

ENBRIDGE INCOME FUND
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2015

MANAGEMENT'S DISCUSSION & ANALYSIS

FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2015

This Management's Discussion and Analysis (MD&A) dated November 3, 2015 should be read in conjunction with the unaudited interim financial statements and notes thereto of Enbridge Income Fund (the Fund) as at and for the three and nine months ended September 30, 2015, prepared in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP). It should also be read in conjunction with the audited consolidated financial statements and notes thereto and MD&A for the year ended December 31, 2014. All financial measures presented in this MD&A are expressed in Canadian dollars, unless otherwise indicated. Additional information related to the Fund is available on SEDAR at www.sedar.com.

OVERVIEW

The Fund is an unincorporated open-ended trust established by a trust indenture under the laws of the Province of Alberta. Enbridge Management Services Inc. (EMSI or Manager), a wholly-owned subsidiary of Enbridge Inc. (Enbridge), administers the Fund. EMSI also serves as the manager of Enbridge Commercial Trust (ECT), a wholly-owned investment of the Fund, Enbridge Income Partners LP (EIPLP), an indirect investment of the Fund and Enbridge Income Fund Holdings Inc. (ENF), a unitholder of the Fund. EIPLP is a partnership between Enbridge Income Partners GP Inc. (EIPGP), ECT and Enbridge. The Fund, ECT, EIPLP and the subsidiaries of EIPLP are referred to as the Fund Group.

The Fund, through its indirect investment in EIPLP, is involved in the generation, transportation and storage of energy through its liquids transportation and storage business, its 50% interest in the Canadian and United States segments of the Alliance Pipeline, which transports natural gas, and its interests in renewable and alternative power generation assets.

THE 2015 TRANSACTION

On September 1, 2015, EIPLP acquired 100% interests in the following entities (collectively, the Purchased Entities) from Enbridge and certain subsidiaries for an aggregate consideration of \$30.4 billion plus incentive distribution and performance rights (the 2015 Transaction):

- Enbridge Pipelines Inc. (EPI)
- Enbridge Pipelines (Athabasca) Inc. (EPAI)
- Enbridge Hardisty Storage Inc.
- Enbridge Southern Lights GP Inc.
- Enbridge Lac Alfred Wind Project GP Inc.
- Enbridge Massif du Sud Wind Project GP Inc.
- Enbridge Blackspring Ridge I Wind Project GP Inc.
- Enbridge Saint Robert Bellarmin Wind Project GP Inc.

Prior to September 1, 2015, EIPLP, the entity that directly holds the underlying operating assets and liabilities, was a partnership between EIPGP and ECT through their holdings in Class A units of EIPLP. Both entities at the time were wholly-owned consolidated subsidiaries of the Fund. EIPGP also acted as the general partner with the right to manage, control and operate the businesses of EIPLP. The unitholders of the Fund are ENF, a public company listed on the Toronto Stock Exchange (TSX), and Enbridge, a North American transporter, distributor and generator of energy listed on the TSX and New York Stock Exchange.

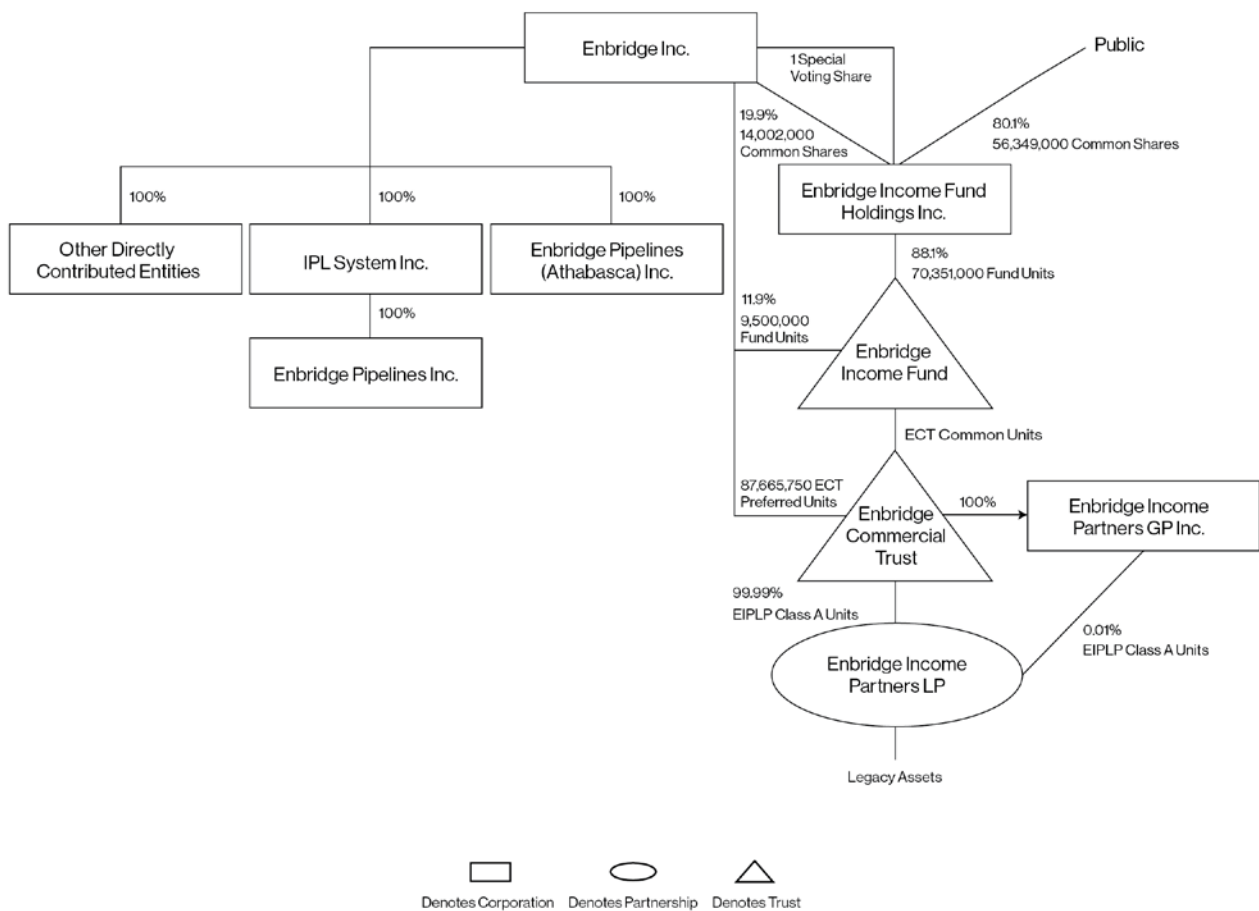
Upon closing of the 2015 Transaction, Enbridge acquired a controlling interest in EIPLP of approximately 57.2% reducing ECT's ownership to approximately 42.8%. Additionally, Enbridge now holds a 51% direct interest in EIPGP. As a result, ECT prospectively applied the equity method to account for its investment in EIPLP. Enbridge also received a contractual right to control the majority of the Board of Trustees of ECT. As a result, the Fund ceased to consolidate ECT as it is no longer the primary beneficiary of ECT nor does it control ECT. The Fund continues to participate in the ownership and management of the indirectly owned entities held by EIPLP through its governance structure, which includes Trustee oversight and decision making related to the underlying assets. The Fund prospectively applied the equity

method to account for its investment in ECT as it has significant influence through its 100% ownership interest in ECT.

ECT applies the Hypothetical Liquidation at Book Value (HLBV) method to its equity method investments where cash distributions, including both preference and residual distributions, are not based on the investor's ownership percentages. Under the HLBV method, a calculation is prepared at each balance sheet date to determine the amount that ECT would receive if EIPLP were to liquidate all of its assets, as valued in accordance with U.S. GAAP, and distribute that cash to the investors. The difference between the calculated liquidation distribution amounts at the beginning and the end of the reporting period, after adjusting for capital contributions and distributions, is ECT's share of the earnings or losses from the equity investment for the period.

