an unusual or transient nature which are not indicative of the underlying or sustainable cash flows of the business. Such reserves are 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 three months ended June 30, 2015, the Fund's CAFD totaled $92.5 million, an increase of 22.0 percent compared to the same period of 2014. For the six months ended June 30, 2015, the Fund's CAFD totaled $187.6 million, an increase of 25.2 percent compared to the same period of 2014.

In addition to the same factors that impacted adjusted earnings, the following factors increased CAFD for the three and six month periods ended June 30, 2015 compared to the same periods of 2014:

- Within Liquids Transportation and Storage, distributions from the Southern Lights Class A Units, partially offset by higher maintenance capital expenditures.
- Within Natural Gas Transmission, distributions from the Fund's investment in Alliance US, which was acquired as part of the 2014 Transaction.

RECENT DEVELOPMENTS

CANADIAN LIQUIDS PIPELINES AND RENEWABLE ASSETS TRANSACTION

On June 19, 2015, ENF and the Fund announced they had entered into an agreement with Enbridge to transfer Enbridge's Canadian Liquids Pipelines business and Canadian renewable energy assets to the Fund for consideration payable at closing valued at $30.4 billion plus incentive distribution and performance rights (the 2015 Transaction). The joint special committee of independent directors, following the engagement of independent financial, technical and legal advisors, and an extensive review of the transaction, recommended the approval of the 2015 Transaction to the Boards of Enbridge Commercial Trust (ECT) and ENF. The Board of ENF has, in turn, recommended to the public shareholders of ENF that the 2015 Transaction be approved. The 2015 Transaction is subject to customary regulatory approvals and closing conditions, as well as a vote of the public shareholders of ENF, which is expected to occur on August 20, 2015.

Consideration

The consideration that Enbridge will receive upon closing will be $18.7 billion of units in the Fund structure, comprised of $3 billion of Fund units and $15.7 billion of equity units of Enbridge Income Partners L.P. (EIPLP), currently an indirect subsidiary of the Fund. The Fund will also assume debt with a book value of approximately $11.7 billion related to the transferred assets. In addition, a portion of the consideration is expected to be paid to Enbridge over time in the form of units which carry Temporary Performance Distribution Rights (TPDR). The TPDR are designed to provide consideration for the secured growth embedded within the transferred businesses; however, the cash outflows related to this incentive mechanism will be deferred (until such time as the units are convertible to a class of cash paying units in the fourth year after issuance).

Enbridge will continue to earn from the Fund a base incentive fee through Management Fees and Incentive Distribution Rights which entitle it to receive 25 percent of the pre-incentive distributable cash flow above a base distribution threshold of $1.295 per unit, reduced by a tax factor (unchanged from the current incentive sharing formula). In addition, Enbridge will receive the TPDR, a distribution equivalent to

33 percent of pre-incentive distributable cash flow above the base distribution of $1.295 per unit. The TPDR will be paid in the form of Class D units of EIPLP and will be issued each month until the later of the end of 2020 or 12 months after the Canadian Line 3 Replacement Program enters service. The Class D unitholders will receive a distribution each month equal to the per unit amount paid on Class C units of EIPLP, but to be paid in kind in additional Class D units. Each Class D unit is convertible into a cash paying Class C unit of EIPLP in the fourth year after its issuance.

The Fund units and equity units of EIPLP (excluding Class D units) will pay a per unit cash distribution equivalent to the per unit cash distribution that the Fund pays on its units held by ENF. The Fund units, EIPLP equity units and existing units of ECT will also include an exchange right whereby they may be converted into common shares of ENF on a one-for-one basis.

The 2015 Transaction, as described above, differs in some respects from the expected terms originally announced December 2014.

Financing Plan
To acquire an increasing ownership interest in the Fund, the financing plan contemplates the issuance by ENF of $600 million to $800 million of public equity per year in one or more tranches through 2018 to fund an increasing investment in the Canadian Liquids Pipelines business. Enbridge has agreed to backstop the equity funding required by ENF to undertake the growth program embedded in the assets the Fund will acquire in the 2015 Transaction. The amount of public equity issued by ENF will be adjusted as necessary to match its capacity to raise equity funding on favourable terms.

Development Opportunities
The Canadian Liquids Pipelines business is expected to have future organic growth opportunities beyond the current inventory of secured projects. The Fund will have a first right to execute any such projects that fall within the footprint of the Canadian Liquids Pipelines business. Should the Fund choose not to proceed with a specific growth opportunity, Enbridge may pursue such opportunity.

Ownership
Upon closing of the 2015 Transaction, Enbridge's overall economic interest in the Fund, including all of its direct and indirect interests in the Fund group structure, is expected to be approximately 90 percent. As ENF executes its expected financing plan and increases its ownership in the Fund over time, Enbridge's economic interest is expected to decline to approximately 80 percent by the end of 2018.

Fund Governance
Enbridge will continue to act as the manager of the Fund and operator and commercial developer of the Canadian Liquids Pipelines business. This will ensure continuity of management and operational expertise, with an ongoing commitment to the safe and reliable operation of the system. As a result of its significant ownership interest, Enbridge will have the right to appoint a majority of the Trustees of the Board of ECT for as long as Enbridge holds a majority economic interest in the Fund group structure. A standing conflicts committee will be established to review certain material transactions and arrangements where the interests of Enbridge, or its affiliates, and the relevant entity in the Fund group, or its affiliates, come into conflict.

Closing Conditions and Timeline
The 2015 Transaction is subject to receipt of regulatory and third party approvals and approval by ENF public shareholders (which is expected to occur on August 20, 2015) with the closing expected to follow shortly thereafter. Required approvals include Toronto Stock Exchange, Competition Bureau and Transport Canada.

LIQUIDS TRANSPORTATION AND STORAGE
Disposition of Certain Virden System Assets
On May 1, 2015, the Fund finalized the sale of certain Virden crude oil pipeline system assets to an unrelated party for proceeds of $26.0 million before closing costs. The gain on disposition was $21.9 million, before tax of $3.0 million.

Cromer Rail Interconnection Project
On January 29, 2014, the Fund announced plans to construct a pipeline interconnection to connect the Westspur System and Bakken Expansion to a crude oil terminal near Cromer, Manitoba. The Bakken Expansion portion of the project completed first line fill on March 31, 2015 and was placed into service on April 1, 2015. The Westspur System component of the project is pending National Energy Board (NEB) approval and is expected to be in-service during the third quarter of 2015. The project is estimated to cost approximately $30 million and is fully backstopped by the operator of the crude oil rail terminal pursuant to a five-year Financial Support Agreement. The Fund has an option to acquire 50 percent of the rail terminal which is capable of handling 30,000 barrels per day and may be expanded to 60,000 barrels per day.

NATURAL GAS TRANSMISSION
Alliance Pipeline Recontracting
During 2013, Alliance Pipeline announced a New Services Framework and the related tolls and tariff provisions required to implement the new services (collectively, New Services Framework) in which customers could express interest through a precedent agreement process. On June 30, 2015 and July 9, 2015, Alliance Pipeline received regulatory approval from the Federal Energy Regulatory Commission (FERC) and the NEB, for the U.S. and Canadian segments of the pipeline, respectively, of its New Services Framework. Shipments under the New Services Framework will begin in Canada in December 2015 and are expected to commence at the same time in the U.S., however certain U.S. customers are continuing to appeal the New Service Framework as proposed. Long-term contracts to a level of total targeted capacity have been secured through staged and non-staged receipt or full path services with an average contract length of approximately five years.

Pursuant to the New Services Framework, Alliance Pipeline will retain exposure to potential variability in certain future costs and throughput volumes. As such, the majority of Alliance Pipeline's operations no longer meet all of the criteria required for the continued application of rate regulated accounting treatment and de-recognition of regulatory balances as at June 30, 2015 was required. As a result, the Fund's equity pick-up of Alliance Pipeline, recorded in the Natural Gas Transmission segment, included a one-time, non-cash gain of $5.3 million (net of $3.0 million of taxes which were recorded in the Corporate segment) due to the de-recognition of regulatory liabilities within Alliance Pipeline. Further, the Fund recorded a one-time, non-cash loss of $15.6 million within the Corporate segment related to a regulatory asset the Fund recorded in respect of Alliance Canada deferred tax.

