ENBRIDGE INCOME FUND

MANAGEMENT'S DISCUSSION AND ANALYSIS

March 31, 2015

MANAGEMENT'S DISCUSSION & ANALYSIS
FOR THE THREE MONTHS ENDED MARCH 31, 2015

This Management's Discussion and Analysis (MD&A) dated May 4, 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 months ended March 31, 2015, which are prepared in accordance with United States generally accepted accounting principles (U.S. GAAP). It should also be read in conjunction with the Fund's audited consolidated financial statements and notes thereto and MD&A for the year ended December 31, 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

	For the three months ended March 31,	
	2015	2014
(millions of Canadian dollars)		
Liquids Transportation and Storage	**(7.4)**	19.2
Natural Gas Transmission	**27.5**	20.1
Green Power	**28.5**	30.7
Corporate	**21.0**	(33.7)
	69.6	36.3
Retrospective Adjustments – Alliance US	**-**	11.5
Earnings	**69.6**	47.8

In November 2014, the Fund acquired a 50% 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 months ended March 31, 2014 include retrospective adjustments of $11.5 million 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 $69.6 million for the three months ended March 31, 2015 compared with $47.8 million for the three months ended March 31, 2014. The Fund's earnings increased quarter-over-quarter, however, the comparability of the Fund's earnings was impacted by a number of unusual, non-recurring or non-operating factors, including unrealized derivative fair value losses of $44.5 million, after tax. The Fund has a comprehensive long-term economic hedging program to mitigate foreign exchange exposures arising from U.S. dollar denominated cash flows from Alliance US and the Southern Lights Class A Units. The changes in unrealized mark-to-market accounting impacts from this hedging program create volatility in short-term earnings, but the Fund believes over the long-term it supports reliable cash flows. Another significant non-recurring factor which impacted the first quarter of 2015 was an unrealized foreign exchange gain on its U.S. dollar denominated intercompany loan which arose as a result of the financing for the 2014 Transaction. As the loan is denominated in U.S. dollars and the Fund has a Canadian dollar functional currency, the Fund recorded an unrealized, after-tax foreign exchange gain of $62.3 million. Excluding the impact of adjusting items, adjusted earnings for the first quarter of 2015 increased by $15.4 million to $52.5 million, as discussed below in *Adjusted Earnings*.

Forward-Looking Information

In the interest of providing the Fund's unitholders and potential investors with information about the Fund, its subsidiaries and joint ventures, including management's assessment of future plans and operations of the Fund, its subsidiaries and joint ventures, certain information provided in this MD&A constitutes forward-looking statements or information (collectively, "forward-looking statements").This information may not be appropriate for other purposes. Forward-looking statements are typically identified by words such as "anticipate", "expect", "project", "estimate", "forecast", "plan", "intend", "target", "believe" and similar words suggesting future outcomes or statements regarding an outlook. In particular, forward-looking statements included or incorporated by reference in this document include, but are not limited to:

- *expected costs related to projects under construction;*
- *expected scope and in-service dates for projects under construction;*
- *expected timing and amount of recovery of capital costs of assets;*
- *expected capital expenditures;*
- *expected future levels of demand for the Fund's products and services;*
- *expected future earnings and cash flows;*
- *expected approval, timing and impact of asset purchase and disposition transactions;*
- *expected throughput volumes on the Fund's pipeline systems;*
- *expected future actions of regulators;*
- *expected future distributions to unitholders and the taxability thereof; and*
- *expected cash available for distribution.*

Although the Fund believes that these forward-looking statements are reasonable based on the information available on the date such statements are made and processes used to prepare the information, such statements are not guarantees of future performance and readers are cautioned against placing undue reliance on forward-looking statements. By their nature, these statements involve a variety of assumptions, known and unknown risks and uncertainties and other factors, which may cause actual results, levels of activity and achievements to differ materially from those expressed or implied by such statements. Material assumptions include assumptions about: expected supply, demand and prices for crude oil, natural gas, natural gas liquids and green energy; expected exchange rates; inflation; interest rates; the availability and price of labour and construction materials; operational reliability; customer project approvals; maintenance of support and regulatory approvals for the Fund's projects and transactions; anticipated in-service dates and weather. Assumptions regarding the expected supply and demand of crude oil, natural gas, natural gas liquids and green energy, and the prices of these commodities, are material to and underlay all forward-looking statements. These factors are relevant to all forward-looking statements as they may impact current and future levels of demand for the Fund's products and services. Similarly, exchange rates, inflation and interest rates impact the economies and business environments in which the Fund operates, may impact levels of demand for the Fund's products, services and cost of inputs, and are therefore inherent in all forward-looking statements. Due to the interdependencies and correlation of these macroeconomic factors, the impact of any one assumption on a forward-looking statement cannot be determined with certainty, particularly with respect to expected earnings and associated per unit amounts, or estimated future distributions. The most relevant assumptions associated with forward-looking statements on projects under construction, including estimated in-service dates, and expected capital expenditures include: the availability and price of labour and construction materials; the effects of inflation on labour and material costs; the effects of interest rates on borrowing costs; and the impact of weather and customer and regulatory approvals on construction schedules.