Pre-Closing Corporate Structure

The following diagram illustrates the corporate structure of the Fund and the ownership of the Purchased Entities within the corporate structure of Enbridge, prior to the completion of the 2015 Transaction.



Legacy Assets represent the Fund's assets exclusive of those acquired in the 2015 Transaction.

The following table details Enbridge's direct ownership and indirect ownership, of Fund Units, ECT Preferred Units, EIPLP Class C Units and Common Shares prior to the 2015 Transaction.

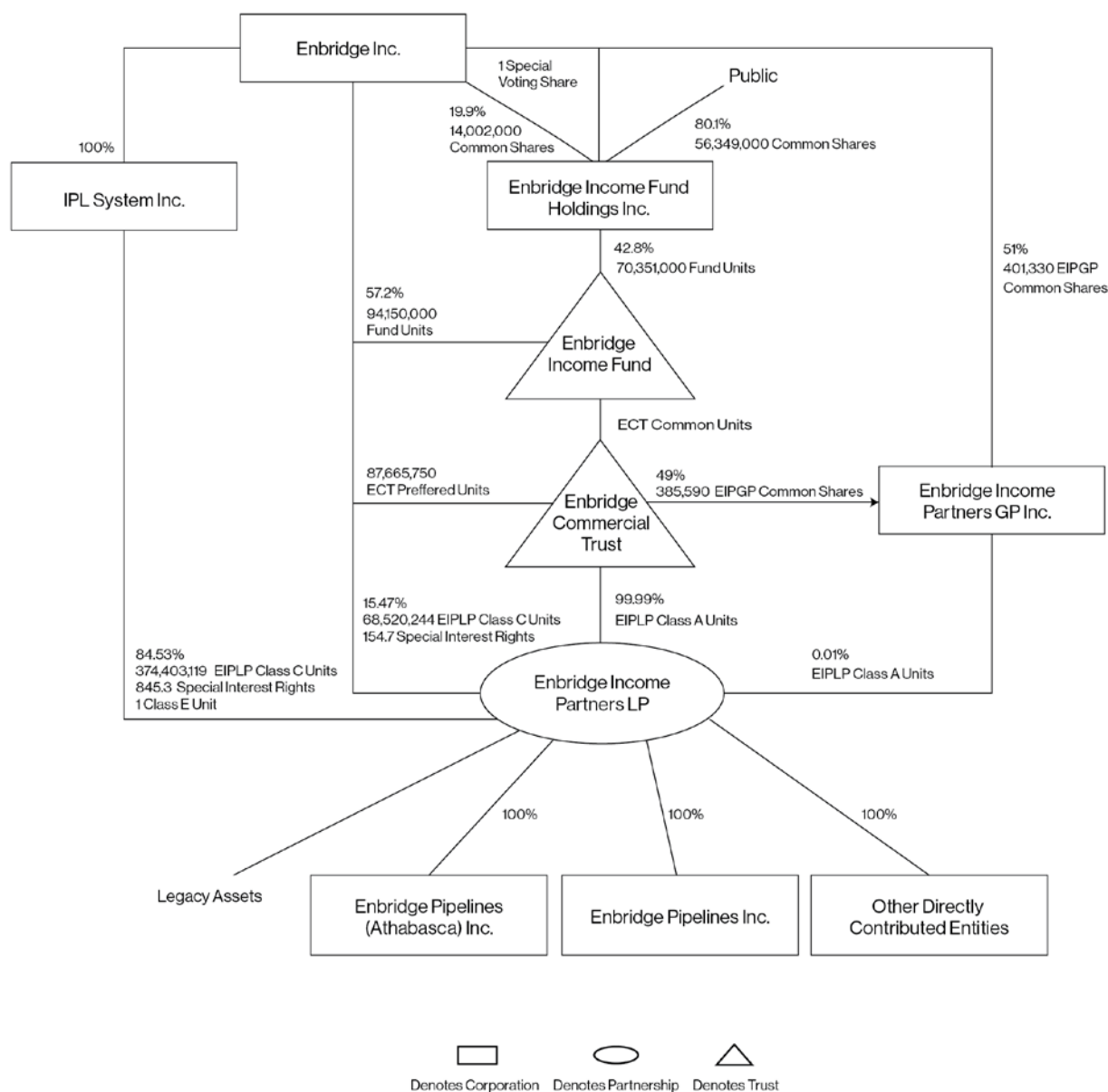
Fund Ownership	Enbridge Ownership Interest			Enbridge Economic Interest		
	Outstanding Units	Enbridge's Units	Enbridge Ownership %	Outstanding Units ¹	Enbridge's Units	Enbridge Ownership %
ENF Common Shares	70,351,000	14,002,000	19.9%	70,351,000	14,002,000	8.4%
Fund Units	79,851,000	9,500,000	11.9%	9,500,000	9,500,000	5.7%
ECT Common Units	168,854,837	-	-	-	-	-
ECT Preferred Units	87,665,750	87,665,750	100%	87,665,750	87,665,750	52.3%
EIPLP Units ²	245,391,504	-	-	-	-	-
				167,516,750	111,167,750	66.4%

1 Excluding units outstanding within the Fund structure.

2 Includes EIPLP Class A Units.

Post-Closing Corporate Structure

The following diagram illustrates the corporate structure of the Fund and the ownership of the Purchased Entities within the corporate structure of the Fund upon completion of the 2015 Transaction.



The following table details Enbridge's direct ownership and indirect ownership through IPL System and ENF, of Fund Units, ECT Preferred Units, EIPLP Class C Units and Common Shares subsequent to the 2015 Transaction.

Fund Ownership	Enbridge Ownership Interest			Enbridge Economic Interest		
	Outstanding Units	Enbridge's Units	Enbridge Ownership %	Outstanding Units ¹	Enbridge's Units	Enbridge Ownership %
ENF Common Shares	70,351,000	14,002,000	19.9%	70,351,000	14,002,000	2.0%
Fund Units	164,501,000	94,150,000	57.2%	94,150,000	94,150,000	13.6%
ECT Common Units	253,504,837	-	-	-	-	-
ECT Preferred Units	87,665,750	87,665,750	100%	87,665,750	87,665,750	12.6%
EIPLP Units ²	772,964,867	442,923,363	57.3%	442,923,363	442,923,363	63.7%
				695,090,113	638,741,113	91.9%

1 Excluding units outstanding within the Fund structure.

2 Includes EIPLP Class A and Class C units.

A summary of the impacts of the changes in accounting on the Fund's Statements of Earnings and Statements of Financial Position for the nine months ended and as at September 30, 2015 resulting from the 2015 Transaction are summarized in the table below:

	Six months ended June 30, 2015	July and August 2015 consolidated	September 2015 equity accounting	Nine months ended September 30, 2015	
<i>(millions of Canadian dollars)</i>					
Revenues		225	73	-	298
Expenses		(161)	(51)	-	(212)
Income from equity investments		86	22	(21)	87
Other income and expense		(46)	(2)	(7)	(55)
Earnings/(loss)		104	42	(28)	118

	June 30, 2015	Movement and Deconsolidation	September 1, 2015	2015 Transaction	September Movement	September 30, 2015
<i>(millions of Canadian dollars)</i>						
Current assets	163	459	622	-	(70)	552
Long-term assets	3,952	1,982	5,934	(4,259)	(59)	1,616
Current liabilities	241	(187)	54	-	31	85
Long-term liabilities	3,004	(375)	2,629	-	(75)	2,554
Mezzanine equity	5,692	(2,978)	2,714	3,000	(670)	5,044
Unitholders' deficit	(4,822)	5,981	1,159	(7,259)	585	(5,515)

In summary, the 2015 Transaction resulted in changes to the Fund's method of accounting for its investments in ECT and EIPLP from consolidation accounting to equity method accounting due to certain ownership and governance changes (the Accounting Impacts). These changes were applied prospectively from September 1, 2015, the closing date of the 2015 Transaction. The results of operations prior to September 1, 2015 were accounted for on a consolidated basis. Further, the 2015 Transaction resulted in the Fund having one operating segment subsequent to September 1, 2015. Accordingly, no operating segment information is presented. Prior to this date, the Fund had four operating segments: Liquids Transportation and Storage, Natural Gas Transmission, Green Power and Corporate.