FINANCIAL RESULTS

LIQUIDS TRANSPORTATION AND STORAGE

	Three months ended June 30,		Six months ended June 30,	
	2015	2014	**2015**	2014
(millions of Canadian dollars)				
Adjusted Earnings[1]	**38.3**	23.9	**78.1**	43.4
Changes in unrealized derivative instrument fair value	**15.2**	-	**(32.7)**	-
Disposition of certain of Virden System assets	**21.9**	-	**21.9**	-
Bakken Expansion make-up rights	**1.2**	(0.6)	**1.9**	(0.9)
Earnings	**76.6**	23.3	**69.2**	42.5

1 Income tax expense associated with adjustments to earnings was recognized within the Corporate segment.

Liquids Transportation and Storage earnings were impacted by the following adjusting items:

- Earnings from the Southern Lights Class A Units for the three and six months ended June 30, 2015 reflected changes in unrealized positions on derivative financial instruments used to risk manage foreign exchange exposures on U.S. dollar cash flows from the Southern Lights Class A Units.
- Virden System earnings for the three and six months ended June 30, 2015 reflected a gain on the disposition of certain of the system's crude oil pipeline assets.
- Bakken Expansion earnings for each period included a make-up rights adjustment.

Liquids Transportation and Storage adjusted earnings for the three and six months ended June 30, 2015 increased compared with the second quarter and first half of 2014. Higher adjusted earnings for both periods were driven by earnings recorded in respect of Southern Lights Class A Units resulting from the 2014 Transaction.

	Three months ended June 30,		Six months ended June 30,	
	2015	2014	**2015**	2014
(thousands of barrels per day)				
Throughput volume[1]				
Westspur System	**184.4**	181.8	**186.1**	179.0
Saskatchewan Gathering System	**148.9**	144.7	**149.5**	139.4
Weyburn System	**31.2**	31.8	**31.5**	31.7
Virden System	**6.0**	22.3	**13.3**	24.2
Bakken Expansion[2]	**96.1**	55.0	**80.3**	32.1

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.

2 Bakken Expansion pipeline financial performance is largely volume insensitive since invested capital is underpinned by long term take-or-pay committed contracts.

Throughput volumes increased on the Westspur System, Saskatchewan Gathering System and Bakken Expansion for the three and six months ended June 30, 2015 as volumes returned from alternative transportation sources, such as the use of rail by shippers, compared to the same periods of the prior year. The Virden System's reduction in volumes, during both periods of 2015, reflects the disposition of certain of the System's assets during the second quarter of 2015.

NATURAL GAS TRANSMISSION

	Three months ended June 30,		Six months ended June 30,	
	2015	2014	**2015**	2014
(millions of Canadian dollars)				
Adjusted Earnings[1]	**37.0**	14.1	**76.5**	34.2
Changes in unrealized derivative instrument fair value[1]	**4.2**	-	**(7.8)**	-
De-recognition of Alliance Pipeline's regulatory liabilities	**8.3**	-	**8.3**	-
Alliance US retrospective accounting adjustments[2]	**-**	11.5	**-**	23.0
Earnings	**49.5**	25.6	**77.0**	57.2

1 Income tax expense associated with adjustments to earnings was recognized within the Corporate segment.
2 In accordance with U.S. GAAP, earnings for the three and six months ended June 30, 2014 have been retrospectively adjusted to furnish comparative information related to Alliance US. The impact of the retrospective adjustments has been removed from adjusted earnings to reflect earnings generated under the Fund's ownership effective November 7, 2014.

Natural Gas Transmission earnings were impacted by the following adjusting items:

- Earnings from Alliance US for the three and six months ended June 30, 2015 reflected changes in unrealized positions on derivative financial instruments used to manage foreign exchange exposures associated with U.S. dollar denominated distributions from Alliance US.
- The Fund's equity pick-up of Alliance Canada and Alliance US was impacted by the de-recognition of regulatory liabilities within those entities for the three and six month periods ended June 30, 2015.
- Earnings from Alliance US were retrospectively restated for the three and six months ended June 30, 2014 as a result of the common control treatment of the 2014 Transaction.

Natural Gas Transmission adjusted earnings for the three and six months ended June 30, 2015 increased compared to the same periods of 2014 primarily as a result of the contributions from Alliance US as a result of the 2014 Transaction.

	Three months ended June 30,		Six months ended June 30,	
Throughput volume	**2015**	2014	**2015**	2014
(millions of cubic feet per day)				
Alliance Canada	**1,500.0**	1,530.0	**1,567.0**	1,593.0
Alliance US	**1,662.0**	1,662.0	**1,726.0**	1,695.0

Alliance Pipeline throughput volume for the three and six months ended June 30, 2015 remained consistent with the same periods of the prior year.

GREEN POWER

	Three months ended June 30,		Six months ended June 30,	
	2015	2014	**2015**	2014
(millions of Canadian dollars)				
Adjusted Earnings[1]	**22.5**	25.2	**51.0**	56.5
Greenwich Wind Facility transformer outage	**-**	(1.5)	**-**	(2.1)
Earnings	**22.5**	23.7	**51.0**	54.4

1 Income tax expense associated with adjustments to earnings was recognized within the Corporate segment.

Green Power earnings were impacted by the following adjusting items:

- Earnings for the three and six months ended June 30, 2014 were impacted by a transformer outage at the Greenwich Wind Facility.

Green Power adjusted earnings for the three and six months ended June 30, 2015 decreased slightly due to lower wind resource when compared to the same periods of 2014, as reflected in the following table.

	Three months ended June 30,		Six months ended June 30,	
	2015	2014	**2015**	2014
(thousands of megawatt hours produced)				
Wind facilities	**232.7**	233.8	**574.8**	596.8
Solar facilities	**49.0**	50.5	**81.9**	80.9
Waste heat facilities	**15.3**	17.6	**35.0**	38.1

CORPORATE

	Three months ended June 30,		Six months ended June 30,	
	2015	2014	**2015**	2014
(millions of Canadian dollars)				
Interest expense, net of other income	**22.3**	17.7	**48.6**	35.3
Management and administrative	**9.3**	5.9	**18.8**	12.1
Income taxes[1]	**12.9**	8.5	**32.3**	18.5
Adjusted corporate costs	**44.5**	32.1	**99.7**	65.9
Deferred tax impact of Alberta corporate tax rate increase	**18.0**	-	**18.0**	-
De-recognition of Alliance Canada deferred tax regulatory asset	**15.6**	-	**15.6**	-
Deferred tax on de-recognition of Alliance Pipeline's regulatory liabilities	**3.0**	-	**3.0**	-
Deferred tax on changes in unrealized derivative instrument fair value	**4.4**	-	**(10.9)**	-
Changes in unrealized position on foreign currency translation of intercompany loan, net of tax	**14.9**	-	**(47.4)**	-
Transaction costs related to the 2015 Transaction and the 2014 Transaction	**10.9**	0.2	**12.3**	0.2
Current tax on sale of certain Virden System assets	**3.0**	-	**3.0**	-
Current tax on Greenwich Wind Facility transformer outage	**-**	(0.4)	**-**	(0.5)
Corporate costs	**114.3**	31.9	**93.3**	65.6

1 Income tax expense associated with adjustments to earnings within the individual segments was recognized within the Corporate segment.

Corporate costs were impacted by the following related adjusting items:

- Corporate costs for the three and six month periods ended June 30, 2015 included the re-valuation of deferred income taxes related to the higher enacted Alberta corporate tax rate, the de-recognition of the Fund's regulatory asset recorded in respect of Alliance Canada deferred tax and additional deferred tax on the Fund's equity pick-up resulting from the de-recognition of regulatory liabilities within Alliance Pipeline and the deferred tax related to the foreign exchange hedging program
- Corporate costs for the three and six months ended June 30, 2015 include unrealized, after-tax foreign exchange translation related to a U.S. dollar loan extended to the Fund's U.S. subsidiary as part of the financing for the 2014 Transaction.
- Corporate costs included transaction costs for each period. Transaction costs incurred during 2015 relate to the 2015 Transaction, while transaction costs incurred during 2014 relate to the 2014 Transaction.
- Corporate costs for the three and six month periods ended June 30, 2015 included current tax impacts related to the disposition of certain of the Virden System assets.