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

NON-GAAP MEASURES

This MD&A contains references to adjusted earnings and cash available for distribution (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 March 31,	
	2015	2014
(millions of Canadian dollars)		
Earnings	**69.6**	47.8
Adjusting items[1,2]:		
Unrealized foreign exchange gain on intercompany loan	**(62.3)**	-
Changes in unrealized derivative fair value losses	**44.5**	-
Bakken Expansion - make-up rights adjustment	**(0.7)**	0.3
Transaction costs related to the Canadian Liquids Pipeline and Renewable Assets proposal from Enbridge	**1.4**	-
Retrospective accounting adjustments – Alliance US[3]	**-**	(11.5)
Greenwich Wind Facility transformer outage	**-**	0.5
Adjusted earnings	**52.5**	37.1

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 In accordance with U.S. GAAP, earnings for the three months ended March 31, 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 March 31,	
	2015	2014
(millions of Canadian dollars)		
Liquids Transportation and Storage	**39.7**	19.5
Natural Gas Transmission	**39.5**	20.1
Green Power	**28.5**	31.3
Corporate	**(55.2)**	(33.8)
Adjusted earnings	**52.5**	37.1

Adjusted earnings were $52.5 million for the three months ended March 31, 2015 compared with $37.1 million for the three-month period ended March 31, 2014.

The following factors impacted adjusted earnings.

- Adjusted earnings were higher quarter over quarter reflecting net 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 quarter over quarter, primarily as a result of a particularly strong first quarter 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.

CASH AVAILABLE FOR DISTRIBUTION

	Three Months Ended March 31,	
	2015	2014
(millions of Canadian dollars)		
Cash provided by operating activities	**75.5**	71.4
Liquids Transportation and Storage maintenance capital expenditures[1]	**(3.2)**	(0.6)
Southern Lights Class A Units distributions	**5.4**	-
Retrospective accounting adjustments – Alliance US[2]	**-**	(12.8)
Green Power maintenance capital expenditures[1]	**-**	(0.3)
Green Power joint venture cash distributed[3]	**0.2**	0.2
Greenwich Wind Facility transformer outage	**-**	0.5
Transaction costs related to the Canadian Liquids Pipeline and Renewable Assets proposal from Enbridge	**1.4**	-
Changes in operating assets and liabilities in the period[4]	**15.8**	15.6
Cash available for distribution[5]	**95.1**	74.0
Cash available for distribution is comprised of the following:		
Liquids Transportation and Storage operating income before depreciation and amortization	**57.9**	36.7
Liquids Transportation and Storage distributions from Southern Lights Class A Units	**5.4**	-
Liquids Transportation and Storage maintenance capital expenditures	**(3.2)**	(0.6)
Natural Gas Transmission distributions	**30.6**	19.5
Green Power operating income before depreciation and amortization	**44.3**	45.6
Green Power maintenance capital expenditures	**-**	(0.3)
Green Power joint venture distributions	**1.5**	1.4
Corporate management and administrative expense	**(9.5)**	(6.2)
Corporate interest expense	**(24.7)**	(16.3)
Corporate current income tax expense	**(7.2)**	(5.8)
Cash available for distribution[5]	**95.1**	74.0
ECT preferred unit distributions declared	**41.4**	29.4
Trust unit distributions declared	**37.7**	26.8
Cash distributions declared	**79.1**	56.2
Payout ratio	**83.2%**	75.9%

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 2014 period 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 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.

5 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 March 31,	
	2015	2014
(millions of Canadian dollars)		
Liquids Transportation and Storage	**60.1**	36.1
Natural Gas Transmission	**30.6**	19.5
Green Power	**45.8**	46.7
Corporate	**(41.4)**	(28.3)
Cash available for distribution	**95.1**	74.0

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.

The Fund's CAFD totaled $95.1 million for the three months ended March 31, 2015 compared with $74.0 million for the same period of the prior year, representing an increase of 28.5%. In addition to the same factors that impacted adjusted earnings, the increase in the Fund's CAFD was further attributable to distributions from the Southern Lights Class A Units, partially offset by higher maintenance capital expenditures than the comparable period of 2014.

RECENT DEVELOPMENTS

Canadian Liquids Pipelines and Renewable Assets Proposal

On March 31, 2015, Enbridge presented the Fund and Enbridge Income Fund Holdings Inc. with a formal proposal to transfer its Canadian Liquids Pipelines business and certain Canadian renewable energy assets to the Fund. The general terms and projected financial outcomes of the proposed transfer are consistent with those described in the December 3, 2014 announcement of the proposed Canadian restructuring plan. A joint special committee of independent directors was formed and independent financial, technical and legal advisors were retained to assess the proposal. The assets proposed to be transferred to the Fund include $16 billion of combined carrying value of Canadian Liquids Pipelines assets with an associated secured growth capital program of approximately $15 billion, plus $1 billion of renewable energy assets. If completed, the transaction would significantly increase the scale and scope of the Fund's business and provide a highly transparent source of long-term growth. Although the transaction is expected to close in mid-2015, there can be no assurance that it will be completed in the manner contemplated by Enbridge, or at all, or that market conditions will not materially alter the benefit contemplated by the proposal to either the Fund or Enbridge.

LIQUIDS TRANSPORTATION AND STORAGE

Disposition of Virden System

On April 10, 2015, the Fund entered into an agreement to sell certain Virden crude oil pipeline system assets to an unrelated party for proceeds of $26.0 million before closing costs. The carrying value of the assets at March 31, 2015 was approximately $4.3 million. The sale closed on May 1, 2015.