For more details on the 2015 Transaction, refer to the *EIPLP Recent Developments* section of this MD&A.

THE 2014 TRANSACTION

On November 7, 2014, the Fund completed a transaction whereby indirect wholly-owned subsidiaries of the Fund acquired from Enbridge a 50% equity 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) for \$1.8 billion (the 2014 Transaction).

The Alliance US component of the 2014 Transaction was accounted for as a transaction among entities under common control, similar to a pooling of interests, whereby the assets and liabilities acquired were recorded at Enbridge's historic carrying values. Financial information for periods prior to November 7, 2014, the closing date of the 2014 Transaction, have been retrospectively adjusted to present the result

of operations for the Fund and its interests in Alliance US on a combined basis. The Southern Lights Class A Unit component of the 2014 Transaction was accounted for as a loan investment and did not require retrospective restatement.

EARNINGS

Earnings were \$14 million for the three months ended September 30, 2015, compared with \$35 million for the three months ended September 30, 2014. Included in the current period earnings were two months of consolidated earnings of \$42 million and one month of equity investment losses and corporate interest expense of \$28 million. Earnings were \$118 million for the nine months ended September 30, 2015, compared with \$124 million for the nine months ended September 30, 2014. Included in the current period earnings were eight months of consolidated earnings of \$146 million and one month of equity investment losses and corporate interest expense of \$28 million.

Earnings for the three and nine month periods ended September 30, 2015, decreased compared to the same periods of 2014 as a result of unrealized losses in the fair value of derivative instruments in both the eight month consolidated results and one month EIPLP earnings underpinning the Fund's equity pick up of ECT. Earnings for the current periods also decreased as a result of the 2015 Transaction which resulted in certain differences in accounting treatment for the Fund's indirect investment in EIPLP and direct investment in ECT as discussed in the *Overview*.

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 equity method investments and joint ventures, including management's assessment of the Fund's future plans and operations. 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", "likely" 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 future cash flows; expected capital expenditures; estimated future distributions; expectations regarding the impact of the 2015 Transaction; and distribution payouts.

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 (NGL) and renewable energy; prices of crude oil, natural gas, NGL 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; 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 ratings; expected earnings/(loss) or adjusted earnings/(loss); expected future cash flows; and estimated future distributions. Assumptions regarding the expected supply of and demand for crude oil, natural gas, NGL 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) or adjusted earnings/(loss), the impact of the 2015 Transaction or estimated future distributions. The most relevant assumptions associated with forward-looking statements on projects under construction, including estimated completion dates and expected capital expenditures, include the following: the 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 impact of 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. Adjusted earnings represents earnings adjusted for unusual, non-recurring or non-operating factors. These factors, referred to as adjusting items, are reconciled and discussed in the Earnings sections of the MD&A. Management believes the presentation of adjusted earnings provides useful information to investors and unitholders as it provides increased transparency and insight into the performance of the Fund. Management uses adjusted earnings to set targets and to assess the performance of the Fund. Adjusted earnings is not a measure that has standardized meaning prescribed by U.S. GAAP and is not considered a U.S. GAAP measure. Therefore, this measure may not be comparable with similar measures presented by other issuers. Please refer to the reconciliation between the GAAP and non-GAAP measure.

NON-GAAP RECONCILIATIONS

	Three months ended		Nine months ended	
	September 30,		September 30,	
	2015	2014	2015	2014
<i>(millions of Canadian dollars)</i>				
Earnings ¹	14	35	118	124
Adjusting items:				
Transaction costs ²	-	5	12	5
Alliance US retrospective accounting adjustments ³	-	(11)	-	(34)
Other ⁴	(11)	(8)	(22)	(5)
Adjusted earnings	3	21	108	90

¹ See Overview section.

² Includes transaction costs related to the 2015 Transaction and the 2014 Transaction.

³ In accordance with U.S. GAAP, earnings for the three and nine months ended September 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.

⁴ Primarily includes changes in unrealized derivative instrument fair value and changes in unrealized position on foreign currency translation on intercompany loan, occurring in the consolidation period.

Adjusted earnings were \$3 million and \$108 million for the three and nine months ended September 30, 2015, respectively compared with \$21 million and \$90 million for the three and nine month periods ended September 30, 2014.

The following factors impacted adjusted earnings:

- Adjusted earnings were higher for the nine months ended September 30, 2015 reflecting benefits from the 2014 Transaction following its close in November 2014.
- Adjusted earnings were lower for the three month ended September 30, 2015 as a result of the Accounting Impacts of the 2015 Transaction.
- In both the three and nine month periods ended September 30, 2015 adjusted earnings were impacted by higher interest expense on long-term debt incurred to partially finance the 2014 Transaction compared to the same periods of 2014.
- Also as a result of the 2014 Transaction, the Fund increased its distribution rate by 16%, resulting in higher fees paid to Enbridge.

EIPLP RECENT DEVELOPMENTS

CANADIAN LIQUIDS PIPELINES AND RENEWABLE ENERGY ASSETS TRANSACTION

On September 1, 2015, EIPLP completed the 2015 Transaction for \$30.4 billion plus incentive distribution and performance rights. The Liquids Pipelines Assets primarily consist of the Canadian Mainline, held through EPI, and the Regional Oil Sands System, held through EPAI.

The Canadian Mainline includes a number of large diameter crude oil, NGL and refined products pipelines receiving hydrocarbon liquids at, and making deliveries to, various locations in western Canada and connecting to the Lakehead System, which is owned by Enbridge Energy Partners, L.P., an affiliate of EIPLP, at the Canada/United States border near Gretna, Manitoba and Neche, North Dakota. The Canadian Mainline also includes a number of pipelines in eastern Canada. The Regional Oil Sands System includes a number of trunk line and lateral pipelines which collect synthetic crude oil and diluted bitumen from eight different producing oil sands projects for delivery to pipeline hub terminal locations at Edmonton and Hardisty, Alberta. The Renewable Energy Assets include interests in three operational wind farms in Quebec and one operational wind farm in Alberta.

Consideration

EIPLP acquired all of the issued and outstanding shares of each of the Purchased Entities from Enbridge and certain Enbridge subsidiaries. The aggregate purchase price payable by EIPLP to Enbridge consisted of approximately \$2.7 billion in cash and \$15.7 billion of units of EIPLP. EIPLP also assumed debt from the Purchased Entities with a book value of approximately \$11.7 billion.

To partially fund the 2015 Transaction, EIPLP issued 443 million Class C Units (EIPLP Class C Units) at a price of \$35.44 per unit. The EIPLP Class C Units have direct voting rights and are entitled to non-cumulative distributions equivalent to distributions declared on a unit of the Fund (Fund Unit). The holders of this class of units have an exchange right which allows for an exchange of the EIPLP Class C Units for Fund Units, preferred units of ECT (ECT Preferred Units) or common shares of ENF on a one-for-one basis at any time. As a result of the 2015 Transaction, the terms of the Fund Units and ECT Preferred Units were also amended to allow for an exchange of those units into common shares of ENF on a one-for-one basis at any time.

In addition, a portion of the consideration included Special Interest Rights (SIR) issued to Enbridge. The holders of the SIR are entitled to receive Incentive Distribution Rights (IDR) and Temporary Performance Distribution Rights (TPDR) distributions (collectively, SIR distributions) in priority to any distributions which are to be paid to holders of any other units, except the one Class E Unit issued by EIPLP (EIPLP Class E Unit), which is discussed below. The IDR includes a base annual incentive fee amount of \$7.9 million and is also entitled to 25% 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 existing incentive sharing formula) and is paid out of ECT. Distributions over \$1.890 per unit will be distributed from EIPLP.