Adjusted corporate costs increased for the three and six months ended June 30, 2015 compared to the corresponding periods of 2014 primarily driven by higher income taxes resulting from an increased tax base as a result of the 2014 Transaction and additional interest expense on long-term debt incurred to partially finance the 2014 Transaction.

Management and administrative expense included incentive fees of $8.6 million and $17.2 million (2014 – $5.1 million and $10.3 million, respectively) for the three and six months ended June 30, 2015, respectively. Incentive fees are based on distributions declared by the Fund compared to a predetermined distribution threshold. As such, the increase in incentive fees was driven by the higher monthly distributions of $0.157 per unit effective with the November 2014 distribution as compared to $0.135 per unit in the first and second quarters of 2014.

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.

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 June 30, 2015.

At June 30, 2015 and December 31, 2014, the Fund had a $500.0 million, 3-year standby committed credit facility with a syndicate of commercial banks. Additionally, 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 June 30, 2015, $106.0 million (2014 - $143.6 million) of the facility was utilized, reducing the net facility available to meet liquidity requirements to $394.0 million at June 30, 2015 (2014 - $356.4 million).

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 June 30, 2015.

Equity
No equity was issued during the second quarter of 2015.

Distributions
Effective with the November 2014 distribution, the Fund's distribution rate increased to $0.157 per trust unit and ECT preferred unit from $0.135 per trust unit and ECT preferred unit.

Capital expenditures
For the three months ended June 30, 2015, the Fund's capital expenditures before changes in construction payable (including contributions to equity investees to fund expansion projects) were $6.9 million, inclusive of $1.7 million incurred for the Fund's organic growth project, the Cromer Rail Interconnection Project, compared with $10.4 million inclusive of $0.6 million incurred for the same project during the second three months of 2014. For the six months ended June 30, 2015 the Fund's capital expenditures before changes in construction payable (including contributions to equity investees to fund expansion projects) were $24.7 million inclusive of $13.5 million incurred for the Cromer Rail Interconnection Project, compared with $5.8 million inclusive of $0.4 million incurred for the same project during the same period of 2014.

Maintenance capital expenditures for the Liquids Transportation and Storage segment totaled $3.7 million for the second quarter of 2015 and $6.9 million for the first half of 2015, an increase of $1.4 million and $4.0 million over the comparable periods of 2014, respectively, due to maintenance project schedule delays which resulted in increased activity during 2015.

For the three and six months ended June 30, 2015, cash distributions declared represented 85.5 percent and 84.3 percent, respectively, of CAFD compared with 74.1 percent and 75.0 percent for the same periods in 2014, respectively. 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 June 30,		Six months ended June 30,	
	2015	2014	**2015**	2014
(millions of Canadian dollars)				
Cash provided by operating activities	**113.9**	113.3	**203.0**	184.7
Earnings	**34.3**	40.7	**103.9**	88.5
Cash distributions declared	**79.1**	56.2	**158.2**	112.4
Excess of cash provided by operating activities over cash distributions declared	**34.8**	57.1	**44.8**	72.3
(Shortfall) of earnings over cash distributions declared	**(44.8)**	(15.5)	**(54.3)**	(23.9)

For the three and six months ended June 30, 2015, cash provided by operating activities was higher than cash distributions declared by $34.8 million (2014 – $57.1 million) and $44.8 million (2014 – $72.3 million), respectively. 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 $44.8 million (2014 – $15.5 million) and $54.3 million (2014 –$23.9 million) lower than cash distributions for the three and six months ended June 30, 2015, respectively. For each of the periods presented, earnings reflected non-cash items which do not impact cash flow. Examples of non-cash items impacting earnings but not cash flow are presented in the Fund's adjusting items. Further, depreciation does not necessarily represent the cost of maintaining productive capacity; therefore, cash required for maintenance is generally lower than depreciation expense.

RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

Maintaining a reliable and low risk business model is central to the Fund's objective of paying out a predictable cash flow to unitholders. The Fund actively manages both financial and non-financial risks it is exposed to. The Fund performs an annual corporate risk assessment to identify all potential risks. Risks are ranked based on severity and likelihood both before and after mitigating actions. In addition, the Fund has adopted a Cash Flow at Risk (CFAR) policy to manage exposure to movements in interest rates, foreign exchange rates and commodity prices across all segments. CFAR is a statistically derived measurement that quantifies the maximum adverse impact on cash flows over a specified period of time within a pre-defined level of statistical confidence. The Fund's CFAR limit has been set at 2.5 percent of forward annual CAFD.

MARKET PRICE 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 floating rate notes and 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 mitigate the volatility of short-term interest rates on interest expense with the execution of floating to fixed rate interest rate swaps through 2019 at an average swap rate of 2.1 percent.

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. The Fund has implemented a program to mitigate its exposure to long-term interest rate variability on select forecast term debt issuances with the execution of floating to fixed interest rate swaps through 2018 at an average swap rate of 3.9 percent.

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

Foreign Exchange Risk

The Fund generates certain revenues, incurs expenses, and holds investments and subsidiaries that are denominated in currencies other than Canadian dollars. As a result, the Fund's earnings, cash flows and OCI are exposed to fluctuations resulting from foreign exchange rate variability.

The Fund has implemented a policy whereby, at a minimum, it hedges a level of foreign currency denominated cash flow exposures over a three year forecast horizon. A combination of qualifying and non-qualifying derivative instruments may be used to hedge anticipated foreign currency denominated revenues and expenses, and to manage variability in cash flows.

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 Pipeline. 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 may use 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 June 30,		Six months ended June 30,	
	2015	2014	**2015**	2014
(millions of Canadian dollars)				
Amount of unrealized gain/(loss) recognized in OCI				
Interest rate contracts	**9.6**	(4.9)	**(9.3)**	(13.2)
Foreign exchange contracts	**(0.3)**	(0.5)	**0.9**	(0.1)
Commodity contracts	**(1.8)**	0.2	**-**	0.1
Total unrealized gain/(loss) recognized in OCI	**7.5**	(5.2)	**(8.4)**	(13.2)
Amount of gain/(loss) reclassified from accumulated other comprehensive income (AOCI) to earnings *(effective portion)*				
Interest rate contracts[1]	**1.2**	0.9	**1.9**	1.8
Foreign exchange contracts[2]	**(0.1)**	-	**(0.2)**	0.1
Commodity contracts[3]	**(0.2)**	(0.2)	**(0.7)**	(0.3)
Total gain reclassified from AOCI to earnings *(effective portion)*	**0.9**	0.7	**1.0**	1.6
Amount of gain/(loss) from non-qualifying derivative instruments included in earnings				
Foreign exchange contracts[2]	**19.3**	-	**(40.5)**	-
Total unrealized derivative instrument fair value gain/(loss) in earnings	**19.3**	-	**(40.5)**	-

1 Reported within Interest Expense in the Consolidated Statements of Earnings.
2 Reported within Other income/(expense) in the Consolidated Statements of Earnings.
3 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 MTNs. The Fund maintains a current shelf prospectus with Canadian securities regulators which enables, subject to market conditions, ready access to Canadian public capital markets.

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 Pipeline and the pipeline systems comprising the South Prairie Region are subject to regulation by various authorities, including the NEB, FERC, 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 non-rate-regulated entities.

Regulatory assets represent amounts that are expected to be recovered from customers in future periods through rates. Regulatory liabilities represent amounts that are expected to be refunded to customers in future periods through rates. 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 June 30, 2015, the Fund's net regulatory assets totaled $11.9 million (December 31, 2014 – $51.5 million) after de-recognition of the majority of regulatory balances at Alliance Pipeline (see *Recent Developments*).

Asset Retirement Obligations

Asset retirement obligations (ARO) associated with the retirement of long-lived assets are measured at fair value and recognized as other long-term liabilities in the period in which 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 cost estimates and regulatory requirements.

Currently, for certain of the Fund's assets, there is insufficient data or information to reasonably determine the timing of 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.

In 2009, the NEB issued a decision related to the Land Matters Consultation Initiative (LMCI), which required holders of an authorization to operate a pipeline under the NEB Act to file a proposed process and mechanism to set aside funds to pay for future abandonment costs in respect of the sites in Canada used for the operation of a pipeline. The NEB's decision stated that while pipeline companies are ultimately responsible for the full costs of abandoning pipelines, abandonment costs are a legitimate cost of providing service and are recoverable from the users of the pipeline upon approval by the NEB.