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 $27.0 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% 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
On July 15, 2013, Alliance Pipeline announced that beginning on August 15, 2013, customers began to contract to the Alliance Pipeline under Alliance's new services offering commencing December 2015. Alliance Pipeline outlined the services to be offered as well as the precedent agreement process to be followed. On May 22, 2014, Alliance Canada filed an application with the NEB for regulatory approval of its new services offering and the related tolls and tariff provisions required in Canada. Alliance US intends to file an application with the Federal Energy Regulatory Commission (FERC) in mid-2015 for its U.S. services. Given its unique ability to cost-effectively transport liquids rich natural gas and the supply growth in basins it runs through, it is expected that the Alliance Pipeline will be well-utilized for the foreseeable future. As of April 17, 2015, 100% of total targeted capacity has been secured through staged and un-staged receipt or full path services with an average contract length of almost five years.

FINANCIAL RESULTS

LIQUIDS TRANSPORTATION AND STORAGE

	For the three months ended March 31,	
	2015	2014
(millions of Canadian dollars)		
Adjusted Earnings[1]	**39.7**	19.5
Southern Lights Class A Units - changes in unrealized derivative fair value losses	**(47.8)**	-
Bakken Expansion - make-up rights adjustment	**0.7**	(0.3)
Earnings	**(7.4)**	19.2

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

Liquids Transportation and Storage adjusted earnings increased primarily as a result of $18.8 million in earnings recorded in respect of the Southern Lights Class A Units for the three months ended March 31, 2015. Liquids Transportation and Storage adjusted earnings also benefitted from a higher rate base for the Saskatchewan Gathering System compared to the same quarter of 2014.

	For the three months ended March 31,	
Throughput volume[1]	**2015**	2014
(thousands of barrels per day)		
Westspur System	**187.7**	176.2
Saskatchewan Gathering System	**150.1**	134.2
Weyburn System	**31.8**	31.5
Virden System	**20.6**	26.2
Bakken Expansion[2]	**64.5**	8.9

1 Totals are not presented as the same volumes can be transported through a combination of the pipelines comprising the Liquids Transportation and Storage segment.
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 months ended March 31, 2015 compared to the same period of the prior year as volumes returned from alternative transportation sources, which saw lower throughputs in the first quarter of 2014 due to increased use of rail by shippers.

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

- In order to manage foreign exchange exposure associated with the current and future U.S. dollar cash flows from the Southern Lights US Class A Units, the Fund implemented economic hedges upon closing the 2014 Transaction and recorded unrealized fair value losses of $47.8 million in the first quarter of 2015. The changes in unrealized mark-to-market accounting for the foreign exchange derivatives create volatility in short-term earnings, but the Fund believes that over the long-term, the program supports reliable cash flows.
- The Bakken Expansion has firm take-or-pay committed contracts which provide that committed shippers which do not utilize committed capacity in a given period receive make-up rights that entitle them to utilize unused capacity commitments for a period of twelve months. Committed shippers are only entitled to use make-up rights to the extent that their volumes exceed their minimum commitments for that period and spot shippers have not used the available capacity. For the three months ended March 31, 2015, the Fund recognized previously deferred revenue of $0.7 million, reflecting expected make-up rights utilization, compared to deferring revenue of $0.3 million in the comparative period of 2014.

NATURAL GAS TRANSMISSION

	For the three months ended March 31,	
	2015	2014
(millions of Canadian dollars)		
Adjusted Earnings[1]	**39.5**	20.1
Alliance Pipeline - Changes in unrealized derivative fair value losses[1]	**(12.0)**	-
Alliance Pipeline - Retrospective accounting adjustments[2]	**-**	11.5
Earnings	**27.5**	31.6

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 months ended March 31, 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.

	For the three months ended March 31,	
Throughput volume	**2015**	2014
(millions of cubic feet per day)		
Alliance Canada	**1,636.0**	1,652.0
Alliance US	**1,791.0**	1,728.0

Natural Gas Transmission adjusted earnings benefitted from the first full quarter of contribution from Alliance US during the three months ended March 31, 2015 as a result of closing the 2014 Transaction. Adjusted earnings within Sable NGL decreased during the first quarter of 2015 compared to the first quarter of 2014 when Sable NGL benefitted from wide differentials between the cost of natural gas in Western Canada and the sales price of natural gas in the Chicago area which arose due to abnormal winter weather conditions in the comparable period of 2014.

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

- Unrealized fair value losses on derivative instruments used to hedge U.S. dollar cash flows from Alliance US of $12.0 million.
- Retrospective restatement of earnings in relation to the 2014 Transaction.

GREEN POWER

	For the three months ended March 31,	
	2015	2014
(millions of Canadian dollars)		
Adjusted earnings[1]	**28.5**	31.3
Wind facilities - Greenwich Wind Facility transformer outage	**-**	(0.6)
Earnings	**28.5**	30.7

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

	For the three months ended March 31,	
	2015	2014
(thousands of megawatt hours produced)		
Wind facilities	**340.5**	360.4
Solar facilities	**32.9**	30.4
Waste heat facilities	**19.7**	20.5

Green Power adjusted earnings for the quarter ended March 31, 2015 decreased slightly as two of the wind facilities experienced lower wind resource than the corresponding period of 2014. The decrease was partially offset by strong solar irradiance at the Sarnia Solar Facility.

Green Power earnings were not impacted by any adjusting items for the first quarter of 2015.