The holders of the TPDR will receive a distribution equivalent to 33% 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, 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 SIR have no direct voting rights, except in limited circumstances. The SIR 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 into a class of cash paying units in the fourth year after issuance).

EIPLP also issued one Class E Unit at a value of approximately \$475 million to Enbridge. The EIPLP Class E Unit is entitled to a redemption amount approximately equal to the Enbridge Employee Services Canada Inc. Series A Preferred Shares after-tax redemption amount. The redemption amount will be paid in priority to all other distributions payable. The EIPLP Class E Unit has no voting rights, except in limited circumstances.

As a part of the 2015 Transaction, EIPGP entered an agreement with EMSI to delegate the execution of certain of its powers to the Manager under an Intercorporate Services Agreement. The Manager will be responsible for the operations and day-to-day management of the Purchased Entities as well as assets previously held by EIPLP. The Manager will also provide EIPLP administrative and general support services.

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 distributions from ECT 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 expense, and interest and principal repayments on the Fund's long-term debt. Sources of cash include distributions from ECT, 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 September 30, 2015.

At September 30, 2015 and December 31, 2014, the Fund had a \$500 million, 3-year standby committed credit facility with a syndicate of commercial banks. The facility includes an additional feature under which up to \$250 million of additional standby credit may be provided at the lender's consent on the same terms and conditions as the existing facility. At September 30, 2015, \$11 million (2014 - \$14 million) of the facility was utilized, reducing the net facility available to meet liquidity requirements to \$489 million at September 30, 2015 (2014 - \$486 million).

In August 2015, the Fund extended the maturity date of its existing \$500 million, 3-year standby committed credit facility to June 28, 2018. Further, in October 2015, the Fund increased this same credit facility with a syndicate of commercial banks to \$1,500 million.

The Fund is subject to several covenants under its credit facility, including covenants that limit outstanding debt to a percentage of the Fund's or EIPLP's capitalization. The Fund is in compliance with all covenants as at September 30, 2015.

Equity

In September 2015, the Fund issued 85 million ordinary trust units to Enbridge for gross proceeds of \$3,000 million to partially finance the 2015 Transaction. The Fund utilized the proceeds of \$3,000 million from the equity issued to Enbridge to invest in 85 million common units of ECT.

On October 13, 2015, ENF announced that it had entered into an agreement with a syndicate of underwriters for the purchase and distribution of 21,475,000 common shares at a price of \$32.60 per common share for gross proceeds of approximately \$700 million. The underwriters were also granted an over-allotment option giving them the right to acquire an additional 3,064,877 common shares up to 30 days after the closing date of the transaction. If exercised in full, the over-allotment option will generate incremental gross proceeds of approximately \$100 million. Concurrently, Enbridge subscribed for 5,335,000 ENF common shares for gross proceeds of approximately \$174 million, or 6,096,123 common shares for gross proceeds of approximately \$199 million, if the over-allotment option is fully exercised, to maintain its 19.9% ownership interest in the Company. The proceeds will be used to subscribe for

additional common units of the Fund and to ultimately fund the secured growth program acquired as part of the 2015 Transaction. The common share offering is expected to close on November 6, 2015.

Distributions

Effective with the November 2014 distribution, the Fund's monthly distribution rate increased to \$0.1574 per trust unit.

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. 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% of forward annual available cash flows from operations of the Fund Group.

MARKET PRICE RISK

The Fund's earnings, cash flows and other comprehensive income (OCI) are directly and indirectly, through its investment in EIPLP, 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 and cash flows 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 2018 at an average swap rate of 2.2%.

The Fund's earnings and cash flows 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 2.7%.

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

Foreign Exchange Risk

The Fund, through its investment in EIPLP, 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, through its investment in EIPLP, 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, through its investment in EIPLP,

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. A combination of qualifying and non-qualifying derivative instruments are used 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 earnings and comprehensive income.

	Three months ended		Nine months ended	
	September 30, 2015 ¹	2014 ¹	September 30, 2015 ¹	2014 ¹
<i>(millions of Canadian dollars)</i>				
Amount of unrealized gains/(loss) recognized in OCI				
Interest rate contracts	(28)	(4)	(37)	(17)
Foreign exchange contracts	1	1	2	1
Commodity contracts	1	1	1	1
Total unrealized gains/(loss) recognized in OCI	(26)	(2)	(34)	(15)
Amount of gains/(loss) reclassified from accumulated other comprehensive income (AOCI) to earnings <i>(effective portion)</i>				
Interest rate contracts ²	1	1	3	2
Commodity contracts ⁴	-	-	(1)	-
Total gains reclassified from AOCI to earnings <i>(effective portion)</i>	1	1	2	2
Amount of loss reclassified due to change to equity accounting				
Foreign exchange contracts	(3)	-	(3)	-
Commodity contracts	(2)	-	(2)	-
Total loss reclassified due to change to equity accounting	(5)	-	(5)	-
Amount of gains/(loss) from non-qualifying derivative instruments included in earnings				
Foreign exchange contracts ³	(37)	14	(77)	14
Total unrealized derivative instrument fair value gains/(loss) in earnings	(37)	14	(77)	14

¹ See Overview section.

² Reported within Interest Expense in the Statements of Earnings.

³ Reported within Other income/(expense) in the Statements of Earnings.

⁴ Reported within Electricity sales revenues in the 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 distributions from ECT, 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. The Fund is in compliance with all the terms and conditions of its committed credit facilities as at September 30, 2015. As a result, all credit facilities are available to the Fund and the banks are obligated to fund and have been funding the Fund under the terms of the credit facilities.

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.

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, the Fund uses observable market prices 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.

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 financial statements as a result of adopting this update.

Extraordinary and Unusual Items

Effective January 1, 2015, the Fund retrospectively 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 Statements of Earnings. There was no material impact to the 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, 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 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 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.

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. In July 2015, the effective date of the new standard was delayed by one year and the new standard is now 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
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
<i>(millions of Canadian dollars)</i>								
Revenue ¹	73	112	113	102	99	107	108	104
Earnings ²	14	34	70	26	35	41	48	33
Cash distributions declared ^{1,3}	79	79	79	72	56	56	56	56

¹ See Overview section.

² 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.

³ Cash distributions declared on trust units and ECT preferred units. The September 2015 cash distributions declared reflect distributions on trust units only due to the impacts of the 2015 Transaction.

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

- In the third quarter of 2015, revenues and earnings for the period decreased as a result of the 2015 Transaction as a result of certain governance and ownership changes which resulted in differences in accounting treatment for the Fund's indirect investment in EIPLP and direct investment in ECT as discussed in the *Overview*.
- 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 derecognition of regulatory balances 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 United States 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 \$0.1574 commencing with the November 2014 distribution.
- In the third quarter of 2014, the Fund incurred \$5 million of advisory fees and recorded an after-tax unrealized gain of \$9 million on foreign exchange in connection with the 2014 Transaction.
- First quarter 2014 earnings reflected \$4 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.
- Revenues and earnings generated by the green power assets 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 November 3, 2015
Enbridge Income Fund Holdings Inc. <i>(number of common shares outstanding)</i>	
Held by public	56,349,000
Held by Enbridge Inc.	14,002,000
	70,351,000
Enbridge Income Fund <i>(number of common units outstanding)</i>	
Held by Enbridge Inc.	94,150,000
Held by Enbridge Income Fund Holdings Inc.	70,351,000
	164,501,000

ENBRIDGE INCOME FUND

FINANCIAL STATEMENTS
(unaudited)