Following the NEB's final approval of the collection mechanism and the set-aside mechanism for LMCI, the Fund began collecting and setting aside funds to cover future abandonment costs effective January 1,

2015. The funds collected are held in trust in accordance with the NEB decision. The funds collected from shippers are reported within Transportation and other services revenues and Long-term investments. Concurrently, the Fund reflects the future abandonment cost as an increase to Operating and maintenance expense and Other long-term liabilities.

CHANGES IN ACCOUNTING POLICIES

Adoption of New Standards

Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity
Effective January 1, 2015, the Fund prospectively adopted Accounting Standards Update (ASU) 2014-08 which changes the criteria and disclosures for reporting discontinued operations. The revised criteria will in general, result in fewer transactions being categorized as discontinued operations. There was no material impact to the consolidated financial statements as a result of adopting this update.

Extraordinary and Unusual Items
Effective January 1, 2015, the Fund prospectively adopted ASU 2015-01 which eliminates the concept of extraordinary items from U.S. GAAP. Entities will no longer be required to separately classify and present extraordinary items in the income statement. There was no material impact to the consolidated financial statements as a result of adopting this update.

Future Accounting Policy Change

Simplifying the Presentation of Debt Issuance Costs
ASU 2015-03 was issued in April 2015 with the intent to simplify the presentation of debt issuance costs. The new standard requires a debt issuance cost related to a recognized debt liability to be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability, as consistent with the presentation of debt discounts or premiums. This accounting update is effective for financial statements issued for fiscal years beginning after December 15, 2015 on a retrospective basis. The adoption of the pronouncement is not anticipated to have a material impact on the Fund's consolidated financial statements.

Amendments to the Consolidation Analysis
ASU 2015-02, issued in February 2015, revises the current consolidation guidance which results in a change in the determination of whether an entity consolidates certain types of legal entities. The Fund is currently assessing the impact of the new standard on its consolidated financial statements. The new standard is effective for annual and interim reporting periods beginning after December 15, 2015 and may be applied on a full or modified retrospective basis.

Hybrid Financial Instruments Issued in the Form of a Share
ASU 2014-16 was issued in November 2014 with the intent to eliminate the use of different methods in practice in the accounting for hybrid financial instruments issued in the form of a share. The new standard clarifies the evaluation of the economic characteristics and risks of a host contract in these hybrid financial instruments. The Fund is currently assessing the impact of the new standard on its consolidated financial statements. This accounting update is effective for annual and interim periods beginning after December 15, 2015 and is to be applied on a modified retrospective basis.

Revenue from Contracts with Customers
ASU 2014-09 was issued in May 2014 with the intent of significantly enhancing comparability of revenue recognition practices across entities and industries. The new standard provides a single principles-based, five-step model to be applied to all contracts with customers and introduces new, increased disclosure requirements. The Fund is currently assessing the impact of the new standard on its consolidated financial statements. The new standard is effective for annual and interim periods beginning on or after December 15, 2017 and may be applied on either a full or modified retrospective basis.

SELECTED QUARTERLY FINANCIAL INFORMATION

	2015		2014				2013	
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
(millions of Canadian dollars)								
Revenue	**112.3**	113.1	102.0	98.4	107.4	107.9	103.7	92.5
Earnings[1]	**34.3**	69.6	26.2	35.3	40.7	47.8	32.7	25.8
Cash distributions declared[2]	**79.1**	79.1	71.5	56.1	56.2	56.2	56.1	55.7

1 Earnings for 2013 and 2014 periods have been retrospectively adjusted to furnish comparative information related to Alliance US 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:

- In the second quarter of 2015, the Fund realized a second full quarter of net benefits from the 2014 Transaction. The disposition of certain Virden System assets also benefitted earnings during the quarter. However, these benefits were more than offset by the re-valuation of deferred income taxes given a higher enacted Alberta corporate tax rate, the de-recognition of regulatory balances related to the Natural Gas Transmission segment and increased transaction costs related to the 2015 Transaction.
- In the first quarter of 2015, the Fund realized a full quarter of net benefits from the 2014 Transaction. Earnings also included the benefit of favourable foreign exchange on the translation of a U.S. dollar denominated intercompany loan partially offset by unrealized derivative fair value losses.
- In the fourth quarter of 2014, the Fund issued 13,860,000 trust units and ECT issued 15,200,000 preferred units to partially finance the 2014 Transaction. As a result, the Fund had higher earnings and increased its monthly distribution per unit to $0.157 commencing with the November 2014 distribution.
- In the third quarter of 2014, the Fund incurred $4.5 million of advisory fees and recorded an after-tax unrealized gain of $8.8 million on foreign exchange in connection with the 2014 Transaction.
- First quarter 2014 earnings reflected $4.1 million of income from the Fund's equity investment in Sable NGL. Sable NGL, 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 commencing with the November 2013 distribution.
- 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.

FUND OWNERSHIP

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

	At July 27, 2015
Enbridge Income Fund Holdings Inc. *(number of common shares outstanding)*	
Held by public	**56,349,000**
Held by Enbridge	**14,002,000**
	70,351,000
Enbridge Income Fund *(number of common units outstanding)*	
Held by Enbridge	**9,500,000**
Held by Enbridge Income Fund Holdings Inc.	**70,351,000**
	79,851,000
Enbridge Commercial Trust *(number of preferred units outstanding)*	
Held by Enbridge	**87,665,750**
Total number of common units and ECT preferred units outstanding	**167,516,750**

ENBRIDGE INCOME FUND

CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

June 30, 2015

CONSOLIDATED STATEMENTS OF EARNINGS

	Three months ended June 30,		Six months ended June 30,	
	2015	2014[1]	**2015**	2014[1]
(unaudited; millions of Canadian dollars)				
Revenues				
Transportation and other services	**65.6**	60.2	**126.3**	115.5
Electricity sales	**46.7**	47.2	**99.1**	99.8
	112.3	107.4	**225.4**	215.3
Expenses				
Operating and maintenance	**19.1**	16.1	**34.5**	29.8
Management and administrative	**11.8**	0.8	**13.9**	1.7
Operating, management and administrative - affiliate	**21.1**	16.6	**42.8**	33.7
Depreciation and amortization	**35.1**	33.5	**69.6**	66.9
	87.1	67.0	**160.8**	132.1
	25.2	40.4	**64.6**	83.2
Income from equity investments *(Note 5)*	**47.1**	33.6	**86.0**	73.5
Other income *(Notes 4 and 6)*	**24.1**	0.3	**35.8**	0.4
Other income – affiliate *(Note 4)*	**18.7**	0.1	**37.6**	0.2
Interest expense	**(25.7)**	(17.8)	**(51.7)**	(35.4)
	89.4	56.6	**172.3**	121.9
Income taxes *(Notes 5 and 10)*	**(55.1)**	(15.9)	**(68.4)**	(33.4)
Earnings	**34.3**	40.7	**103.9**	88.5

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

1 *Retrospectively adjusted to furnish comparative information related to Alliance US (Note 3).*

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Three months ended June 30,		Six months ended June 30,	
	2015	2014[1]	**2015**	2014[1]
(unaudited; millions of Canadian dollars)				
Earnings	**34.3**	40.7	**103.9**	88.5
Other comprehensive income/(loss)				
Change in unrealized (loss)/gain on cash flow hedges, net of tax[2] *(Note 9)*	**9.0**	(5.1)	**(7.7)**	(13.2)
Reclassification of cash flow hedges to earnings, net of tax[3] *(Note 9)*	**1.1**	0.7	**1.5**	1.6
Change in foreign currency translation adjustment	**(6.9)**	(2.3)	**29.2**	0.6
Other comprehensive income/(loss)	**3.2**	(6.7)	**23.0**	(11.0)
Comprehensive income	**37.5**	34.0	**126.9**	77.5

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

1 *Retrospectively adjusted to furnish comparative information related to Alliance US (Note 3).*
2 *Tax recovery was $0.6 million for the three months ended June 30, 2015 (2014 – $0.1 million) and tax expense of $0.2 million for the six months ended June 30, 2015 (2014 – nil).*
3 *Tax recovery $0.1 million and $0.2 million for the three and six month periods ended June 30, 2015, respectively. For the comparative periods of 2014 tax expense was nil.*

