ENBRIDGE INCOME FUND

MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2016

GLOSSARY

ACFFO	Available cash flow from operations
Alliance Pipeline US	United States portion of the Alliance Pipeline
EBIT	Earnings/(loss) before interest and taxes
ECT	Enbridge Commercial Trust
EIPLP	Enbridge Income Partners LP
Enbridge	Enbridge Inc.
ENF	Enbridge Income Fund Holdings Inc.
Fund Units	Ordinary trust units of the Fund
MD&A	Management's Discussion and Analysis
MTN	Medium-term note
the Fund	Enbridge Income Fund
the Fund Group	The Fund, ECT, EIPLP and the subsidiaries and investees of EIPLP
the Manager or EMSI	Enbridge Management Services Inc.
U.S. GAAP	Generally accepted accounting principles in the United States of America

MANAGEMENT'S DISCUSSION & ANALYSIS

This Management's Discussion and Analysis (MD&A) dated February 17, 2017 should be read in conjunction with the audited financial statements and notes thereto of Enbridge Income Fund (the Fund) as at and for the year ended December 31, 2016, prepared in accordance with generally accepted accounting principles in the United States of America (U.S. GAAP). Unless otherwise noted, all financial information is presented in Canadian dollars. Additional information related to the Fund, including its Annual Information Form, is available on SEDAR at www.sedar.com.

OVERVIEW

The Fund is an unincorporated open-ended trust established by a trust indenture under the laws of the Province of Alberta. The Fund, through its indirect investment in Enbridge Income Partners LP (EIPLP), is involved in the transportation, storage and generation of energy. EIPLP owns interests in liquids transportation and storage assets, including the Canadian Mainline, the Regional Oil Sands System, a 50% interest in the Alliance Pipeline, which transports natural gas from Canada to the United States, and interests in renewable and alternative power generation assets. EIPLP is a partnership between Enbridge Commercial Trust (ECT) and Enbridge Inc. (Enbridge).

The unitholders of the Fund are Enbridge Income Fund Holdings Inc. (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. The Fund is a member of the Fund Group, which also includes ECT, EIPLP and the subsidiaries and investees of EIPLP. The Fund owns a direct investment in ECT and an indirect investment in EIPLP. The financial performance of the Fund is underpinned by the results of EIPLP, which holds the underlying operating entities and investments of the Fund Group. Enbridge, through its wholly-owned subsidiary Enbridge Management Services Inc. (the Manager or EMSI), is responsible for the operations and day-to-day management of the Fund Group. The Manager also provides administrative and general support services to the Fund Group.

Enbridge's total economic interest in the Fund Group was 86.9% at December 31, 2016 and at February 17, 2017 based on its indirect interest in the Fund through ENF, its direct interest in the Fund through ordinary trust units of the Fund (Fund Units), its interest in preferred units of ECT (ECT Preferred Units) and its direct and indirect interest in units of EIPLP.

The financial performance of the Fund is a direct reflection of the performance of EIPLP, which owns all of the operating business held by the Fund Group. Readers are encouraged to read EIPLP's consolidated financial statements and MD&A which are filed under the Fund's profile on SEDAR at www.sedar.com.

THE 2015 TRANSACTION

On September 1, 2015, EIPLP acquired 100% interests in entities holding certain Canadian liquids pipelines, storage and renewable energy assets from Enbridge and certain of its subsidiaries for aggregate consideration of $30.4 billion plus incentive distribution and performance rights and working capital adjustments (the 2015 Transaction).

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 of 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. As such, the comparative period balances do not follow the same method of accounting as the current period and therefore lack comparability.

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.

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 Pipeline US) and subscribed for and purchased Class A Units of certain Enbridge subsidiaries which provide a defined cash flow stream from the United States portion of Southern Lights (Southern Lights Class A Units) for aggregate consideration of $1.8 billion (the 2014 Transaction). At the time of the 2014 Transaction, the Fund previously owned a 50% investment in the Canadian portion of the Alliance Pipeline.

ENBRIDGE INCOME FUND PERFORMANCE OVERVIEW

	Three months ended December 31,		Year ended December 31,		
	2016	2015	**2016**	2015	2014
(millions of Canadian dollars, except per unit amounts)					
Earnings[1]	**446**	2	**648**	120	150
Cash flow data					
Cash provided by operating activities	**370**	109	**733**	509	323
Cash provided by/(used in) investing activities	**522**	(874)	**(921)**	(3,995)	(1,806)
Cash provided by/(used in) financing activities	**(866)**	764	**194**	3,457	1,483
Distributions					
Fund Unit distributions declared	**117**	86	**454**	213	114
Fund Unit distribution per unit	**0.5376**	0.4723	**2.1504**	1.8892	1.6674
Total assets[2]			**3,246**	2,628	4,072
Total long-term liabilities[2]			**2,100**	2,218	3,003

1 Earnings include consolidated results for all periods prior to September 1, 2015.
2 As at December 31, 2016, 2015 and 2014.