CORPORATE

	For the three months ended March 31,	
	2015	2014
(millions of Canadian dollars)		
Interest expense	**(26.0)**	(17.6)
Management and administrative	**(9.5)**	(6.2)
Income taxes[1]	**(19.7)**	(10.0)
Adjusted corporate costs	**(55.2)**	(33.8)
Deferred tax recovery on changes in derivative fair value losses	**15.3**	-
Unrealized foreign exchange gain on intercompany loan, net of tax	**62.3**	-
Transaction costs related to the Canadian Liquids Pipelines and Renewable Assets proposal from Enbridge	**(1.4)**	-
Tax on Greenwich Wind Facility transformer outage	**-**	0.1
Corporate earnings/(costs)	**21.0**	(33.7)

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

In the quarter ended March 31, 2015, the increase in adjusted corporate costs over the corresponding period of 2014 was primarily driven by higher deferred income taxes resulting from an increased tax base as a result of the 2014 Transaction and additional interest expense incurred on long-term debt incurred to partially finance the 2014 Transaction.

Management and administrative expense included incentive fees of $8.6 million (2014 - $5.2 million) for the quarter ended March 31, 2015. Incentive fees are based on distributions declared by the Fund compared to a predetermined distribution target. As such, the increase in incentive fees was driven by the higher monthly distributions of $0.157 per unit effective with the November 2014 distribution as compared to $0.135 per unit in the first quarter of 2014.

Corporate costs were impacted by the following adjusting items:

- Deferred tax recoveries on the unrealized fair value losses with respect to the foreign exchange hedging program of $15.3 million.
- In financing the 2014 Transaction, the Fund provided a U.S. dollar loan to its new U.S.-based subsidiary. Since the loan is denominated in U.S. dollars and the Fund has a Canadian dollar functional currency, the Fund recorded an unrealized, after-tax foreign exchange gain of $62.3 million.
- Transaction costs, consisting of advisory fees, of $1.4 million were incurred in connection with the Canadian Liquids Pipelines and Renewable Assets proposal from Enbridge.

LIQUIDITY AND CAPITAL RESOURCES

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

Cash Requirements

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

Sources and Uses of Cash

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

Debt

Long-term debt consists of MTNs and a committed credit facility. No MTNs were issued during the quarter ended March 31, 2015.

At March 31, 2015, the Fund's credit facility was comprised of a $500.0 million, 3-year standby facility with a syndicate of commercial banks. The facility includes a feature under which up to $250.0 million of additional standby credit may be provided at the lender's consent on the same terms and conditions as the existing facility. At March 31, 2015, the Fund had letters of credit and an undrawn credit facility in the amounts of $11.0 million and $329.0 million, respectively, available to meet liquidity requirements.

The Fund is subject to several covenants under its credit facility, including a covenant that limits outstanding debt to a percentage of the Fund's consolidated capitalization. The Fund is in compliance with all covenants as at March 31, 2015.

Equity

No equity was issued during the first 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

The Fund's capital expenditures before changes in construction payable (including contributions to equity investees to fund expansion projects) were $17.8 million (2014 – $2.8 million) for the quarter ended

March 31, 2015, inclusive of $11.8 million (2014 – $0.5 million) incurred for the Fund's organic growth project, the Cromer Rail Interconnection Project. Maintenance capital expenditures for the Liquids Transportation and Storage segment totaled $3.2 million (2014 – $0.6 million) for the first quarter of 2015.

For the quarter ended March 31, 2015, cash distributions declared represented 83.2% of CAFD compared with 75.9% for the quarter ended March 31, 2014. 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

	For the three months ended March 31,	
	2015	2014
(millions of Canadian dollars)		
Cash provided by operating activities	**75.5**	71.4
Earnings	**69.6**	47.8
Cash distributions declared	**79.1**	56.2
Excess/(shortfall) of cash provided by operating activities over cash distributions declared	**(3.6)**	15.2
(Shortfall) of earnings over cash distributions declared	**(9.5)**	(8.4)

For the quarter ended March 31, 2015, cash provided by operating activities was lower than cash distributions declared by $3.6 million (2014 – $15.2 million excess). 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 $9.5 million lower than cash distributions for the quarter ended March 31, 2015 (2014 – $8.4 million). Earnings reflected non-cash items such as amortization of deferred financing costs, depreciation and deferred income taxes, all of which do not impact cash flow. Depreciation does not necessarily represent the cost of maintaining productive capacity; therefore, cash required for maintenance is generally lower than depreciation expense. Earnings for the quarter ended March 31, 2014 also included retrospective adjustments totaling $11.5 million.

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% 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 significantly 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 2.08%.

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 significantly 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 3.91%.

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.

	For the three months ended March 31,	
	2015	2014
(millions of Canadian dollars)		
Amount of unrealized gain/(loss) recognized in OCI		
Interest rate contracts	**(18.9)**	(8.3)
Foreign exchange contracts	**1.2**	0.4
Commodity contracts	**1.8**	(0.1)
Total unrealized loss recognized in OCI	**(15.9)**	(8.0)
Amount of gain/(loss) reclassified from accumulated other comprehensive income (AOCI) to earnings *(effective portion)*		
Interest rate contracts[1]	**0.9**	0.9
Foreign exchange contracts[2]	**(0.1)**	0.1
Commodity contracts[3]	**(0.5)**	(0.1)
Total gain reclassified from AOCI to earnings *(effective portion)*	**0.3**	0.9

1 Reported within Interest Expense in the Consolidated Statements of Earnings.
2 Reported within Other income 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. Cash flow from operations, in combination with available committed credit facilities and, if required, capital markets funding, is expected to be sufficient to meet the forecast liquidity and capital resource requirements of the Fund.