September 30, 2015

STATEMENTS OF EARNINGS

	Three months ended		Nine months ended	
	September 30,		September 30,	
	2015 ¹	2014 ²	2015 ¹	2014 ²
<i>(unaudited; millions of Canadian dollars)</i>				
Revenues				
Transportation and other services	44	58	170	174
Electricity sales	29	40	128	140
	73	98	298	314
Expenses				
Operating and administrative	13	22	61	53
Operating, management and administrative - affiliate	14	18	57	51
Depreciation and amortization	24	34	94	101
	51	74	212	205
Income from equity investments <i>(Note 4)</i>	22	24	86	109
Other income <i>(Note 7)</i>	1	33	87	106
Other income - affiliate	8	14	44	14
Interest expense	13	-	51	-
	(26)	(18)	(78)	(54)
Income taxes <i>(Note 8)</i>	18	53	190	175
	(4)	(18)	(72)	(51)
Earnings	14	35	118	124

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

1 Reflects the deconsolidation of Enbridge Commercial Trust and Enbridge Income Partners LP (Note 2).

2 Retrospectively adjusted to furnish comparative information related to the 2014 Transaction (Note 2).

STATEMENTS OF COMPREHENSIVE INCOME

	Three months ended		Nine months ended	
	September 30,		September 30,	
	2015 ¹	2014 ²	2015 ¹	2014 ²
<i>(unaudited; millions of Canadian dollars)</i>				
Earnings	14	35	118	124
Other comprehensive income/(loss), net of tax				
Change in unrealized loss on cash flow hedges	(29)	(3)	(37)	(16)
Other comprehensive loss from equity investees	(45)	-	(45)	-
Reclassification to earnings of cash flow hedges	1	1	3	3
Change in foreign currency translation adjustment	(38)	4	(9)	4
Other comprehensive income/(loss)	(111)	2	(88)	(9)
Comprehensive income/(loss)	(97)	37	30	115

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

1 Reflects the deconsolidation of Enbridge Commercial Trust and Enbridge Income Partners LP (Note 2).

2 Retrospectively adjusted to furnish comparative information related to the 2014 Transaction (Note 2).

STATEMENTS OF CHANGES IN UNITHOLDERS' EQUITY

	Nine months ended September 30,	
	2015 ¹	2014 ²
<i>(unaudited; millions of Canadian dollars)</i>		
Deficit		
Balance at beginning of period	(5,752)	(2,569)
Earnings	118	124
Enbridge Commercial Trust (ECT) preferred unit distributions	(110)	(88)
Distributions to trust unitholders	(126)	(80)
Redemption value adjustment attributable to ECT preferred units	661	(480)
Reversal of cumulative redemption value adjustment attributable to ECT preferred units <i>(Note 4)</i>	1,260	-
Redemption value adjustment attributable to trust units <i>(Note 6)</i>	1,143	(437)
The 2015 Transaction adjustments:		
Deconsolidation of September 1, 2015 opening retained earnings	4,718	-
Enbridge Income Partners LP equity of former owners of acquired interest <i>(Note 4)</i>	(7,259)	-
Equity investment other comprehensive income <i>(Note 4)</i>	(32)	-
Other	(16)	-
Equity of former owners of acquired interest	-	(29)
Balance at end of period	(5,395)	(3,559)
Accumulated other comprehensive loss		
Balance at beginning of period	(32)	(14)
Other comprehensive loss, net of tax	(88)	(9)
Balance at end of period	(120)	(23)
Total unitholders' deficit	(5,515)	(3,582)

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

1 Reflects the deconsolidation of Enbridge Commercial Trust and Enbridge Income Partners LP *(Note 2)*.

2 Retrospectively adjusted to furnish comparative information related to the 2014 Transaction *(Note 2)*.

STATEMENTS OF CASH FLOWS

	Three months ended		Nine months	
	September 30,		September 30,	
	2015 ¹	2014 ²	2015 ¹	2014 ²
<i>(unaudited; millions of Canadian dollars)</i>				
Operating activities				
Earnings	14	35	118	124
Depreciation and amortization	24	34	94	101
Cash distributions in excess of equity earnings	78	4	61	7
Deferred income taxes <i>(Note 8)</i>	6	13	54	28
Changes in unrealized derivative instrument fair value, net <i>(Note 7)</i>	36	-	77	-
Changes in unrealized position on foreign currency translation on intercompany loan	(44)	(14)	(99)	(14)
Gain on disposition	-	-	(22)	-
Other	3	2	4	6
Changes in operating assets and liabilities	79	(12)	113	(5)
	196	62	400	247
Investing activities				
Additions to property, plant and equipment	(5)	(15)	(34)	(25)
Proceeds from disposition	-	-	26	-
Long-term receivable from affiliate	12	-	10	-
Contributions to equity investees	(4)	-	(5)	(2)
Acquisition of long-term investment	(3,000)	-	(3,000)	-
Cash divested on deconsolidation <i>(Note 2)</i>	(118)	-	(118)	-
Additions to intangible assets	-	(1)	-	(1)
	(3,115)	(16)	(3,121)	(28)
Financing activities				
Net change in bank indebtedness	41	(76)	59	41
Net change in credit facility draws	(95)	(2)	(140)	(31)
Loans received from affiliates	2	3	10	11
Repayment of affiliate loans	-	-	-	(7)
ECT preferred unit distributions declared	(27)	(29)	(110)	(88)
Trust unit distributions declared	(51)	(26)	(126)	(80)
Trust units issued	3,000	-	3,000	-
Contributions received by acquired interest <i>(Note 2)</i>	-	26	-	26
Distributions paid by acquired interest <i>(Note 2)</i>	-	(19)	-	(55)
	2,870	(123)	2,693	(183)
Increase/(decrease) in cash and cash equivalents	(49)	(77)	(28)	36
Cash and cash equivalents at beginning of period	50	142	29	29
Cash and cash equivalents at end of period	1	65	1	65

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

- 1 Reflects the deconsolidation of Enbridge Commercial Trust and Enbridge Income Partners LP *(Note 2)*.
- 2 Retrospectively adjusted to furnish comparative information related to the 2014 Transaction *(Note 2)*.

STATEMENTS OF FINANCIAL POSITION

	September 30, 2015 ¹	December 31, 2014
<i>(unaudited; millions of Canadian dollars)</i>		
Assets		
Current assets		
Cash and cash equivalents	1	29
Accounts receivable and other, net	-	57
Accounts receivable from affiliates <i>(Notes 7 and 9)</i>	551	29
	552	115
Property, plant and equipment, net	-	2,226
Long-term receivable from affiliate <i>(Note 9)</i>	196	945
Long-term investment <i>(Note 4)</i>	1,313	434
Deferred amounts and other assets <i>(Notes 7 and 9)</i>	107	63
Intangible assets, net	-	26
Goodwill	-	29
Deferred income taxes	-	243
	2,168	4,081
Liabilities and unitholders' equity		
Current liabilities		
Bank indebtedness	-	10
Accounts payable and other <i>(Notes 7 and 9)</i>	49	70
Due to affiliates <i>(Notes 7 and 9)</i>	10	61
Distributions payable to affiliates <i>(Note 9)</i>	26	26
	85	167
Long-term debt	2,404	2,544
Other long-term liabilities <i>(Notes 7 and 9)</i>	150	71
Deferred income taxes	-	397
	2,639	3,179
ECT preferred units <i>(Note 4)</i>	-	3,499
Trust units <i>(Note 6)</i>	5,044	3,187
	5,044	6,686
Unitholders' deficit		
Deficit	(5,395)	(5,752)
Accumulated other comprehensive loss	(120)	(32)
	(5,515)	(5,784)
	2,168	4,081

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

¹ Reflects the deconsolidation of Enbridge Commercial Trust and Enbridge Income Partners LP *(Note 2)*.