EARNINGS

The Fund's earnings are primarily comprised of income from its indirect investment in EIPLP, reduced by incentive fees and preferred distributions paid to Enbridge by ECT. Earnings were $648 million for the year ended December 31, 2016, compared with $120 million and $150 million for the comparable periods of 2015 and 2014, respectively. Current year earnings include 12 months of equity investment income from ECT compared to the prior year which includes eight months of consolidated earnings of $146 million and four months of equity investment loss from ECT of $26 million, reflecting the changes in accounting discussed in *Overview – The 2015 Transaction*. As a result, 2016 earnings lack comparability to the prior year.

Additionally, the Fund's equity investment earnings for the current year were impacted by a number of unusual, non-recurring and non-operating factors in EIPLP's earnings, most notably a pre-tax gain of $850 million related to the disposition of the South Prairie Region assets in December 2016, changes in unrealized derivative fair value gains and losses, changes in unrealized position on foreign currency translation on a United States dollar intercompany loan receivable and pipelines and facilities restart costs incurred as a result of the northeastern Alberta wildfires.

Earnings for the three months ended December 31, 2016 were $446 million compared with $2 million for the three months ended December 31, 2015. The increase was primarily due to higher equity earnings in the fourth quarter of 2016 resulting from the gain on sale of the South Prairie Region assets discussed above.

CASH FLOWS

Cash provided by operating activities was $733 million for the year ended December 31, 2016 compared to $509 million and $323 million for the years ended December 31, 2015 and 2014, respectively. As a result of the 2015 Transaction, cash provided by operating activities lack comparability to prior years due to the Accounting Impacts.

Since the 2015 Transaction, the Fund's cash from operating activities is derived primarily from distributions received from ECT. These are underpinned by distributions from EIPLP and reflect the impacts to earnings, discussed above. In 2016, distributions paid by ECT to the Fund were $42 million higher than the equity earnings recognized by the Fund from ECT, which were impacted by the gain on sale of the South Prairie Region assets. EIPLP made a special one-time distribution to ECT utilizing proceeds from the sale and ECT in turn paid a distribution of $264 million to the Fund.

Cash used in investing activities and cash provided by financing activities for the year ended December 31, 2016 reflect the investment in additional common units of ECT (ECT Trust Units) and issuance of Fund Units, draws on the credit facility, repayment of medium-term notes (MTNs) and increased Fund Unit distributions. For the year ended December 31, 2015, cash used in investing activities and cash provided by financing activities reflect the investment in additional ECT Trust Units and issuance of Fund Units in association with the 2015 Transaction. Cash used in investing activities and cash provided by financing activities for the year ended December 31, 2014 reflect the investment in Alliance Pipeline US and Southern Lights Class A Units and the issuance of Fund Units, all in respect of the 2014 Transaction. Further details on cash used in investing activities and cash provided by financing activities are discussed in *Distributions* and *Liquidity and Capital Resources*.

The trends in cash provided by operating activities experienced during the fourth quarter of 2016 reflect the sale of the South Prairie Region assets discussed above. Cash provided by investing activities for the fourth quarter of 2016 reflected repayments from ECT of the demand notes receivable. Cash used in financing activities reflected repayment of credit facility draws and MTNs in the fourth quarter of 2016 using proceeds from the special one-time distribution from ECT discussed above. Fund Unit distributions also increased in the fourth quarter of 2016 as compared to the prior comparative period. For the three months ended December 31, 2015, cash used in investing activities and provided by financing activities are consistent with those discussed above for the corresponding annual period.

DISTRIBUTIONS

The Fund pays monthly distributions to its unitholders. Distributions for the year ended December 31, 2016 were declared at an annual aggregate rate of $2.1504 per unit representing total distributions of $454 million. Distributions for the years ended December 31, 2015 and 2014 were declared at an annual aggregate rate of $1.8892 per unit representing total distributions of $323 million, inclusive of distributions on the ECT Preferred Units owned by Enbridge prior to the close of the 2015 Transaction, and $1.6674 per unit representing total distributions of $240 million, respectively. The increases in distributions through the years were due to the increased number of Fund Units outstanding and increases to the distribution rates per Fund Unit.

FORWARD-LOOKING INFORMATION

Forward-looking information, or forward-looking statements, have been included in this MD&A to provide information about the Fund Group, including management's assessment of future plans and operations of the Fund Group. 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 information or statements included or incorporated by reference in this document include, but are not limited to, statements with respect to the following: earnings/(loss); adjusted earnings/(loss), adjusted earnings before interest and taxes (EBIT) or available cash flow from operations (ACFFO); cash flows; capital expenditures; capital requirements through 2017; organic growth opportunities beyond secured projects; impact of hedging program; future distributions to the Fund by ECT; use of proceeds from the sale of Fund Units; the filing of an MTN shelf prospectus; taxation of distributions; and future distributions and distribution targets.