CONSOLIDATED STATEMENTS OF CHANGES IN UNITHOLDERS' EQUITY

Six months ended June 30,	**2015**	2014[1]
(unaudited; millions of Canadian dollars)		
Deficit		
Balance at beginning of period	**(5,752.5)**	(2,569.3)
Earnings	**103.9**	88.5
ECT preferred unit distributions	**(82.8)**	(58.8)
Distributions to trust unitholders	**(75.4)**	(53.6)
Redemption value adjustment attributable to ECT preferred units *(Note 7)*	**519.9**	(303.6)
Redemption value adjustment attributable to trust units *(Note 8)*	**473.5**	(276.5)
Equity of former owners of acquired interest	**-**	(36.0)
Balance at end of period	**(4,813.4)**	(3,209.3)
Accumulated other comprehensive loss		
Balance at beginning of period	**(31.6)**	(14.1)
Other comprehensive income/(loss), net of tax	**23.0**	(11.0)
Balance at end of period	**(8.6)**	(25.1)
Total unitholders' deficit	**(4,822.0)**	(3,234.4)

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

1 Retrospectively adjusted to furnish comparative information related to Alliance US (Note 3).

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Three months ended June 30,		Six months ended June 30,	
	2015	2014[1]	**2015**	2014[1]
(unaudited; millions of Canadian dollars)				
Operating activities				
Earnings	**34.3**	40.7	**103.9**	88.5
Charges/(credits) not affecting cash				
Depreciation and amortization	**35.1**	33.5	**69.6**	66.9
Cash distributions in excess of/(less than) equity earnings	**(8.8)**	4.8	**(16.6)**	3.1
Deferred income taxes *(Notes 5 and 10)*	**41.9**	8.5	**48.0**	15.0
Changes in unrealized derivative instrument fair value, net *(Note 9)*	**(19.3)**	-	**40.5**	-
Changes in unrealized position on foreign currency translation on intercompany loan	**16.5**	-	**(54.9)**	-
Gain on disposition *(Note 6)*	**(21.9)**	-	**(21.9)**	-
Other	**(0.1)**	2.6	**0.4**	3.6
Changes in operating assets and liabilities *(Note 11)*	**36.2**	23.2	**34.0**	7.6
	113.9	113.3	**203.0**	184.7
Investing activities				
Additions to property, plant and equipment	**(14.3)**	(4.5)	**(29.1)**	(10.4)
Proceeds from disposition *(Note 6)*	**26.0**	-	**26.0**	-
Long-term receivable from affiliate	**5.5**	-	**(2.4)**	-
Contributions to equity investees	**(0.5)**	(2.0)	**(0.8)**	(2.0)
Additions to intangible assets	**(0.1)**	-	**(0.2)**	(0.1)
	16.6	(6.5)	**(6.5)**	(12.5)
Financing activities				
Net change in bank indebtedness	**28.6**	79.6	**18.3**	116.7
Net change in credit facility draws	**(65.0)**	(33.7)	**(45.0)**	(28.6)
Loans received from affiliates	**6.0**	2.8	**11.8**	8.4
Repayment of affiliate loans	**(0.9)**	(0.4)	**(3.4)**	(7.1)
ECT preferred unit distributions declared	**(41.4)**	(29.4)	**(82.8)**	(58.8)
Trust unit distributions declared	**(37.7)**	(26.8)	**(75.4)**	(53.6)
Distributions paid by acquired interest *(Note 3)*	**-**	(17.7)	**-**	(36.0)
	(110.4)	(25.6)	**(176.5)**	(59.0)
Increase in cash and cash equivalents	**20.1**	81.2	**20.0**	113.2
Cash and cash equivalents at beginning of period	**29.4**	61.0	**29.5**	29.0
Cash and cash equivalents at end of period	**49.5**	142.2	**49.5**	142.2

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

1 Retrospectively adjusted to furnish comparative information related to Alliance US (Note 3).

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(unaudited; millions of Canadian dollars)	**June 30, 2015**	December 31, 2014
Assets		
Current assets		
Cash and cash equivalents	**49.5**	29.5
Accounts receivable and other, net	**68.8**	57.2
Accounts receivable from affiliates	**44.5**	29.1
	162.8	115.8
Property, plant and equipment, net	**2,178.9**	2,225.7
Long-term receivable from affiliate	**986.8**	945.1
Long-term investments	**468.0**	433.8
Deferred amounts and other assets	**26.6**	63.3
Intangible assets, net	**26.6**	26.3
Goodwill	**28.8**	28.8
Deferred income taxes	**236.9**	242.6
	4,115.4	4,081.4
Liabilities and unitholders' equity		
Current liabilities		
Bank indebtedness	**28.6**	10.3
Accounts payable and other	**110.5**	70.6
Due to affiliates	**75.4**	61.2
Distributions payable to affiliates	**26.4**	26.4
	240.9	168.5
Long-term debt	**2,499.2**	2,544.1
Other long-term liabilities	**111.4**	70.6
Deferred income taxes	**393.7**	396.7
	3,245.2	3,179.9
ECT preferred units *(Note 7)*	**2,978.8**	3,498.7
Trust units *(Note 8)*	**2,713.4**	3,186.9
	5,692.2	6,685.6
Unitholders' deficit		
Deficit	**(4,813.4)**	(5,752.5)
Accumulated other comprehensive loss	**(8.6)**	(31.6)
	(4,822.0)	(5,784.1)
	4,115.4	4,081.4

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, 2014. 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 June 30, 2015 and results of operations and cash flows for the three and six month periods ended June 30, 2015 and 2014. These interim consolidated financial statements follow the same significant accounting policies as those included in the Fund's consolidated financial statements as at and for the year ended December 31, 2014, 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 STANDARDS

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

Effective January 1, 2015, the Fund prospectively adopted Accounting Standards Update (ASU) 2014-08 which changes the criteria and disclosures for reporting discontinued operations. The revised criteria will in general, result in fewer transactions being categorized as discontinued operations. There was no material impact to the consolidated financial statements as a result of adopting this update.

Extraordinary and Unusual Items

Effective January 1, 2015, the Fund prospectively adopted ASU 2015-01 which eliminates the concept of extraordinary items from U.S. GAAP. Entities will no longer be required to separately classify and present extraordinary items in the income statement. There was no material impact to the consolidated financial statements as a result of adopting this update.

FUTURE ACCOUNTING POLICY CHANGES

Simplifying the Presentation of Debt Issuance Costs

ASU 2015-03 was issued in April 2015 with the intent to simplify the presentation of debt issuance costs. The new standard requires a debt issuance cost related to a recognized debt liability to be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability, consistent with the presentation of debt discounts or premiums. This accounting update is effective for financial statements issued for fiscal years beginning after December 15, 2015 on a retrospective basis. The adoption of the pronouncement is not anticipated to have a material impact on the Fund's consolidated financial statements.

Amendments to the Consolidation Analysis

ASU 2015-02, issued in February 2015, revises the current consolidation guidance which results in a change in the determination of whether an entity consolidates certain types of legal entities. The Fund is currently assessing the impact of the new standard on its consolidated financial statements. The new standard is effective for annual and interim reporting periods beginning after December 15, 2015 and may be applied on a full or modified retrospective basis.

Hybrid Financial Instruments Issued in the Form of a Share
ASU 2014-16 was issued in November 2014 with the intent to eliminate the use of different methods in practice in the accounting for hybrid financial instruments issued in the form of a share. The new standard clarifies the evaluation of the economic characteristics and risks of a host contract in these hybrid financial instruments. The Fund is currently assessing the impact of the new standard on its consolidated financial statements. This accounting update is effective for annual and interim periods beginning after December 15, 2015 and is to be applied on a modified retrospective basis.

Revenue from Contracts with Customers
ASU 2014-09 was issued in May 2014 with the intent of significantly enhancing comparability of revenue recognition practices across entities and industries. The new standard provides a single principles-based, five-step model to be applied to all contracts with customers and introduces new, increased disclosure requirements. The Fund is currently assessing the impact of the new standard on its consolidated financial statements. The new standard is effective for annual and interim periods beginning on or after December 15, 2017 and may be applied on either a full or modified retrospective basis.