NOTES TO THE INTERIM FINANCIAL STATEMENTS

(unaudited)

1. GENERAL BUSINESS DESCRIPTION

Enbridge Income Fund (the Fund) is an unincorporated open-ended trust established by a trust indenture under the laws of the Province of Alberta. Enbridge Management Services Inc. (EMSI), a wholly-owned subsidiary of Enbridge Inc. (Enbridge), administers the Fund. EMSI also serves as the manager of ECT, a wholly-owned investment of the Fund, Enbridge Income Partners LP (EIPLP), an indirect investment of the Fund and Enbridge Income Fund Holdings Inc. (ENF), a unitholder of the Fund. EIPLP is a partnership between Enbridge Income Partners GP (EIPGP), ECT and Enbridge.

The Fund, through its indirect investment in EIPLP, is involved in the generation, transportation and storage of energy through its liquids transportation and storage business, its 50% interest in the Canadian and United States segments of the Alliance Pipeline, which transports natural gas, and its interests in renewable and alternative power generation assets.

2. BASIS OF PRESENTATION

The accompanying unaudited interim financial statements of the Fund have been prepared in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP) for interim financial information. Accordingly, they do not include all of the information and footnotes required by U.S. GAAP for complete financial statements and should be read in conjunction with the Fund's audited consolidated financial statements and notes thereto for the year ended December 31, 2014. In the opinion of management, the interim 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 September 30, 2015 and results of operations and cash flows for the three and nine month periods ended September 30, 2015 and 2014. These interim 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 3, Changes in Accounting Policies. Amounts are stated in Canadian dollars unless otherwise noted.

THE 2015 TRANSACTION

On September 1, 2015, EIPLP acquired 100% interests in the following entities (collectively, the Purchased Entities) from Enbridge and certain subsidiaries for \$30.4 billion plus incentive distribution and performance rights (the 2015 Transaction):

- Enbridge Pipelines Inc. (EPI)
- Enbridge Pipelines (Athabasca) Inc. (EPAI)
- Enbridge Hardisty Storage Inc.
- Enbridge Southern Lights GP Inc.
- Enbridge Lac Alfred Wind Project GP Inc.
- Enbridge Massif du Sud Wind Project GP Inc.
- Enbridge Blackspring Ridge I Wind Project GP Inc.
- Enbridge Saint Robert Bellarmin Wind Project GP Inc.

The 2015 Transaction resulted in changes to the Fund's method of accounting for its investments in ECT and EIPLP from consolidation accounting to the equity method accounting. These changes were applied prospectively from September 1, 2015, the closing date of the 2015 Transaction. The results of operations prior to September 1, 2015 were accounted for on a consolidated basis.

The significant factors which resulted in the change to the equity method of accounting for each investment upon closing of the 2015 Transaction were:

- Enbridge received a contractual right to control the majority of the Board of Trustees of ECT. As a result, the Fund ceased to consolidate ECT as it was no longer the primary beneficiary of ECT nor did it control ECT.
- As part of the consideration for the 2015 Transaction, EIPLP issued Class C units to Enbridge reducing ECT's ownership percentage in EIPLP from 100% to 42.8%. Further, Enbridge acquired a 51% direct interest in EIPGP. EIPGP acts as the general partner of EIPLP with the right to manage, control and operate the businesses of EIPLP. As a result, ECT no longer controls EIPLP.

THE 2014 TRANSACTION

On November 7, 2014, the Fund completed a transaction whereby indirect wholly-owned subsidiaries of the Fund acquired from Enbridge a 50% equity interest in the United States portion 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) for \$1.8 billion (the 2014 Transaction).

The Alliance US component of the 2014 Transaction was accounted for as a transaction among entities under common control, similar to a pooling of interests, whereby the assets and liabilities acquired were recorded at Enbridge's historic carrying values. Financial information for periods prior to November 7, 2014 has been retrospectively adjusted to present the result of operations for the Fund and its interests in Alliance US on a combined basis. The Southern Lights Class A Unit component of the 2014 Transaction was accounted for as a loan investment and did not require retrospective restatement. Subsequent to the close of the 2015 Transaction and deconsolidation, these investments are accounted for by the Fund within the indirect equity investment in EIPLP.

The incremental effect of retrospectively adjusting the Fund's financial statements to include the results of operations of Alliance US for the periods prior to the 2014 Transaction is as follows:

	Three months ended September 30, 2014	Nine months ended September 30, 2014
<i>(millions of Canadian dollars)</i>		
Earnings		
Income from equity investments	18	56
Income taxes	(7)	(22)
Earnings	11	34
<i>(millions of Canadian dollars)</i>		
	Three months ended September 30, 2014	Nine months ended September 30, 2014
Cash (used in)/provided by operating activities	(7)	29
Cash used in financing activities	7	(29)
	-	-

3. 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 financial statements as a result of adopting this update.

Extraordinary and Unusual Items

Effective January 1, 2015, the Fund retrospectively 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 Statements of Earnings. There was no material impact to the 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 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 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.

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.

4. LONG-TERM INVESTMENT

INVESTMENT IN ECT

As a result of the 2015 Transaction, ECT determines its equity investment earnings from EIPLP using the Hypothetical Liquidation at Book Value (HLBV) method. ECT applies the HLBV method to its equity method investments where cash distributions, including both preference and residual distributions, are not based on the investor's ownership percentages. Under the HLBV method, a calculation is prepared at each balance sheet date to determine the amount that ECT would receive if EIPLP were to liquidate all of its assets, as valued in accordance with U.S. GAAP, and distribute that cash to the investors. The difference between the calculated liquidation distribution amounts at the beginning and the end of the reporting period, after adjusting for capital contributions and distributions, is ECT's share of the earnings or losses from the equity investment for the period.

Further upon closing of the 2015 Transaction, ECT reclassified its Preferred Units from mezzanine equity to liabilities. Accordingly, ECT reduced the recorded redemption value of its Preferred Units to their aggregate par value amount of \$1,578 million with the difference recorded to Unitholder's equity. Consequently, the Fund's long-term investment in ECT was increased by \$1,260 million representing the difference between the September 1, 2015 ECT Preferred Unit redemption amount and the ECT aggregate par value.

As September 30, 2015 the Fund owned 254 million (December 31, 2014 - 169 million) of ECT's issued and outstanding common units. Prior to September 1, 2015, ECT was a wholly-owned subsidiary of the Fund and was consolidated (Note 2).

	One month ended September 30, 2015
<i>(millions of Canadian dollars)</i>	
Balance at beginning of period ¹	4,434
Investment acquired	3,000
Reversal of redemption value adjustment attributable to ECT preferred units	1,260
The 2015 Transaction adjustments:	
EIPLP's excess purchase price over historical carrying value acquired	(7,259)
Equity investment other comprehensive income	(32)
Other	(16)
Equity investment income	(21)
Equity investment other comprehensive income	(13)
Distributions (Note 9)	(40)
Balance at end of period	1,313

¹ Includes the net book value of the net assets acquired by EIPLP in the 2015 Transaction and the deconsolidation of the net book value of the net assets to ECT's ownership percentage of EIPLP subsequent to the 2015 Transaction (Note 2).

INDIRECT INVESTMENT IN EIPLP

Prior to September 1, 2015, EIPLP was an indirect subsidiary of the Fund and was consolidated (Note 2). At September 30, 2015 the Fund, through its 100% ownership of ECT, owned 330 million (December 31, 2014 - 245 million) of EIPLP's issued and outstanding Class A common units.

	One month ended September 30, 2015
<i>(millions of Canadian dollars)</i>	
Balance at beginning of period ¹	7,773
Investment acquired	3,000
The 2015 Transaction adjustments:	
EIPLP's excess purchase price over historical carrying value acquired	(7,259)
Equity investment other comprehensive income	(32)
Other	(16)
Equity investment income	3
Equity investment other comprehensive income	(13)
Distributions	(54)
Balance at end of period	3,402

¹ Includes the net book value of the net assets acquired by EIPLP in the 2015 Transaction and the deconsolidation of the net book value of the net assets to ECT's ownership percentage of EIPLP subsequent to the 2015 Transaction (Note 2).