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: supply, demand and prices for crude oil, natural gas, natural gas liquids (NGL) and renewable energy; exchange rates; inflation; Canadian pipeline export capacity; levels of competition; interest rates; availability and price of labour and construction materials; operational reliability; customer and regulatory approvals; maintenance of support and regulatory approvals for the Fund Group's projects; in-service dates; weather; the Fund Group's credit ratings; earnings/(loss); adjusted earnings/(loss) or adjusted EBIT; cash flows and ACFFO; and 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 level of demand for the Fund Group's services. Similarly, exchange rates, inflation and interest rates impact the economies and business environments in which the Fund Group operates and may impact level of demand for the Fund Group'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 earnings/(loss), adjusted earnings/(loss), adjusted EBIT, ACFFO or future distributions. The most relevant assumptions associated with forward-looking statements on projects under construction, including completion dates and capital expenditures include the following: availability and price of labour and construction materials; effects of inflation and foreign exchange rates on labour and material costs; effects of interest rates on borrowing costs; impact of weather; and customer, government and regulatory approvals on construction and in-service schedules and cost recovery regimes.

The Fund Group's forward-looking statements are subject to risks and uncertainties pertaining to operating performance, regulatory parameters, project approval and support, renewals of rights of way, weather, economic and competitive conditions, public opinion, changes in tax laws and tax rates, 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 Group'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 Group'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 Group or persons acting on the Fund Group's behalf, are expressly qualified in their entirety by these cautionary statements.

NON-GAAP MEASURES

This MD&A contains references to the Fund's adjusted earnings, EIPLP adjusted EBIT and EIPLP ACFFO. The Fund's adjusted earnings represent the Fund's earnings adjusted for unusual, non-recurring or non-operating factors, including unusual, non-recurring or non-operating factors underpinning the Fund's indirect equity earnings of EIPLP. EIPLP adjusted EBIT represent EIPLP's earnings before interest and income taxes, respectively, adjusted for unusual, non-recurring or non-operating factors on a consolidated basis. These factors, referred to as adjusting items, are reconciled and discussed in *Non-GAAP Reconciliation – Fund Earnings to Fund Adjusted Earnings* and *Enbridge Income Partners LP Performance Overview*.

EIPLP ACFFO represents EIPLP's cash available to fund distributions on EIPLP Class A and EIPLP Class C units, as well as for debt repayments and reserves. EIPLP ACFFO consists of EIPLP adjusted EBIT further adjusted for non-cash items, representing cash flow from EIPLP's underlying businesses, less deductions for maintenance capital expenditures, interest expense, applicable taxes and further adjusted for unusual, non-recurring or non-operating factors not indicative of the underlying or sustainable cash flows of the business. EIPLP ACFFO is important to unitholders as the Fund Group's objective is to provide a predictable flow of distributions to unitholders.

The Manager believes the presentation of the Fund's adjusted earnings, EIPLP adjusted EBIT and EIPLP ACFFO give useful information to investors and unitholders as they provide increased transparency and insight into the performance of the Fund Group. The Manager uses the Fund's adjusted earnings, EIPLP adjusted EBIT and EIPLP ACFFO to set targets, including the distribution payout target, and to assess the performance of the Fund Group. The Fund's adjusted earnings, EIPLP adjusted EBIT and EIPLP ACFFO are not measures that have standardized meanings prescribed by U.S. GAAP and are not U.S. GAAP measures. Therefore, these measures may not be comparable with similar measures presented by other issuers.

The tables below summarize the reconciliation of the GAAP and non-GAAP measures.

NON-GAAP RECONCILIATION – EARNINGS TO ADJUSTED EARNINGS

	Three months ended December 31,		Year ended December 31,		
	2016	2015	**2016**	2015	2014
(millions of Canadian dollars)					
Earnings[1]	**446**	2	**648**	120	150
Fund adjusting items:					
Adjusting items at EIPLP[2]	**(427)**	34	**(582)**	91	-
Transaction costs[3]	**-**	-	**-**	12	6
Alliance Pipeline US retrospective accounting adjustments[4]	**-**	-	**-**	-	(39)
Other[5]	**-**	-	**-**	(22)	(6)
Fund adjusted earnings	**19**	36	**66**	201	111

1 *See* Overview *for impacts of the 2015 Transaction and the 2014 Transaction.*
2 *Represents ECT's portion of the unusual, non-recurring or non-operating items within earnings of EIPLP.*
3 *Includes transaction costs related to the 2015 Transaction and the 2014 Transaction. Transaction costs include fees primarily related to financial, technical and legal advisors.*
4 *In accordance with U.S. GAAP, earnings for the year ended December 31, 2014 have been retrospectively adjusted to furnish comparative information related to Alliance Pipeline 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.*
5 *Primarily includes changes in unrealized derivative instrument fair value and changes in unrealized position on foreign currency translation on a United States dollar intercompany loan receivable.*

Adjusted earnings for the year ended December 31, 2016 were $66 million compared with $201 million for the year ended December 31, 2015 and $111 million for the year ended December 31, 2014. Adjusted earnings for the three months ended December 31, 2016 were $19 million compared with $36 million for the three months ended December 31, 2015. The Fund's adjusted earnings were impacted by the same factors impacting earnings, discussed previously; however, the Fund adjusted for ECT's portion of the unusual, non-recurring or non-operating items within earnings of EIPLP, the most noteworthy of which related to changes in unrealized derivative fair value gains and losses and a pre-tax gain of $850 million related to the sale of the South Prairie Region assets.