CREDIT RISK
Entering into derivative financial instruments may result in exposure to credit risk. Credit risk arises from the possibility that a counterparty will default on its contractual obligations. The Fund enters into risk management transactions only with institutions that possess investment grade credit ratings. Credit risk relating to derivative counterparties is mitigated by utilization of credit exposure limits, contractual requirements and frequent assessment of counterparty credit worthiness.

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

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

CRITICAL ACCOUNTING ESTIMATES
Regulation
Both Alliance 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 March 31, 2015, the Fund's net regulatory assets totaled $40.2 million (December 31, 2014 – $51.5 million).

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 Standard

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 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. The Fund is currently assessing the impact of the new standard on its consolidated financial statements. This accounting update is effective for financial statements issued for fiscal years beginning after December 15, 2015 on a retrospective basis.

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.

Extraordinary and Unusual Items

ASU 2015-01 was issued in January 2015 and eliminates the concept of extraordinary items from GAAP. Entities will no longer be required to separately classify and present extraordinary events in the income statement, net of tax, after income from continuing operations. 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 reporting periods beginning after December 15, 2015 and may be applied prospectively or retrospectively.

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, 2016 and may be applied on either a full or modified retrospective basis.

SELECTED QUARTERLY FINANCIAL INFORMATION

	2015	2014				2013		
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
(millions of Canadian dollars)								
Revenues	**113.1**	102.0	98.4	107.4	107.9	103.7	92.5	104.4
Earnings[1]	**69.6**	26.2	35.3	40.7	47.8	32.7	25.8	36.4
Cash distributions declared[2]	**79.1**	71.5	56.1	56.2	56.2	56.1	55.7	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 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 May 4, 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)

March 31, 2015

CONSOLIDATED STATEMENTS OF EARNINGS

Three months ended March 31,	**2015**	2014[1]
(unaudited; millions of Canadian dollars)		
Revenues		
Transportation and other services	**60.7**	55.3
Electricity sales	**52.4**	52.6
	113.1	107.9
Expenses		
Operating and maintenance	**15.4**	13.7
Management and administrative	**2.1**	0.9
Operating, management and administrative – affiliate	**21.7**	17.1
Depreciation and amortization	**34.5**	33.4
	73.7	65.1
	39.4	42.8
Income from equity investments	**38.9**	39.9
Other income *(Note 4)*	**11.7**	0.1
Other income – affiliate *(Note 4)*	**18.9**	0.1
Interest expense	**(26.0)**	(17.6)
	82.9	65.3
Income taxes *(Note 8)*	**(13.3)**	(17.5)
Earnings	**69.6**	47.8

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 March 31,	**2015**	2014[1]
(unaudited; millions of Canadian dollars)		
Earnings	**69.6**	47.8
Other comprehensive income/(loss)		
Change in unrealized loss on cash flow hedges, net of tax[2] *(Note 7)*	**(16.7)**	(8.1)
Reclassification of cash flow hedges to earnings, net of tax[3] *(Note 7)*	**0.4**	0.9
Change in foreign currency translation adjustment	**36.1**	2.9
Other comprehensive income/(loss)	**19.8**	(4.3)
Comprehensive income	**89.4**	43.5

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 expense was $0.8 million (2014 – $0.1 million) for the three months ended March 31, 2015.*
3 *Tax recovery was $0.1 million (2014 – nil) for the three months ended March 31, 2015.*

CONSOLIDATED STATEMENTS OF CHANGES IN UNITHOLDERS' EQUITY

Three months ended March 31,	**2015**	2014[1]
(unaudited; millions of Canadian dollars)		
Deficit		
Balance at beginning of period	**(5,752.5)**	(2,569.3)
Earnings	**69.6**	47.8
ECT preferred unit distributions	**(41.4)**	(29.4)
Distributions to trust unitholders	**(37.7)**	(26.8)
Redemption value adjustment attributable to ECT preferred units *(Note 5)*	**272.6**	(203.7)
Redemption value adjustment attributable to trust units *(Note 6)*	**248.4**	(185.4)
Equity of former owners of acquired interest	**-**	(18.3)
Balance at end of period	**(5,241.0)**	(2,985.1)
Accumulated other comprehensive loss		
Balance at beginning of period	**(31.6)**	(14.1)
Other comprehensive income/(loss), net of tax	**19.8**	(4.3)
Balance at end of period	**(11.8)**	(18.4)
Total unitholders' deficit	**(5,252.8)**	(3,003.5)

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 CASH FLOWS

Three months ended March 31,	**2015**	2014[1]
(unaudited; millions of Canadian dollars)		
Operating activities		
Earnings	**69.6**	47.8
Charges/(credits) not affecting cash		
Depreciation and amortization	**34.5**	33.4
Cash distributions less than equity earnings	**(7.8)**	(1.7)
Deferred income taxes *(Note 8)*	**6.1**	6.5
Changes in unrealized loss on derivative instruments, net *(Note 7)*	**59.8**	-
Unrealized gain on foreign currency translation of intercompany loan	**(71.4)**	-
Other	**0.5**	1.0
Changes in operating assets and liabilities *(Note 9)*	**(15.8)**	(15.6)
	75.5	71.4
Investing activities		
Additions to property, plant and equipment	**(14.8)**	(5.9)
Long-term receivable from affiliate	**5.7**	-
Contributions to equity investees	**(0.3)**	-
Additions to intangible assets	**(0.1)**	(0.1)
	(9.5)	(6.0)
Financing activities		
Net change in bank indebtedness	**(10.3)**	37.1
Net change in credit facility draws	**20.0**	5.1
Loans received from affiliates	**5.8**	5.6
Repayment of affiliate loans	**(2.5)**	(6.7)
ECT preferred unit distributions declared	**(41.4)**	(29.4)
Trust unit distributions declared	**(37.7)**	(26.8)
Distributions paid by acquired interest *(Note 3)*	**-**	(18.3)
	(66.1)	(33.4)
Increase/(decrease) in cash and cash equivalents	**(0.1)**	32.0
Cash and cash equivalents at beginning of period	**29.5**	29.0
Cash and cash equivalents at end of period	**29.4**	61.0