3. ALLIANCE US

On November 7, 2014, the Fund acquired a 50 percent equity interest in the U.S. portion of the Alliance Pipeline (Alliance US) from indirect wholly-owned subsidiaries of Enbridge Inc. (Enbridge). The purchase was accounted for as a transaction between entities under common control, similar to a pooling of interests, whereby the investment in Alliance US was recorded at Enbridge's historic carrying values, with any difference from consideration paid charged to unitholders' deficit. The Fund's historical financial information has been retrospectively adjusted to present the results of operations for the Fund and Alliance US on a combined basis for all periods presented.

The incremental effect of retrospectively adjusting the Fund's consolidated financial statements to include the results of operations of Alliance US for the periods prior to the acquisition is as follows:

	Three months ended June 30, 2014	Six months ended June 30, 2014
(unaudited; millions of Canadian dollars)		
Earnings		
Income from equity investments	19.1	38.2
Income tax expense	(7.6)	(15.2)
Earnings	11.5	23.0

	Three months ended June 30, 2014	Six months ended June 30, 2014
(unaudited; millions of Canadian dollars)		
Cash provided from operating activities	17.7	36.0
Cash used in financing activities	(17.7)	(36.0)
	-	-

4. SEGMENTED INFORMATION

Three months ended June 30, 2015	Liquids Transportation and Storage	Natural Gas Transmission	Green Power	Corporate	Consolidated
(unaudited; millions of Canadian dollars)					
Transportation and other services	**65.6**	**-**	**-**	**-**	**65.6**
Electricity sales	**-**	**-**	**46.7**	**-**	**46.7**
Operating and maintenance	**(11.9)**	**-**	**(7.2)**	**-**	**(19.1)**
Management and administrative	**-**	**-**	**-**	**(11.8)**	**(11.8)**
Operating, management and administrative – affiliate	**(11.7)**	**-**	**(1.0)**	**(8.4)**	**(21.1)**
Depreciation and amortization	**(19.4)**	**-**	**(15.7)**	**-**	**(35.1)**
	22.6	**-**	**22.8**	**(20.2)**	**25.2**
Income from equity investments	**-**	**47.5**	**(0.4)**	**-**	**47.1**
Other income/(expense)[1]	**35.4**	**1.9**	**0.1**	**(13.3)**	**24.1**
Other income – affiliate[2]	**18.6**	**0.1**	**-**	**-**	**18.7**
Interest expense	**-**	**-**	**-**	**(25.7)**	**(25.7)**
Income taxes *(Note 10)*	**-**	**-**	**-**	**(55.1)**	**(55.1)**
Earnings	**76.6**	**49.5**	**22.5**	**(114.3)**	**34.3**
Total assets	**2,088.9**	**413.6**	**1,345.2**	**267.7**	**4,115.4**
Additions to property, plant and equipment	**14.2**	**-**	**0.1**	**-**	**14.3**
Goodwill	**28.8**	**-**	**-**	**-**	**28.8**

1 Primarily related to a foreign exchange gain on a U.S. dollar denominated intercompany loan between Fund subsidiaries and fair value losses on derivative instruments (Note 9).
2 Primarily related to the Class A Units of Enbridge SL Holdings L.P. and Southern Lights Holdings, L.L.C.

Three months ended June 30, 2014[1]	Liquids Transportation and Storage	Natural Gas Transmission	Green Power	Corporate	Consolidated
(unaudited; millions of Canadian dollars)					
Transportation and other services	60.2	-	-	-	60.2
Electricity sales	-	-	47.2	-	47.2
Operating and maintenance	(8.5)	-	(7.6)	-	(16.1)
Management and administrative	-	-	-	(0.8)	(0.8)
Operating, management and administrative – affiliate	(10.6)	-	(0.9)	(5.1)	(16.6)
Depreciation and amortization	(17.9)	-	(15.6)	-	(33.5)
	23.2	-	23.1	(5.9)	40.4
Income from equity investments	-	33.1	0.5	-	33.6
Other income	0.1	-	0.1	0.1	0.3
Other income – affiliate	-	0.1	-	-	0.1
Interest expense	-	-	-	(17.8)	(17.8)
Income taxes	-	(7.6)	-	(8.3)	(15.9)
Earnings	23.3	25.6	23.7	(31.9)	40.7
Total assets	1,153.9	395.6	1,398.7	67.5	3,015.7
Additions to property, plant and equipment	4.4	-	0.1	-	4.5
Goodwill	28.8	-	-	-	28.8

1 Retrospectively adjusted to furnish comparative information related to Alliance US (Note 3).

Six months ended June 30, 2015	Liquids Transportation and Storage	Natural Gas Transmission	Green Power	Corporate	Consolidated
(unaudited; millions of Canadian dollars)					
Transportation and other services	**126.3**	**-**	**-**	**-**	**126.3**
Electricity sales	**-**	**-**	**99.1**	**-**	**99.1**
Operating and maintenance	**(20.8)**	**-**	**(13.7)**	**-**	**(34.5)**
Management and administrative	**-**	**-**	**-**	**(13.9)**	**(13.9)**
Operating, management and administrative – affiliate	**(23.6)**	**-**	**(2.0)**	**(17.2)**	**(42.8)**
Depreciation and amortization	**(38.0)**	**-**	**(31.6)**	**-**	**(69.6)**
	43.9	**-**	**51.8**	**(31.1)**	**64.6**
Income from equity investments	**-**	**86.9**	**(0.9)**	**-**	**86.0**
Other income/(expense)[1]	**(12.1)**	**(10.1)**	**0.1**	**57.9**	**35.8**
Other income – affiliate[2]	**37.4**	**0.2**	**-**	**-**	**37.6**
Interest expense	**-**	**-**	**-**	**(51.7)**	**(51.7)**
Income taxes *(Note 10)*	**-**	**-**	**-**	**(68.4)**	**(68.4)**
Earnings	**69.2**	**77.0**	**51.0**	**(93.3)**	**103.9**
Total assets	**2,088.9**	**413.6**	**1,345.2**	**267.7**	**4,115.4**
Additions to property, plant and equipment	**28.8**	**-**	**0.3**	**-**	**29.1**
Goodwill	**28.8**	**-**	**-**	**-**	**28.8**

1 Primarily related to a foreign exchange gain on a U.S. dollar denominated intercompany loan between Fund subsidiaries and fair value losses on derivative instruments (Note 9).
2 Primarily related to the Class A Units of Enbridge SL Holdings L.P. and Southern Lights Holdings, L.L.C.

Six months ended June 30, 2014[1]	Liquids Transportation and Storage	Natural Gas Transmission	Green Power	Corporate	Consolidated
(unaudited; millions of Canadian dollars)					
Transportation and other services	115.5	-	-	-	115.5
Electricity sales	-	-	99.8	-	99.8
Operating and maintenance	(16.0)	-	(13.8)	-	(29.8)
Management and administrative	-	-	-	(1.7)	(1.7)
Operating, management and administrative – affiliate	(21.4)		(1.9)	(10.4)	(33.7)
Depreciation and amortization	(35.7)	-	(31.2)	-	(66.9)
	42.4	-	52.9	(12.1)	83.2
Income from equity investments	-	72.2	1.3	-	73.5
Other income	0.1	-	0.2	0.1	0.4
Other income – affiliate	-	0.2	-	-	0.2
Interest expense	-	-	-	(35.4)	(35.4)
Income tax expense	-	(15.2)	-	(18.2)	(33.4)
Earnings	42.5	57.2	54.4	(65.6)	88.5
Total assets	1,153.9	395.6	1,398.7	67.5	3,015.7
Additions to property, plant and equipment	10.0	-	0.4	-	10.4
Goodwill	28.8	-	-	-	28.8

1 Retrospectively adjusted to furnish comparative information related to Alliance US (Note 3).

5. FINANCIAL STATEMENT EFFECTS OF RATE REGULATION

Alliance Pipeline is comprised of two segments. The Canadian segment (Alliance Canada) has tolls and tariffs regulated by the National Energy Board (NEB) and the U.S. segment (Alliance US) has tolls and tariffs regulated by the Federal Energy Regulatory Commission (FERC). 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. The financial statement effect of regulation to which Alliance Pipeline is subject is inherent within the Fund's equity accounting for its investment in Alliance Pipeline.

In respect of Alliance Canada, the Fund has also recorded a regulatory asset as the corresponding balance to a deferred income tax liability that arises within entities subject to rate regulation. The balance was recognized as a regulatory asset since the flow-through treatment of taxes for rate-setting purposes would ensure eventual recovery of this balance as the temporary differences reverse. The FERC allows for collection of deferred taxes in tolls; therefore, the Fund did not record a regulatory asset or liability for deferred income taxes related to Alliance US.