ENBRIDGE INCOME PARTNERS LP PERFORMANCE OVERVIEW

The performance of the Fund is ultimately derived from the underlying operating segments of its indirect investee EIPLP. These operating segments are strategic business units established by senior management to facilitate the achievement of EIPLP's long-term objectives and the objectives of EIPLP's partners, as well as to aid in resource allocation decisions and to assess operational performance. Financing costs, current and deferred income taxes and other costs not attributable to specific business segments are presented on a consolidated basis. An overview of EIPLP's operating segments, Liquids Pipelines, Gas Pipelines and Green Power, is provided below.

Liquids Pipelines Overview

Liquids Pipelines consists of common carrier and contract crude oil, NGL and refined products pipelines, feeder pipelines, gathering systems and terminals in Canada, including Canadian Mainline, Regional Oil Sands System, Southern Lights Pipeline, which includes Southern Lights Canada and Southern Lights Class A Units, Bakken System and Feeder Pipelines and Other.

Gas Pipelines Overview

Gas Pipelines includes EIPLP's 50% interest in the Alliance Pipeline system, which transports liquids-rich natural gas from northeast British Columbia, northwest Alberta and the Bakken area of North Dakota to Channahon, Illinois.

Green Power Overview

Green Power includes approximately 1,437 megawatts (MW) (1,052 MW net after taking into account third party interests) of renewable and alternative energy generating capacity from wind farms, solar facilities and waste heat recovery facilities located primarily in the provinces of Alberta, Saskatchewan, Ontario and Quebec.

Performance Overview
A summary of financial information of EIPLP derived from its consolidated financial statements prepared in accordance with U.S. GAAP is provided below. Readers are encouraged to read EIPLP's financial statements and MD&A which are filed on SEDAR at www.sedar.com under the Fund's profile.

	Three months ended December 31,		Year ended December 31,		
	2016	2015	**2016**	2015	2014
(millions of Canadian dollars, except per unit amounts)					
Earnings before interest and income taxes	**1,215**	387	**3,096**	448	942
Retrospective adjustments[1]	**-**	-	**-**	279	(684)
Changes in unrealized derivative fair value (gains)/loss	**87**	116	**(502)**	371	25
Gain on sale of South Prairie Region assets	**(850)**	-	**(850)**	-	-
Other	**20**	(25)	**143**	(165)	(35)
EIPLP adjusted EBIT[2]	**472**	478	**1,887**	933	248
EIPLP ACFFO[2]	**543**	509	**2,051**	986	367
Distributions					
Class A Unit distributions declared to ECT	**217**	169	**850**	546	349
Class A Unit distribution per unit	**0.5667**	0.4874	**2.2586**	1.9669	1.7621

1 *The impact of the retrospective adjustments related to the 2015 Transaction has been removed from EIPLP adjusted EBIT to reflect earnings generated under EIPLP's ownership prior to September 1, 2015. Retrospective adjustments also include the impacts of significant, unusual, non-recurring or non-operating factors included in the retrospectively adjusted amounts for U.S. GAAP purposes.*
2 *EIPLP adjusted EBIT and EIPLP ACFFO are non-GAAP measures that do not have a standardized meaning prescribed by U.S. GAAP. For more information, see* Non-GAAP Measures*.*

EIPLP Adjusted EBIT
The increase in EIPLP adjusted EBIT year-over-year is attributable to the substantial increase of EIPLP's asset base following the 2015 Transaction. The most notable assets contributing incremental EIPLP adjusted EBIT were the Canadian Mainline, due to expansion, as well as the reversal and expansion of Line 9B in the fourth quarter of 2015 and the Regional Oil Sands System, which benefitted from assets placed into service late in 2015. These incremental contributions were partially offset by the impact of extreme wildfires in northeastern Alberta and the combination of lower average International Joint Tariff (IJT) Residual Benchmark Tolls on the Canadian Mainline, which decreased effective April 1, 2016, and a lower foreign exchange rate on hedges used to convert Canadian Mainline United States dollar toll revenues to Canadian dollars. Also bolstering EIPLP's adjusted EBIT were higher contributions from its Gas Pipelines segment resulting from operational efficiencies achieved by Alliance Pipeline.

EIPLP adjusted EBIT for the fourth quarter decreased slightly in 2016 compared with the same period of 2015, reflecting increased volumes and the impact of the reversal and expansion of Line 9B, more than offset by a decrease in the Canadian Mainline IJT Residual Benchmark Toll and a lower rate on foreign exchange hedges of United States dollar toll revenue over the prior year, as discussed above. The IJT Residual Benchmark Toll is reset on an annual basis, effective April 1 of each year.

EIPLP ACFFO
Similar to adjusted EBIT, the year-over-year increase in EIPLP ACFFO was driven by the significant increase of EIPLP's asset base following the 2015 Transaction as well as stronger contributions from EIPLP's investment in Alliance Pipeline and lower current income taxes due to the optimization of tax deductions within the Fund Group. The respective increases were partially offset by higher maintenance capital expenditures and higher interest expense, both resulting from increased business activity associated with the increased asset base. EIPLP ACFFO was also negatively impacted by approximately $36 million as a result of the northeastern Alberta wildfires in the second quarter of 2016 and incentive distributions paid to Enbridge beginning in 2016. The fourth quarter of 2016 reflected similar operational trends as noted in the discussion on EIPLP adjusted EBIT.