Summarized financial information of EIPLP, derived from EIPLP's unaudited consolidated financial statements prepared in accordance with U.S. GAAP, was as follows:

	Three months ended		Nine months ended	
	September 30,		September 30,	
	2015	2014	2015	2014
<i>(millions of Canadian dollars)</i>				
Revenues	180	358	1,127	1,778
Earnings/(loss)	(260)	14	(92)	586

	September 30, 2015	December 31, 2014
<i>(millions of Canadian dollars)</i>		
Current assets	656	693
Property, plant and equipment, net	20,573	18,856
Other non-current assets	3,718	3,747
Current liabilities	1,673	9,935
Long-term debt	5,433	3,429
Other long-term liabilities	9,869	2,851

Financial Statement Effects of Rate Regulation

A number of businesses within EIPLP are subject to regulation. EIPLP's significant regulated businesses and related accounting impacts are described below.

Canadian Mainline

Canadian Mainline includes the Canadian portion of the mainline system and is subject to regulation by the National Energy Board (NEB). Canadian Mainline tolls (excluding Lines 8 and 9) are currently governed by the 10-year Competitive Toll Settlement (CTS), which establishes a Canadian Local Toll for all volumes shipped on the Canadian Mainline and an International Joint Tariff for all volumes shipped from western Canadian receipt points to delivery points on the Lakehead System, the United States portion of the Mainline owned by an affiliate, and delivery points on the Canadian Mainline downstream of the Lakehead System. The CTS was negotiated with shippers in accordance with NEB guidelines, was approved by the NEB in June 2011 and took effect July 1, 2011. Under the CTS, a regulatory asset is recognized to offset deferred income taxes as a NEB rate order governing flow-through income tax treatment permits future recovery. No other material regulatory assets or liabilities are recognized under the terms of the CTS.

Southern Lights Pipeline

The Canadian portion of the Southern Lights Pipeline is regulated by the NEB. Shippers on the Southern Lights Pipeline are subject to long-term transportation contracts under a cost of service toll methodology. Toll adjustments are filed annually with the regulators.

Saskatchewan Gathering System

The Saskatchewan Gathering System is regulated by Saskatchewan Ministry of Economy. The Saskatchewan Gathering System follows a cost of service methodology. Tolls are subject to change from time to time based on differences between the estimated cost of service and actual costs incurred.

Alliance Pipeline

The Canadian segment of Alliance Pipeline (Alliance Canada) has tolls and tariffs regulated by the NEB and the Alliance US has tolls and tariffs regulated by the Federal Energy Regulatory Commission. 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. Prior to the 2015 Transaction, the financial statement effect of regulation to which Alliance Pipeline is subject was recorded within the Fund's equity accounting for its indirect investment in Alliance Pipeline. Subsequent to the close of the 2015 Transaction, the financial statement effect of regulation to which Alliance Pipeline is subject is recorded within the Fund's equity accounting for its indirect investment in EIPLP.

5. SEGMENTED INFORMATION

The changes in accounting resulting from the 2015 Transaction (*Note 2*) have been applied on a prospective basis and result in the Fund having one operating segment subsequent to September 1, 2015. Prior to this date, the Fund had four operating segments: Liquids Transportation and Storage, Natural Gas Transmission, Green Power and Corporate.

6. TRUST UNITS

Nine months ended September 30, <i>(millions of Canadian dollars, number of units in millions)</i>	2015		2014	
	Number of Units	Amount	Number of Units	Amount
Common trust units, beginning of period	80	3,187	66	1,535
Issued	85	3,000	-	-
Redemption value adjustment	-	(1,143)	-	437
Common trust units, end of period ¹	165	5,044	66	1,972

¹ Enbridge owned 94 million common trust units at September 30, 2015 (2014 - 10 million).

7. DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGING ACTIVITIES

MARKET PRICE RISK

The Fund's earnings, cash flows and other comprehensive income (OCI) are directly and indirectly, through its indirect investment in EIPLP, 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 and cash flows 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 2018 at an average swap rate of 2.2%.

The Fund's earnings and cash flows 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 2.7%.

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

Foreign Exchange Risk

The Fund, through its indirect investment in EIPLP, 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, through its indirect investment in EIPLP, 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, through its indirect investment in EIPLP, 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. A combination of qualifying and non-qualifying derivative instruments are used 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 September 30, 2015 or December 31, 2014.

The Fund enters into individual International Swaps and Derivatives Association, Inc. 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 Statements of Financial Position.

	Derivative Instruments used as Cash Flow Hedges	Non- Qualifying Derivative Instruments	Total Derivative Instruments as Presented	Amounts Available for Offset	Total Net Derivative Instruments
September 30, 2015					
<i>(millions of Canadian dollars)</i>					
Accounts receivable from affiliates					
Foreign exchange contracts	-	20	20	-	20
	-	20	20	-	20
Deferred amounts and other assets					
Foreign exchange contracts	-	99	99	-	99
	-	99	99	-	99
Accounts payable and other					
Interest rate contracts	(3)	-	(3)	-	(3)
Foreign exchange contracts	-	(20)	(20)	-	(20)
	(3)	(20)	(23)	-	(23)
Due to affiliates					
Interest rate contracts	(9)	-	(9)	-	(9)
	(9)	-	(9)	-	(9)
Other long-term liabilities					
Interest rate contracts	(49)	-	(49)	-	(49)
Foreign exchange contracts	-	(99)	(99)	-	(99)
	(49)	(99)	(148)	-	(148)
Total net derivative liability					
Interest rate contracts	(61)	-	(61)	-	(61)
Foreign exchange contracts	-	-	-	-	-
	(61)	-	(61)	-	(61)

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
<i>(millions of Canadian dollars)</i>					
Accounts receivable and other					
Commodity contracts	1	-	1	-	1
	1	-	1	-	1
Deferred amounts and other assets					
Foreign exchange contracts	1	-	1	-	1
Commodity contracts	1	-	1	-	1
	2	-	2	-	2
Accounts payable and other					
Interest rate contracts	(1)	-	(1)	-	(1)
Foreign exchange contracts	-	(4)	(4)	-	(4)
	(1)	(4)	(5)	-	(5)
Other long-term liabilities					
Interest rate contracts	(26)	-	(26)	-	(26)
Foreign exchange contracts	-	(21)	(21)	-	(21)
	(26)	(21)	(47)	-	(47)
Total net derivative asset/(liability)					
Interest rate contracts	(27)	-	(27)	-	(27)
Foreign exchange contracts	1	(25)	(24)	-	(24)
Commodity contracts	2	-	2	-	2
	(24)	(25)	(49)	-	(49)

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

September 30, 2015	2015	2016	2017	2018	2019	Thereafter
Interest rate contracts - short-term borrowings <i>(millions of Canadian dollars)</i>	84	301	326	319	1	-
Interest rate contracts - long-term borrowings <i>(millions of Canadian dollars)</i>	450	270	330	100	-	-
Foreign exchange contracts - U.S. dollar forwards - purchase <i>(millions of United States dollars)</i>	29	87	86	86	57	354
Foreign exchange contracts - U.S. dollar forwards - sell <i>(millions of United States dollars)</i>	29	87	86	86	57	354
December 31, 2014	2015	2016	2017	2018	2019	Thereafter
Interest rate contracts - short-term borrowings <i>(millions of Canadian dollars)</i>	321	301	326	319	1	-
Interest rate contracts - long-term borrowings <i>(millions of Canadian dollars)</i>	-	-	180	100	-	-
Foreign exchange contracts - U.S. dollar forwards - purchase <i>(millions of United States dollars)</i>	2	2	2	2	2	2
Foreign exchange contracts - U.S. dollar forwards - sell <i>(millions of United States dollars)</i>	98	87	86	86	57	354
Commodity contracts - power <i>(megawatts per hour)</i>	5	5	5	3	3	3

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 earnings and comprehensive income.