With the expiration of Alliance Pipeline's transportation service agreements in December 2015, Alliance Pipeline announced a New Services Framework and the related tolls and tariff provisions required to implement the new services (collectively, New Services Framework). On June 30, 2015 and July 9, 2015, Alliance Pipeline received conditional regulatory approval from the FERC and NEB, respectively, of its New Services Framework.

Pursuant to the New Services Framework, Alliance Pipeline will retain exposure to potential variability in certain future costs and throughput volumes. As such, the majority of Alliance Pipeline's operations no longer meet all of the criteria required for the continued application of rate regulated accounting treatment and de-recognition of regulatory balances as at June 30, 2015 was required.

The Fund's equity pick-up of Alliance Pipeline, recorded in Income from equity investments on the Consolidated Statements of Earnings, included a one-time, non-cash gain of $5.3 million (net of $3.0 million of taxes which were recorded in the Corporate segment) due to the de-recognition of regulatory liabilities within Alliance Pipeline. Further, the Fund recorded a one-time, non-cash loss of $15.6 million within Income taxes on the Consolidated Statements of Earnings related to the regulatory asset the Fund had previously recorded in respect of Alliance Canada deferred tax.

6. DISPOSITION OF ASSETS

On May 1, 2015, the Fund sold certain Virden crude oil pipeline system assets to an unrelated party for proceeds of $26.0 million before closing costs. The gain on disposition was $21.9 million, before tax of $3.0 million, and was presented within Other income on the Consolidated Statements of Earnings.

7. ECT PREFERRED UNITS

Six months ended June 30,	2015 Number of Units	2015 Amount	2014 Number of Units	2014 Amount
(unaudited; millions of Canadian dollars, number of units in millions)				
ECT preferred units, series 1				
Balance, beginning of period	**38.0**	**1,517.5**	38.0	884.8
Redemption value adjustment	**-**	**(225.5)**	-	159.2
Balance, end of period	**38.0**	**1,292.0**	38.0	1,044.0
ECT preferred units, series 2				
Balance, beginning of period	**16.1**	**640.6**	16.1	373.5
Redemption value adjustment	**-**	**(95.2)**	-	67.3
Balance, end of period	**16.1**	**545.4**	16.1	440.8
ECT preferred units, series 3				
Balance, beginning of period	**13.2**	**525.2**	13.2	306.2
Redemption value adjustment	**-**	**(78.1)**	-	55.1
Balance, end of period	**13.2**	**447.1**	13.2	361.3
ECT preferred units, series 4				
Balance, beginning of period	**5.2**	**208.8**	5.2	121.7
Redemption value adjustment	**-**	**(31.0)**	-	22.0
Balance, end of period	**5.2**	**177.8**	5.2	143.7
ECT preferred units, series 5				
Balance, beginning of period	**15.2**	**606.6**	-	-
Redemption value adjustment	**-**	**(90.1)**	-	-
Balance, end of period	**15.2**	**516.5**	-	-
Total ECT preferred units	**87.7**	**2,978.8**	72.5	1,989.8

8. TRUST UNITS

Six months ended June 30,	2015 Number of Units	2015 Amount	2014 Number of Units	2014 Amount
(unaudited; millions of Canadian dollars, number of units in millions)				
Common trust units, beginning of period	**79.9**	**3,186.9**	66.0	1,535.6
Redemption value adjustment	**-**	**(473.5)**	-	276.5
Common trust units, end of period[1]	**79.9**	**2,713.4**	66.0	1,812.1

1 Enbridge owned 9.5 million common trust units at June 30, 2015 (2014 – 9.5 million)

9. DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGING ACTIVITIES

MARKET PRICE RISK

The Fund's earnings, cash flows and 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 floating rate notes and 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 mitigate the volatility of short-term interest rates on interest expense with the execution of floating to fixed rate interest rate swaps through 2019 at an average swap rate of 2.1 percent.

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. The Fund has implemented a program to mitigate its exposure to long-term interest rate variability on select forecast term debt issuances with the execution of floating to fixed interest rate swaps through 2018 at an average swap rate of 3.9 percent.

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

Foreign Exchange Risk
The Fund generates certain revenues, incurs expenses, and holds investments and subsidiaries that are denominated in currencies other than Canadian dollars. As a result, the Fund's earnings, cash flows and OCI are exposed to fluctuations resulting from foreign exchange rate variability.

The Fund has implemented a policy whereby, at a minimum, it hedges a level of foreign currency denominated cash flow exposures over a three year forecast horizon. A combination of qualifying and non-qualifying derivative instruments may be used to hedge anticipated foreign currency denominated revenues and expenses, and to manage variability in cash flows.

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 Pipeline. 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 derivative instruments. The Fund did not have any outstanding fair value hedges or net investment hedges as at June 30, 2015 or December 31, 2014.

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.

June 30, 2015	Derivative Instruments used as Cash Flow Hedges	Non-Qualifying Derivative Instruments	Total Derivative Instruments as Presented	Amounts Available for Offset	Total Net Derivative Instruments
(unaudited; millions of Canadian dollars)					
Accounts receivable and other					
Foreign exchange contracts	**0.4**	**-**	**0.4**	**-**	**0.4**
Commodity contracts	**0.3**	**-**	**0.3**	**-**	**0.3**
	0.7	**-**	**0.7**	**-**	**0.7**
Deferred amounts and other assets					
Foreign exchange contracts	**1.5**	**-**	**1.5**	**-**	**1.5**
Commodity contracts	**0.8**	**0.1**	**0.9**	**-**	**0.9**
	2.3	**0.1**	**2.4**	**-**	**2.4**
Accounts payable and other					
Interest rate contracts	**(2.2)**	**-**	**(2.2)**	**-**	**(2.2)**
Foreign exchange contracts	**-**	**(12.3)**	**(12.3)**	**-**	**(12.3)**
Commodity contracts	**-**	**(0.1)**	**(0.1)**	**-**	**(0.1)**
	(2.2)	**(12.4)**	**(14.6)**	**-**	**(14.6)**
Other long-term liabilities					
Interest rate contracts	**(31.9)**	**-**	**(31.9)**	**-**	**(31.9)**
Foreign exchange contracts	**-**	**(53.2)**	**(53.2)**	**-**	**(53.2)**
Commodity contracts	**-**	**(0.2)**	**(0.2)**	**-**	**(0.2)**
	(31.9)	**(53.4)**	**(85.3)**	**-**	**(85.3)**
Total net derivative asset/(liability)					
Interest rate contracts	**(34.1)**	**-**	**(34.1)**	**-**	**(34.1)**
Foreign exchange contracts	**1.9**	**(65.5)**	**(63.6)**	**-**	**(63.6)**
Commodity contracts	**1.1**	**(0.2)**	**0.9**	**-**	**0.9**
	(31.1)	**(65.7)**	**(96.8)**	**-**	**(96.8)**

December 31, 2014	Derivative Instruments used as Cash Flow Hedges	Non-Qualifying Derivative Instruments	Total Derivative Instruments as Presented	Amounts Available for Offset	Total Net Derivative Instruments
(unaudited; millions of Canadian dollars)					
Accounts receivable and other					
Foreign exchange contracts	0.2	-	0.2	-	0.2
Commodity contracts	0.5	0.2	0.7	-	0.7
	0.7	0.2	0.9	-	0.9
Deferred amounts and other assets					
Interest rate contracts	0.1	-	0.1	(0.1)	-
Foreign exchange contracts	0.9	-	0.9	-	0.9
Commodity contracts	1.3	0.2	1.5	-	1.5
	2.3	0.2	2.5	(0.1)	2.4
Accounts payable and other					
Interest rate contracts	(0.6)	-	(0.6)	-	(0.6)
Foreign exchange contracts	-	(3.8)	(3.8)	-	(3.8)
Commodity contracts	-	(0.2)	(0.2)	-	(0.2)
	(0.6)	(4.0)	(4.6)	-	(4.6)
Other long-term liabilities					
Interest rate contracts	(26.1)	-	(26.1)	0.1	(26.0)
Foreign exchange contracts	-	(21.2)	(21.2)	-	(21.2)
Commodity contracts	-	(0.3)	(0.3)	-	(0.3)
	(26.1)	(21.5)	(47.6)	0.1	(47.5)
Total net derivative asset/(liability)					
Interest rate contracts	(26.6)	-	(26.6)	-	(26.6)
Foreign exchange contracts	1.1	(25.0)	(23.9)	-	(23.9)
Commodity contracts	1.8	(0.1)	1.7	-	1.7
	(23.7)	(25.1)	(48.8)	-	(48.8)