EIPLP Distributions

EIPLP declares distributions to its partners on a monthly basis. The year-over-year increase in the distributions declared to ECT is a direct result of the units issued in connection with the 2015 Transaction and an increase in the distribution rate in 2016. In addition, EIPLP also paid a special one-time distribution to ECT of $264 million following the close of the disposition of the South Prairie Region assets in December 2016. The distributions received by ECT are used to fund the fees paid to Enbridge and distributions payable to its unitholders, Enbridge and the Fund.

Recent Developments

Disposition of South Prairie Region Assets

On December 1, 2016, EIPLP sold the South Prairie Region assets within Feeder Pipelines and Other to an unrelated party for cash proceeds of $1.08 billion. The proceeds from this transaction are expected to be sufficient to meet all of the Fund's currently anticipated capital requirements through 2017.

FUND GROUP OBJECTIVES AND STRATEGY

The Fund Group's objectives are to provide a predictable flow of distributable cash and to increase, where prudent, cash distributions through investment in and ongoing management of low risk energy infrastructure assets. The Fund Group's objectives and strategies are also aligned to support the corporate vision and strategies of its sponsor, Enbridge.

In order to achieve these objectives, the Manager relies on the following strategic priorities:

- Commitment to Safety and Operational Reliability;
- Strengthen Core Businesses;
- Focus on Project Management; and
- Preserve Financing Strength and Flexibility.

The Fund Group is closely focused on safety, system performance and operating effectiveness. The commitment to safety and operational reliability means achieving and maintaining industry leadership in safety (process, public and personal) and ensuring the operational reliability and integrity of the systems the Fund Group operates in order to generate, transport and deliver the energy society counts on while protecting the environment.

Within the Fund Group's Liquids Pipelines assets, strategies to strengthen the core business are focused on optimizing asset performance, strengthening stakeholder and customer relationships and providing access to new markets for production from western Canada, all while ensuring safe and reliable operations. The Fund Group's assets are strategically located and well-positioned to capitalize on opportunities. In 2016, despite unfavourable commodity market conditions, the Canadian Mainline delivered record volumes of crude, driven by strong supply and refinery demand in combination with efforts to maximize capacity and throughput as well as enhanced scheduling efficiency with shippers.

The Liquids Pipelines business that the Fund Group acquired in the 2015 Transaction is expected to have future organic growth opportunities beyond the current inventory of secured projects. The Fund Group will have a first right to execute any such projects that fall within the footprint of the Canadian Liquids Pipelines business.

Within the Gas Pipelines assets, the Fund Group seeks to optimize the competitive advantage of its existing asset footprint, as the Alliance Pipeline is well-positioned to provide liquids-rich gas transportation services to developing regions in northeastern British Columbia, northwestern Alberta and the Bakken. Alliance Pipeline successfully re-contracted its firm capacity with shippers under its new services framework that came into effect in December 2015. Long-term contracts have been secured through staged and non-staged receipt or full path services with an average contract length of approximately five years. In 2016, Alliance Pipeline benefitted from strong demand for seasonal firm services through its open season process.

Within the Green Power assets, strategies are driven by the objective to manage and maintain facilities in such a way as to maximize power generation and related revenues when the relevant wind, solar or waste heat energy resource is available.

The Manager will continue to assess ways to generate value for the Fund Group, including reviewing opportunities that may lead to acquisitions or other strategic transactions, some of which may be material and may involve Enbridge. Opportunities are screened, analyzed and assessed using strict operating, strategic and financial criteria with the objective of ensuring the effective deployment of capital and the enduring financial strength and stability of the Fund Group.

Preservation of financial flexibility will continue to be a strategic priority. Ongoing access to cost effective sources of debt and equity capital is critical to the successful execution of the Fund Group's strategy to expand existing assets and acquire or develop new energy infrastructure.

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 one year without having to access long-term capital markets.

SOURCES AND USES OF CASH

The Fund's primary uses of cash are distributions to unitholders, investments, administrative expense and interest and principal repayments on the Fund's long-term debt. Liquidity can be met through a variety of sources including cash distributions from ECT, new offerings of debt and equity, draws under the Fund's committed standby credit facilities, as well as loans from affiliates. The Fund expects to file a current shelf prospectus for MTNs with Canadian securities regulators in the first quarter of 2017, which will enable ready access to Canadian public capital markets, subject to market conditions.

In September 2016, the Fund's credit ratings were affirmed as follows:

- DBRS Limited affirmed the Fund's issuer rating and MTNs and unsecured debentures rating of BBB (high) with stable outlook.
- Moody's Investor Services, Inc. affirmed the Fund's corporate credit rating and unsecured debt rating of Baa2 with negative outlook.