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)	**March 31, 2015**	December 31, 2014
Assets		
Current assets		
Cash and cash equivalents	**29.4**	29.5
Accounts receivable and other, net	**67.1**	57.2
Accounts receivable from affiliates	**44.0**	29.1
	140.5	115.8
Property, plant and equipment, net	**2,210.8**	2,225.7
Long-term receivable from affiliate	**1,005.5**	945.1
Long-term investments	**462.8**	433.8
Deferred amounts and other assets	**57.0**	63.3
Intangible assets, net	**27.0**	26.3
Goodwill	**28.8**	28.8
Deferred income taxes	**252.1**	242.6
	4,184.5	4,081.4
Liabilities and unitholders' equity		
Current liabilities		
Bank indebtedness	**-**	10.3
Accounts payable and other	**100.8**	70.6
Due to affiliates	**56.7**	61.2
Distributions payable to affiliates	**26.4**	26.4
	183.9	168.5
Long-term debt	**2,564.2**	2,544.1
Other long-term liabilities	**139.6**	70.6
Deferred income taxes	**385.0**	396.7
	3,272.7	3,179.9
ECT preferred units *(Note 5)*	**3,226.1**	3,498.7
Trust units *(Note 6)*	**2,938.5**	3,186.9
	6,164.6	6,685.6
Unitholders' deficit		
Deficit	**(5,241.0)**	(5,752.5)
Accumulated other comprehensive loss	**(11.8)**	(31.6)
	(5,252.8)	(5,784.1)
	4,184.5	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 March 31, 2015 and results of operations and cash flows for the three month periods ended March 31, 2015 and 2014. These interim consolidated financial statements follow the same significant accounting policies as those included in the Fund's audited consolidated financial statements as at and for the year ended December 31, 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 STANDARD

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 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. The Fund is currently assessing the impact of the new standard on its consolidated financial statements. This accounting update is effective for financial statements issued for fiscal years beginning after December 15, 2015 on a retrospective basis.

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.

Extraordinary and Unusual Items

ASU 2015-01 was issued in January 2015 and eliminates the concept of extraordinary items from GAAP. Entities will no longer be required to separately classify and present extraordinary events in the income statement, net of tax, after income from continuing operations. 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 reporting periods beginning after December 15, 2015 and may be applied prospectively or retrospectively.

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, 2016 and may be applied on either a full or modified retrospective basis.

3. ALLIANCE US

On November 7, 2014, the Fund acquired a 50% 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 of interests is as follows:

	Three months ended March 31, 2014
(unaudited; millions of Canadian dollars)	
Earnings	
Income from equity investments	19.1
Income tax expense	(7.6)
Earnings	11.5

	Three months ended March 31, 2014
(unaudited; millions of Canadian dollars)	
Cash provided from operating activities	18.3
Cash used in financing activities	(18.3)
	-

4. SEGMENTED INFORMATION

Three months ended March 31, 2015	Liquids Transportation and Storage	Natural Gas Transmission	Green Power	Corporate	Consolidated
(unaudited; millions of Canadian dollars)					
Transportation and other services	**60.7**	**-**	**-**	**-**	**60.7**
Electricity sales	**-**	**-**	**52.4**	**-**	**52.4**
Operating and maintenance	**(8.9)**	**-**	**(6.5)**	**-**	**(15.4)**
Management and administrative	**-**	**-**	**-**	**(2.1)**	**(2.1)**
Operating, management and administrative – affiliate	**(11.9)**	**-**	**(1.0)**	**(8.8)**	**(21.7)**
Depreciation and amortization	**(18.6)**	**-**	**(15.9)**	**-**	**(34.5)**
	21.3	**-**	**29.0**	**(10.9)**	**39.4**
Income from equity investments	**-**	**39.4**	**(0.5)**	**-**	**38.9**
Other income/(expense)[1]	**(47.5)**	**(12.0)**	**-**	**71.2**	**11.7**
Other income – affiliate[2]	**18.8**	**0.1**	**-**	**-**	**18.9**
Interest expense	**-**	**-**	**-**	**(26.0)**	**(26.0)**
Income taxes	**-**	**-**	**-**	**(13.3)**	**(13.3)**
Earnings	**(7.4)**	**27.5**	**28.5**	**21.0**	**69.6**
Total assets	**2,105.0**	**428.0**	**1,368.4**	**283.1**	**4,184.5**
Additions to property, plant and equipment	**14.6**	**-**	**0.2**	**-**	**14.8**
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 7).