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

June 30, 2015	2015	2016	2017	2018	2019	Thereafter
Interest rate contracts - short-term borrowings *(millions of Canadian dollars)*	**166.9**	**301.4**	**326.0**	**319.4**	**0.6**	**-**
Interest rate contracts - long-term borrowings *(millions of Canadian dollars)*	**-**	**-**	**180.0**	**100.0**	**-**	**-**
Foreign exchange contracts - U.S. dollar forwards - purchase *(millions of United States dollars)*	**1.1**	**2.1**	**2.2**	**2.2**	**2.4**	**1.6**
Foreign exchange contracts - U.S. dollar forwards - sell *(millions of United States dollars)*	**56.2**	**86.9**	**85.7**	**85.8**	**57.0**	**354.1**
Commodity contracts - power *(megawatts per hour)*	**4.8**	**4.9**	**4.8**	**2.8**	**2.8**	**5.8**

December 31, 2014	2015	2016	2017	2018	2019	Thereafter
Interest rate contracts - short-term borrowings *(millions of Canadian dollars)*	320.5	301.4	326.0	319.4	0.6	-
Interest rate contracts - long-term borrowings *(millions of Canadian dollars)*	-	-	180.0	100.0	-	-
Foreign exchange contracts - U.S. dollar forwards - purchase *(millions of United States dollars)*	2.1	2.1	2.2	2.2	2.4	1.8
Foreign exchange contracts - U.S. dollar forwards - sell *(millions of United States dollars)*	98.1	86.9	85.7	85.8	57.0	354.1
Commodity contracts – power *(megawatts per hour)*	4.8	4.8	4.8	2.8	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 June 30,		Six months ended June 30,	
	2015	2014	**2015**	2014
(unaudited; millions of Canadian dollars)				
Amount of unrealized gain/(loss) recognized in OCI				
Interest rate contracts	**9.6**	(4.9)	**(9.3)**	(13.2)
Foreign exchange contracts	**(0.3)**	(0.5)	**0.9**	(0.1)
Commodity contracts	**(1.8)**	0.2	**-**	0.1
Total unrealized gain/(loss) recognized in OCI	**7.5**	(5.2)	**(8.4)**	(13.2)
Amount of gain/(loss) reclassified from AOCI to earnings *(effective portion)*				
Interest rate contracts[1]	**1.2**	0.9	**1.9**	1.8
Foreign exchange contracts[2]	**(0.1)**	-	**(0.2)**	0.1
Commodity contracts[3]	**(0.2)**	(0.2)	**(0.7)**	(0.3)
Total gain/(loss) reclassified from AOCI to earnings *(effective portion)*	**0.9**	0.7	**1.0**	1.6

1 Reported within Interest expense in the Consolidated Statements of Earnings.
2 Reported within Other income/(expense) in the Consolidated Statements of Earnings.
3 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 $1.5 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
The following table presents the unrealized gains and losses associated with changes in the fair value of the Fund's non-qualifying derivatives.

	Three months ended June 30,		Six months ended June 30,	
	2015	2014	**2015**	2014
(unaudited; millions of Canadian dollars)				
Foreign exchange contracts[1]	**19.3**	-	**(40.5)**	-
Total unrealized derivative fair value gain/(loss)	**19.3**	-	**(40.5)**	-

1 Reported within Other income/(expense) 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.

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:

	June 30, 2015	December 31, 2014
(unaudited; millions of Canadian dollars)		
Enbridge affiliate	**3.1**	3.3
	3.1	3.3

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 June 30, 2015 or December 31, 2014.

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 derivative instruments, measured at fair value as follows:

June 30, 2015	Level 1	Level 2	Level 3	Total Gross Derivative Instruments
(unaudited; millions of Canadian dollars)				
Financial assets				
Current derivative assets	**-**	**0.4**	**0.3**	**0.7**
Long-term derivative assets	**-**	**1.5**	**0.9**	**2.4**
Financial liabilities				
Current derivative liabilities	**-**	**(14.5)**	**(0.1)**	**(14.6)**
Long-term derivative liabilities	**-**	**(85.1)**	**(0.2)**	**(85.3)**
Total net asset/(liability)	**-**	**(97.7)**	**0.9**	**(96.8)**

December 31, 2014	Level 1	Level 2	Level 3	Total Gross Derivative Instruments
(millions of Canadian dollars)				
Financial assets				
Current derivative assets	-	0.2	0.7	0.9
Long-term derivative assets	-	1.0	1.5	2.5
Financial liabilities				
Current derivative liabilities	-	(4.4)	(0.2)	(4.6)
Long-term derivative liabilities	-	(47.3)	(0.3)	(47.6)
Total net asset/(liability)	-	(50.5)	1.7	(48.8)

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

	Fair value at June 30, 2015 *(millions of Canadian dollars)*	**Unobservable Input**	**Minimum Price**	**Maximum Price**	**Weighted Average Price**	
Commodity Contracts – Financial[1]						
Power	0.9	Forward Power Price	30.50	93.00	53.33	$/MWH

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 June 30,		Six months ended June 30,	
	2015	2014	**2015**	2014
(unaudited; millions of Canadian dollars)				
Level 3 net financial asset/(liability) at beginning of period	**3.0**	(0.5)	**1.7**	(0.2)
Total gains/(losses), unrealized				
Included in OCI	**(2.1)**	0.1	**(0.8)**	(0.2)
Settlements	**-**	-	**-**	-
Level 3 net financial asset/(liability) at end of period	**0.9**	(0.4)	**0.9**	(0.4)

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 June 30, 2015 and December 31, 2014.

FAIR VALUE OF OTHER FINANCIAL INSTRUMENTS

At June 30, 2015, the Fund's long-term debt had a fair value of $2,514.1 million (December 31, 2014 – $2,654.4 million). This fair value measurement has been classified as a Level 2 fair value measurement.

10. INCOME TAXES

Income tax expense included in earnings for the three months ended June 30, 2015 comprised current income tax expense of $13.2 million (2014 – $7.4 million) and deferred income tax expense of $41.9 million (2014 – $8.5 million). Income tax expense included in earnings for the six months ended June 30, 2015 comprised current income tax expense of $20.4 million (2014 – $18.4 million) and deferred income tax expense of $48.0 million (2014 – $15.0 million). Income taxes for the 2014 period have been retrospectively adjusted to furnish comparative information related to Alliance US *(Note 3).*

The effective tax rate for the three and six months ended June 30, 2015 was 61.6 percent (2014 – 28.1 percent) and 39.7 percent (2014 – 27.4 percent), respectively. The most significant factor contributing to the effective tax rate increase was the re-valuation of deferred income taxes given the 2 percent increase in the Alberta corporate tax rate which was enacted on June 29, 2015. Another significant factor increasing the effective tax rate was the discontinuance of rate regulated accounting for the majority of Alliance Pipeline's operations *(Note 5)*. These factors were partially offset by the non-taxable portion of unrealized foreign exchange gains and the tax effect relating to the character of income distributed by the Fund.

11. CHANGES IN OPERATING ASSETS AND LIABILITIES

	Three months ended June 30,		Six months ended June 30,	
	2015	2014[1]	**2015**	2014[1]
(unaudited; millions of Canadian dollars)				
Accounts receivable and other, net	**(1.5)**	3.3	**(12.6)**	(5.5)
Accounts receivable from affiliates	**(0.4)**	(0.5)	**(0.1)**	0.2
Accounts payable and other	**19.7**	15.1	**31.8**	23.0
Due to affiliates	**13.7**	9.0	**5.9**	(6.3)
Deferred amounts and other assets	**7.9**	(3.5)	**12.2**	(3.5)
Other long-term liabilities	**(3.2)**	(0.2)	**(3.2)**	(0.3)
	36.2	23.2	**34.0**	7.6

1 Retrospectively adjusted to furnish comparative information related to Alliance US (Note 3).