Long-term Debt

Long-term debt consists of MTNs and a committed credit facility. As at December 31, 2016, the Fund had a $1,500 million committed credit facility, of which $225 million (2015 - nil) was drawn and letters of credit totalling $11 million (2015 - $11 million) were issued, leaving $1,264 million (2015 - $1,489 million) unutilized. The Fund must adhere to covenants under its credit facility agreement, including covenants that limit outstanding debt to a percentage of the Fund's and EIPLP's capitalization. The Fund was in compliance with all covenants as at December 31, 2016.

No MTNs were issued during the years ended December 31, 2016 and 2015.

For the years ending December 31, 2017 through December 31, 2021, MTN maturities are $325 million, $125 million, $300 million, $100 million and nil, respectively, and $1,225 million thereafter.

Equity
In April 2016, ENF completed a public equity offering of 20.4 million common shares at a price of $28.25 per share (the Offering Price) for gross proceeds of $575 million. Concurrent with the closing of the equity offering, Enbridge subscribed for 5.0 million ENF common shares at the Offering Price, for total proceeds of $143 million, on a private placement basis. ENF used the proceeds from the sale of its common shares to subscribe for 25.4 million Fund Units at the Offering Price for gross proceeds of $718 million.

ENF shareholders are able to participate in an amended Dividend Reinvestment and Share Purchase Plan (DRIP). Registration in the DRIP enables ENF shareholders to reinvest their dividends in ENF Common Shares at a 2% discount to market price and to make additional optional cash payments to purchase ENF Common Shares at the market price, free of brokerage or other charges. The issuance of common shares from treasury for dividends reinvested pursuant to the DRIP enables ENF to retain cash which it in turn uses to purchase additional Fund Units. For the year ended December 31, 2016, ENF retained approximately $49 million (2015 - $1 million) of cash in respect of reinvested dividends and optional cash payments from ENF's DRIP which was used to purchase 1.6 million (2015 - 25,918) Fund Units.

It is expected that the proceeds from the Fund Unit issuances will ultimately be used to fund the secured capital growth projects associated with the Canadian liquids pipelines assets owned by EIPLP.

Investments
During the second quarter of 2016, the Fund used the gross proceeds of $718 million from the Fund Unit issuances to ENF to invest in 25.4 million ECT common units. In turn, ECT used the proceeds to invest in 25.4 million Class A units of EIPLP, increasing the Fund's indirect investment in EIPLP to 46.0%. EIPLP used the proceeds to fund the secured capital growth projects within the Fund Group.

Distributions
Effective with the January 2016 distribution, the Fund's monthly distribution rate increased to $0.1792 per outstanding Fund Unit, representing aggregate distributions for the year of $454 million. During 2015, the Fund declared distributions on its outstanding Fund Units at a rate of $0.1574 per unit per month, representing aggregate distributions for the year of $213 million.

ANALYSIS OF CASH DISTRIBUTIONS DECLARED

Year ended December 31,	**2016**	2015	2014
(millions of Canadian dollars)			
Cash provided by operating activities[1]	**733**	509	323
Earnings[1]	**648**	120	150
Cash distributions declared	**454**	323	240
Excess of cash provided by operating activities over cash distributions declared	**279**	186	83
Excess/(shortfall) of earnings over cash distributions declared	**194**	(203)	(90)

1 For the year ended December 31, 2015, Cash provided by operating activities and Earnings reflect the Accounting Impacts of the 2015 Transaction, as discussed in Overview. *Cash provided by operating activities and Earnings for the year ended December 31, 2014 have been retrospectively adjusted by $53 million and $39 million, respectively, to furnish comparative information related to Alliance Pipeline US as prescribed by U.S. GAAP for common control transactions. These retrospective adjustments were not available to distribute by the Fund during those periods.*

For the year ended December 31, 2016, cash provided by operating activities exceeded cash distributions declared by $279 million (2015 - $186 million). Cash provided by operating activities includes the cash distributions received from the Fund's equity investments which may not be reflective of the income from the Fund's equity investments. Cash distributions received from the Fund's investments are the primary source of cash flow the Fund uses to pay distributions to its unitholders and service its long-term debt.

Earnings exceeded cash distributions by $194 million for the year ended December 31, 2016 (2015 - $203 million shortfall). Earnings reflected non-cash items such as income from equity investments and amortization of deferred financing costs. The comparative year also reflected depreciation, deferred income taxes and changes in unrealized derivative fair value gains and losses, all of which do not impact cash flow.

TAXATION OF DISTRIBUTIONS AND DIVIDENDS

Under Canadian tax laws, a component of the Fund's cash distributions is taxable in the hands of the unitholder, with the remaining portion treated as a return of capital. In addition, a portion of the distribution can take the form of a non-taxable intercorporate dividend.

SUSTAINABILITY OF DISTRIBUTIONS AND PRODUCTIVE CAPACITY

The current level of distributions may change based on the performance of the Fund's investments, the level of continued investment or the Fund's ability to raise capital. The ECT Board of Trustees periodically approves changes to distributions. Distributable cash flow is defined to generally mean cash from operating, investing and financing activities, less certain items, including repayment of any indebtedness required in the period and any cash withheld as a reserve as determined by the Manager.