2 Primarily related to the Class A Units of Enbridge SL Holdings L.P. and Southern Lights Holdings, L.L.C.

Three months ended March 31, 2014[1]	Liquids Transportation and Storage	Natural Gas Transmission	Green Power	Corporate	Consolidated
(unaudited; millions of Canadian dollars)					
Transportation and other services	55.3	-	-	-	55.3
Electricity sales	-	-	52.6	-	52.6
Operating and maintenance	(7.5)	-	(6.2)	-	(13.7)
Management and administrative	-	-	-	(0.9)	(0.9)
Operating, management and administrative – affiliate	(10.8)	-	(1.0)	(5.3)	(17.1)
Depreciation and amortization	(17.8)	-	(15.6)	-	(33.4)
	19.2	-	29.8	(6.2)	42.8
Income from equity investments	-	39.1	0.8	-	39.9
Other income	-	-	0.1	-	0.1
Other income – affiliate	-	0.1	-	-	0.1
Interest expense	-	-	-	(17.6)	(17.6)
Income taxes	-	(7.6)	-	(9.9)	(17.5)
Earnings	19.2	31.6	30.7	(33.7)	47.8
Total assets	1,109.5	409.5	1,418.2	34.0	2,971.2
Additions to property, plant and equipment	5.6	-	0.3	-	5.9
Goodwill	28.8	-	-	-	28.8

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

5. ECT PREFERRED UNITS

Three months ended March 31,	**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	**-**	**(118.3)**	-	106.9
Balance, end of period	**38.0**	**1,399.2**	38.0	991.7
ECT preferred units, series 2				
Balance, beginning of period	**16.1**	**640.6**	16.1	373.5
Redemption value adjustment	**-**	**(49.9)**	-	45.1
Balance, end of period	**16.1**	**590.7**	16.1	418.6
ECT preferred units, series 3				
Balance, beginning of period	**13.2**	**525.2**	13.2	306.2
Redemption value adjustment	**-**	**(40.9)**	-	37.0
Balance, end of period	**13.2**	**484.3**	13.2	343.2
ECT preferred units, series 4				
Balance, beginning of period	**5.2**	**208.8**	5.2	121.7
Redemption value adjustment	**-**	**(16.3)**	-	14.7
Balance, end of period	**5.2**	**192.5**	5.2	136.4
ECT preferred units, series 5				
Balance, beginning of period	**15.2**	**606.6**	-	-
Redemption value adjustment	**-**	**(47.2)**	-	-
Balance, end of period	**15.2**	**559.4**	-	-
Total ECT preferred units	**87.7**	**3,226.1**	72.5	1,889.9

6. TRUST UNITS

Three months ended March 31,	**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	**-**	**(248.4)**	-	185.4
Common trust units, end of period[1]	**79.9**	**2,938.5**	66.0	1,721.0

1 Enbridge owned 9.5 million common trust units at March 31, 2015 (2014 – 9.5 million).

7. 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 price risk). Formal risk management policies, processes and systems have been designed to mitigate these risks.

The following summarizes the types of market price risks to which the Fund is exposed and the risk management instruments used to mitigate 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 significantly 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 2.08%.

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 significantly 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 3.91%.

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.

TOTAL DERIVATIVE INSTRUMENTS

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

March 31, 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	**0.7**	**0.2**	**0.9**	**-**	**0.9**
	1.1	**0.2**	**1.3**	**-**	**1.3**
Deferred amounts and other assets					
Foreign exchange contracts	**1.7**	**-**	**1.7**	**-**	**1.7**
Commodity contracts	**2.4**	**0.3**	**2.7**	**-**	**2.7**
	4.1	**0.3**	**4.4**	**-**	**4.4**
Accounts payable and other					
Interest rate contracts	**(2.0)**	**-**	**(2.0)**	**-**	**(2.0)**
Foreign exchange contracts	**-**	**(15.4)**	**(15.4)**	**-**	**(15.4)**
Commodity contracts	**-**	**(0.2)**	**(0.2)**	**-**	**(0.2)**
	(2.0)	**(15.6)**	**(17.6)**	**-**	**(17.6)**
Other long-term liabilities					
Interest rate contracts	**(43.3)**	**-**	**(43.3)**	**-**	**(43.3)**
Foreign exchange contracts	**-**	**(69.5)**	**(69.5)**	**-**	**(69.5)**
Commodity contracts	**-**	**(0.4)**	**(0.4)**	**-**	**(0.4)**
	(43.3)	**(69.9)**	**(113.2)**	**-**	**(113.2)**
Total net derivative asset/(liability)					
Interest rate contracts	**(45.3)**	**-**	**(45.3)**	**-**	**(45.3)**
Foreign exchange contracts	**2.1**	**(84.9)**	**(82.8)**	**-**	**(82.8)**
Commodity contracts	**3.1**	**(0.1)**	**3.0**	**-**	**3.0**
	(40.1)	**(85.0)**	**(125.1)**	**-**	**(125.1)**

December 31, 2014	Derivative Instruments used as Cash Flow Hedges	Non-Qualifying Derivative Instruments	Total Gross Derivative Instruments as Presented	Amounts Available for Offset	Total Net Derivative Instruments
(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.