	Three months ended		Nine months ended	
	September 30,		September 30,	
	2015	2014	2015	2014
<i>(millions of Canadian dollars)</i>				
Amount of unrealized gain/(loss) recognized in OCI				
Interest rate contracts	(28)	(4)	(37)	(17)
Foreign exchange contracts	1	1	2	1
Commodity contracts	1	1	1	1
Total unrealized loss recognized in OCI	(26)	(2)	(34)	(15)
Amount of gain/(loss) reclassified from Accumulated other comprehensive income (AOCI) to earnings <i>(effective portion)</i>				
Interest rate contracts ¹	1	1	3	2
Commodity contracts ²	-	-	(1)	-
Total gains reclassified from AOCI to earnings <i>(effective portion)</i>	1	1	2	2
Amount of loss reclassified due to change to equity accounting				
Foreign exchange contracts	(3)	-	(3)	-
Commodity contracts	(2)	-	(2)	-
Total loss reclassified due to change to equity accounting	(5)	-	(5)	-

¹ Reported within Interest expense in the Statements of Earnings.

² Reported within Electricity sales revenues in the Statements of Earnings.

The estimated net amount of existing losses reported in AOCI that is expected to be reclassified to net income within the next 12 months is \$3 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		Nine months ended	
	September 30,		September 30,	
	2015	2014	2015	2014
<i>(millions of Canadian dollars)</i>				
Foreign exchange contracts ¹	(37)	14	(77)	14
Total unrealized derivative fair value gain/(loss)	(37)	14	(77)	14

¹ Reported within Other income/(expense) in the 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 its indirect investment in EIPLP, 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.

In August 2015, the Fund extended the maturity date of its existing \$500 million, 3-year standby committed credit facility to June 28, 2018. Further, in October 2015, the Fund increased this same credit facility with a syndicate of commercial banks to \$1,500 million.

On October 13, 2015, ENF announced that it had entered into an agreement with a syndicate of underwriters for the purchase and distribution of 21,475,000 common shares at a price of \$32.60 per common share for gross proceeds of approximately \$700 million. The underwriters were also granted an over-allotment option giving them the right to acquire an additional 3,064,877 common shares up to 30 days after the closing date of the transaction. If exercised in full, the over-allotment option will generate incremental gross proceeds of approximately \$100 million. Concurrently, Enbridge subscribed for 5,335,000 ENF common shares for gross proceeds of approximately \$174 million, or 6,096,123 common shares for gross proceeds of approximately \$199 million, if the over-allotment option is fully exercised, to maintain its 19.9% ownership interest in the Company. The proceeds will be used to subscribe for additional common units of the Fund and to ultimately fund the secured growth program acquired as part of the 2015 Transaction. The common share offering is expected to close on November 6, 2015.

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:

	September 30, 2015	December 31, 2014
<i>(millions of Canadian dollars)</i>		
Other ¹	119	3
	119	3

¹ Other is comprised of amounts due from affiliates.

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 September 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 did not have any financial instruments categorized as Level 3 as at September 30, 2015.

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:

	Level 1	Level 2	Level 3	Total Gross Derivative Instruments
September 30, 2015				
<i>(millions of Canadian dollars)</i>				
Financial assets				
Current derivative assets	-	20	-	20
Long-term derivative assets	-	99	-	99
Financial liabilities				
Current derivative liabilities	-	(32)	-	(32)
Long-term derivative liabilities	-	(148)	-	(148)
Total net liability	-	(61)	-	(61)

	Level 1	Level 2	Level 3	Total Gross Derivative Instruments
December 31, 2014				
<i>(millions of Canadian dollars)</i>				
Financial assets				
Current derivative assets	-	-	1	1
Long-term derivative assets	-	1	2	3
Financial liabilities				
Current derivative liabilities	-	(5)	-	(5)
Long-term derivative liabilities	-	(48)	-	(48)
Total net asset/(liability)	-	(52)	3	(49)

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

	Nine months ended September 30,	
	2015	2014
<i>(millions of Canadian dollars)</i>		
Level 3 net financial asset at beginning of period	2	-
Total gains/(losses), unrealized		
Included in OCI	-	1
Settlements	(2)	-
Level 3 net financial asset at end of period	-	1

The Fund's policy is to recognize transfers as at the last day of the reporting period. There were no transfers between levels as at September 30, 2015 and December 31, 2014.

FAIR VALUE OF OTHER FINANCIAL INSTRUMENTS

At September 30, 2015, the Fund's long-term debt had a fair value of \$2,470 million (December 31, 2014 - \$2,654 million). This fair value measurement has been classified as a Level 2 fair value measurement.

8. INCOME TAXES

Income tax expense included in earnings for the three months ended September 30, 2015 was comprised of current income tax recovery of \$2 million (2014 - \$5 million expense) and deferred income tax expense of \$6 million (2014 - \$13 million). Income tax expense included in earnings for the nine months ended September 30, 2015 comprised current income tax expense of \$18 million (2014 - \$23 million) and deferred income tax expense of \$54 million (2014 - \$28 million).

The effective tax rate for the three and nine months ended September 30, 2015 was 22.2% (2014 - 34%) and 37.9% (2014 - 29.1%), respectively. The most significant factor contributing to the effective tax rate decrease for the three months ended September 30, 2015 compared to the same period of 2014, was the Fund's change to the equity method of accounting (*Note 2*). The most significant factor contributing to the effective tax rate increase for the nine months ended September 30, 2015 compared to the same period of 2014, was the re-valuation of deferred income taxes given the 2% 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. 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.

9. RELATED PARTY TRANSACTIONS

Unless otherwise noted, all related party transactions have been measured at the exchange amount of consideration established and agreed to by the related parties. The 2015 Transaction and the 2014 Transaction were accounted for as transactions among entities under common control. See Note 2 for additional disclosure.

AFFILIATE BALANCES

As a result of the 2015 Transaction (*Note 2*), the majority of the Fund's affiliate balances are with ECT. Previously, these balances were eliminated on consolidation. At September 30, 2015, \$683 million was outstanding and was recorded in Accounts receivable from affiliate and Long-term receivable from affiliate.

September 30,	2015
<i>(millions of Canadian dollars)</i>	
Affiliate Demand Notes Receivable	
Non-interest bearing payable on demand	303
Floating interest rate payable on demand	184
	487
Affiliate Notes Receivable	
5.69% due June 22, 2017	96
7.00% due November 12, 2020	100
	196
	683

Interest income, recorded in Other income - affiliate, on the loans was \$1 million for the one month period ended September 30, 2015 and \$4 million was included in Accounts receivable from affiliate at September 30, 2015. Additionally, the Fund recorded \$40 million of distributions receivable from ECT in Accounts receivable from affiliate. Distribution income is recorded against the Fund's Investment in ECT (*Note 4*).

Trust unit distributions payable to ENF of \$11 million (December 31, 2014 - \$11 million) and to Enbridge of \$15 million (December 31, 2015 - \$1 million) were recorded as Distributions payable to affiliates. In the comparative period, Distributions payable to affiliates also included amounts due to Enbridge from ECT of \$14 million.

DERIVATIVE INSTRUMENTS

On September 1, 2015, the Fund entered into certain derivative instrument agreements with external counterparties. Concurrently, the Fund entered into offsetting derivative instrument agreements with EIPLP. At September 30, 2015, the Fund recorded a fair value related to these instruments in Accounts receivable from affiliates and Deferred amounts and other assets of \$20 million and \$99 million, respectively (*Note 7*). Further, the Fund recorded equal and offsetting fair values related to these instruments in Accounts payable and other and Other long-term liabilities (*Note 7*). Due to the offsetting nature of the instruments, there is no associated earnings impact. Due to affiliates also includes \$9 million related to an interest rate swap with an affiliate.