The sustainability of the Fund's distributions is a function of several factors, including:

- the ability to economically obtain financing to fund growth;
- the ability to comply with covenants in debt agreements;
- the ability to repay or refinance debt as it comes due; and
- the performance of the businesses underpinning EIPLP's investments, including the demand for the services provided and the effective maintenance of the productive capacity of the asset base.

To the extent that ENF does not fund portions of the growth capital, Enbridge will be required until December 31, 2020 to provide the Fund Group with equity financing for such projects, unless the project is related to the Line 3 Replacement Program in which case Enbridge's obligation will be to fund the equity requirements for such project until it is placed into service.

QUARTERLY FINANCIAL INFORMATION

2016	**Q1**	**Q2**	**Q3**	**Q4**	**Total**
(millions of Canadian dollars, except per unit amounts)					
Income from equity investments	**238**	**5**	**27**	**477**	**747**
Earnings/(loss)	**216**	**(19)**	**5**	**446**	**648**
Cash distributions received in excess of/(less than) equity earnings	**(98)**	**123**	**102**	**(85)**	**42**
Cash distributions declared	**103**	**117**	**117**	**117**	**454**
Cash distributions declared per unit	**0.5376**	**0.5376**	**0.5376**	**0.5376**	**2.1504**

2015	Q1	Q2	Q3[1]	Q4	Total
(millions of Canadian dollars, except per unit amounts)					
Revenues	113	112	73	-	298
Income from equity investments[2]	39	47	1	28	115
Earnings	70	34	14	2	120
Cash distributions received in excess of/(less than) equity earnings	(8)	(9)	78	100	161
Cash distributions declared	79	79	79	86	323
Cash distributions declared per unit	0.4723	0.4723	0.4723	0.4723	1.8892

1 *The third quarter of 2015 includes two months accounted for on a consolidated basis and one month accounted for on an equity method basis as a result of the Accounting Impacts.*

2 *Includes income from the Fund's investment in ECT subsequent to the close of the 2015 Transaction and income from the Fund's investment in Alliance Pipeline prior to the close of the 2015 Transaction recorded within Income from equity investment in ECT and Income from other equity investments on the Statements of Earnings.*

As a result of the Accounting Impacts of the 2015 Transaction, quarterly information presented for periods prior to the close of the 2015 Transaction on September 1, 2015 are presented on a consolidated basis and quarterly information presented for periods subsequent to the close of the 2015 Transaction are presented on an equity method basis. Further, cash distributions declared prior to September 1, 2015 include distributions on both the Fund Units and ECT Preferred Units. Subsequent to September 1, 2015, cash distributions declared include only distributions on the Fund Units.

Therefore, the Fund's quarterly results before and after September 1, 2015 lack comparability and the analysis of the quarterly results described below has been segregated between the equity method basis period and the consolidated basis period.

EQUITY METHOD BASIS

Several factors impact comparability of the Fund's financial results on a quarterly basis through its indirect investment in EIPLP, including, but not limited to, fluctuations in market prices such as foreign exchange rates and commodity prices, disposals of investments or assets and the timing of in-service dates of new projects.

EIPLP actively manages its exposure to market risks including, but not limited to, interest rates, commodity prices and foreign exchange rates. To the extent derivative instruments used to manage these risks are non-qualifying for the purposes of applying hedge accounting, changes in unrealized derivative fair value gains and losses on these instruments will impact earnings.

In addition to the impacts of changes in unrealized derivative fair value gains and losses outlined above, the following significant items have impacted quarterly financial information:

- The fourth quarter of 2016 includes the sale of South Prairie Region assets, which closed on December 1, 2016 resulting in a pre-tax gain of $850 million within EIPLP. Following the sale, a one-time cash distribution of $264 million was received from ECT.
- The second quarter of 2016 includes reduced equity earnings from EIPLP due to the northeastern Alberta wildfires. Also in the second quarter of 2016, the Fund issued 25.4 million Fund Units increasing the total cash distributions declared.
- In the first quarter of 2016, the monthly Fund Unit distribution rate increased to $0.1792 commencing with the January 2016 distribution.
- In the fourth quarter of 2015, cash distributions received from the Fund's investment in ECT were in excess of the equity earnings received from the same investment reflecting the significant cash generating ability in the underlying asset base.
- In the third quarter of 2015, revenues and earnings for the period decreased due to the Accounting Impacts.

CONSOLIDATED BASIS

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

- In the first quarter of 2015, the Fund realized a full quarter of 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.

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 *Overview* for additional information.

As a result of the 2015 Transaction, the majority of the Fund's affiliate balances are with ECT. Previously, these balances were eliminated on consolidation.

DEMAND NOTES RECEIVABLE FROM ENBRIDGE COMMERCIAL TRUST

December 31,	**2016**	2015
(millions of Canadian dollars)		
Non-interest bearing note, due on demand from ECT	**-**	303
Floating interest rate note, due on demand from ECT	**654**	148
	654	451

For the year ended December 31, 2016, Other income – affiliates included interest income of $8 million (2015 - $1 million) related to the floating interest rate note payable from ECT. Both the non-interest bearing note receivable and the floating interest rate note receivable are due on demand.