March 31, 2015	2015	2016	2017	2018	2019	Thereafter
Interest rate contracts - short-term borrowings *(millions of Canadian dollars)*	**249.2**	**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**	**1.6**
Foreign exchange contracts - U.S. dollar forwards – sell *(millions of United States dollars)*	**84.4**	**86.9**	**85.7**	**85.8**	**57.0**	**354.1**
Commodity contracts - power *(megawatts per hour)*	**6.4**	**4.8**	**4.3**	**2.8**	**2.8**	**3.0**

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 March 31,	
	2015	2014
(unaudited; millions of Canadian dollars)		
Amount of unrealized gain/(loss) recognized in OCI		
Interest rate contracts	**(18.9)**	(8.3)
Foreign exchange contracts	**1.2**	0.4
Commodity contracts	**1.8**	(0.1)
Total unrealized gain/(loss) recognized in OCI	**(15.9)**	(8.0)
Amount of gain/(loss) reclassified from AOCI to earnings *(effective portion)*		
Interest rate contracts[1]	**0.9**	0.9
Foreign exchange contracts[2]	**(0.1)**	0.1
Commodity contracts[3]	**(0.5)**	(0.1)
Total gain/(loss) reclassified from AOCI to earnings *(effective portion)*	**0.3**	0.9

1 Reported within Interest expense in the Consolidated Statements of Earnings.
2 Reported within Other income 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 $0.8 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 March 31,	
	2015	2014
(unaudited; millions of Canadian dollars)		
Foreign exchange contracts[1]	**59.8**	-
Total unrealized derivative fair value loss	**59.8**	-

1 Reported within Other income in the Consolidated Statements of Earnings.

LIQUIDITY RISK

Liquidity risk is the risk that the Fund will not be able to meet its financial obligations, including commitments, as they become due. In order to manage this risk, the Fund forecasts the cash requirements over the near and long term to determine whether sufficient funds will be available when required. The Fund's primary sources of liquidity and capital resources are funds generated from operations, draws under committed credit facilities and the issuance of medium term notes. The Fund maintains a current shelf prospectus with Canadian securities regulators, which enables, subject to market conditions, ready access to Canadian public capital markets. Cash flow from operations, in combination with available committed credit facilities and, if required, capital markets funding, is expected to be sufficient to meet the forecast liquidity and capital resource requirements of the Fund.

CREDIT RISK
Entering into derivative financial instruments may result in exposure to credit risk. Credit risk arises from the possibility that a counterparty will default on its contractual obligations. The Fund enters into risk management transactions only with institutions that possess investment grade credit ratings. Credit risk relating to derivative counterparties is mitigated by utilization of credit exposure limits, contractual requirements and frequent assessment of counterparty credit worthiness.

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

	March 31, 2015	December 31, 2014
(unaudited; millions of Canadian dollars)		
Enbridge affiliate	**5.7**	3.3
	5.7	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 March 31, 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 financial instruments, measured at fair value as follows:

March 31, 2015	Level 1	Level 2	Level 3	Total Gross Derivative Instruments
(unaudited; millions of Canadian dollars)				
Financial assets				
Current derivative assets	**-**	**0.4**	**0.9**	**1.3**
Long-term derivative assets	**-**	**1.7**	**2.7**	**4.4**
Financial liabilities				
Current derivative liabilities	**-**	**(17.4)**	**(0.2)**	**(17.6)**
Long-term derivative liabilities	**-**	**(112.8)**	**(0.4)**	**(113.2)**
Total net asset/(liability)	**-**	**(128.1)**	**3.0**	**(125.1)**

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 March 31, 2015 *(millions of Canadian dollars)*	**Unobservable Input**	**Minimum Price**	**Maximum Price**	**Weighted Average Price**	
Commodity Contracts – Financial[1]						
Power	3.0	Forward Power Price	30.75	63.80	44.34	$/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 March 31,	
	2015	2014
(unaudited; millions of Canadian dollars)		
Level 3 net financial asset/(liability) at beginning of period	**1.7**	(0.2)
Total gains/(losses), unrealized		
Included in OCI	**1.3**	(0.3)
Settlements	**-**	-
Level 3 net financial asset/(liability) at end of period	**3.0**	(0.5)

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

FAIR VALUE OF OTHER FINANCIAL INSTRUMENTS

At March 31, 2015, the Fund's long-term debt had a fair value of $2,594.8 million (December 31, 2014 – $2,654.4 million). This fair value measurement has been classified as a Level 2 fair value measurement.

At March 31, 2015, the fair value of long-term receivable from affiliate was equal to carrying value. 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 March 31, 2015 comprised current income tax expense of $7.2 million (2014 – $11.0 million) and deferred income tax expense of $6.1 million (2014 – $6.5 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 months ended March 31, 2015 was 16.0% (2014 – 26.8%). The most significant factors contributing to the decrease in the effective tax rate were the non-taxable portion of unrealized foreign exchange gains and the tax effect relating to the character of income distributed by the Fund partially offset by the effects of rate regulated accounting largely attributable to the Fund's investment in Alliance Canada.

9. CHANGES IN OPERATING ASSETS AND LIABILITIES

Three months ended March 31,	**2015**	2014[1]
(unaudited; millions of Canadian dollars)		
Accounts receivable and other, net	**(11.1)**	(8.8)
Accounts receivable from affiliates	**(13.3)**	0.7
Accounts payable and other	**12.1**	7.9
Due to affiliates	**(7.8)**	(15.3)
Deferred amounts and other assets	**4.3**	-
Other long-term liabilities	**-**	(0.1)
	(15.8)	(15.6)

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

10. SUBSEQUENT EVENT

On April 10, 2015, the Fund entered into an agreement to sell certain Virden crude oil pipeline system assets to an unrelated party for proceeds of $26.0 million before closing costs. The carrying value of the assets at March 31, 2015 was approximately $4.3 million. The sale closed on May 1, 2015.