ACCOUNTS RECEIVABLE FROM AFFILIATES

December 31,	**2016**	2015
(millions of Canadian dollars)		
Distributions receivable from ECT	**43**	44
Accounts receivable from ECT	**2**	13
Accounts receivable from EPI	**-**	12
Other accounts receivable from affiliates	**-**	3
	45	72

For the year ended December 31, 2016, the Fund's investment in ECT reflects $789 million of distributions (2015 - $168 million) and $718 million of contributions (2015 - $3,874 million).

For the year ended December 31, 2015 and 2014, Other income – affiliates included $51 million and $6 million, respectively, of interest income related to the Southern Lights Class A Units long-term receivable which were subscribed for and purchased as part of the 2014 Transaction.

LONG-TERM NOTES RECEIVABLE FROM ENBRIDGE COMMERCIAL TRUST

December 31,	**2016**	2015
(millions of Canadian dollars)		
5.69% due June 22, 2017 from ECT[1]	**96**	96
7.00% due November 12, 2020 from ECT	**100**	100
	196	196

1 *This note receivable has been classified as non-current on the Statements of Financial Position as the maturity date is expected to be extended prior to maturity.*

For the year ended December 31, 2016, Other income – affiliates included $13 million (2015 - $4 million) of interest income related to the long-term notes receivable from ECT.

DISTRIBUTIONS PAYABLE TO AFFILIATES

As at December 31, 2016, Distributions payable to affiliates included Fund Unit distributions payable to ENF of $22 million (2015 - $15 million) and to Enbridge of $17 million (2015 - $15 million).

DUE TO AFFILIATES

Under the management and administrative agreements with EMSI, an incentive fee is payable annually from ECT to EMSI based on cash distributions above a base distribution level. For the year ended December 31, 2016, no incentive fees were recorded as the Fund no longer consolidates ECT. Prior to September 1, 2015, the results of ECT's operations were accounted for on a consolidated basis and incentive fees of $23 million were recorded within Operating and administrative expense – affiliate on the Statements of Earnings for both the years ended December 31, 2015 and 2014.

The Fund does not have any employees and prior to September 1, 2015, wholly-owned subsidiaries of the Fund used the services of Enbridge for managing and operating the businesses. For the year ended December 31, 2016, no service fees were recorded as the Fund no longer consolidates ECT. Prior to September 1, 2015, the results of operations from the Fund's wholly-owned subsidiaries were accounted for on a consolidated basis and the service fees of $34 million and $48 million were recorded for the years ended December 31, 2015 and 2014, respectively, were recorded within Operating and administrative expense – affiliate on the Statements of Earnings.

These services were charged at cost in accordance with the service agreements.

OTHER AFFILIATE TRANSACTIONS

During 2016, the Fund paid $24 million (2015 - $28 million; 2014 - $14 million) for share issue costs incurred in connection with the public offering of 20.4 million common shares (2015 - 21.5 million common shares; 2014 - 11 million subscription receipts) by ENF.

On September 1, 2015, the Fund entered into interest rate derivative instrument agreements with Enbridge to limit the Fund Group's exposure to interest rate fluctuations in addition to its pre-existing external agreements. The Fund also had existing foreign exchange derivative instrument agreements with external counterparties and offsetting foreign exchange derivative instrument agreements with a wholly-owned subsidiary of EIPLP. The net affiliate derivative instrument balance was $45 million asset (2015 - $2 million asset).

In November 2014, the Fund received an $878 million loan from Enbridge, a related party by virtue of its ownership of ECT Preferred Units and Fund Units, to partially finance the purchase of Southern Lights Class A Units and Alliance Pipeline US. Interest expense on this loan of $2 million was incurred by the Fund for the year ended December 31, 2014 and had been paid in full as at December 31, 2014. The subscription price for the Southern Lights Class A Units was at a fixed exchange rate of Canadian dollars to the United States dollar price. Given exchange rates on the date of closing, the Fund recorded a realized foreign exchange gain of $22 million in the fourth quarter 2014.

RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

Maintaining a reliable and low risk business model is central to the Fund Group's objective of paying out a predictable cash flow to unitholders. The Fund Group actively manages both financial and non-financial risks it is exposed to. The Fund Group 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 Group 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 Group's CFAR limit has been set at 2.5% of forward annual available cash flows from operations of the Fund Group.

INTEREST RATE RISK
The Fund's earnings, cash flows and other comprehensive income (OCI) are exposed to short term interest rate variability due to the regular repricing of its variable rate debt, primarily credit facilities. Floating to fixed interest rate swaps are used to hedge against the effect of future interest rate movements. The Fund has implemented a program to mitigate the volatility of short-term interest rates on interest expense with the execution of floating to fixed rate interest rate swaps at an average swap rate of 2.5%.

The Fund's earnings, cash flows and OCI are also exposed to variability in longer term interest rates ahead of anticipated fixed rate debt issuances. Forward starting interest rate swaps may be used to hedge against the effect of future interest rate movements. The Fund has implemented a program to mitigate its exposure to long-term interest rate variability on select forecast term debt issuances with the execution of floating to fixed interest rate swaps at an average swap rate of 3.1%.

The Fund uses qualifying derivative instruments to manage interest rate 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.

Year ended December 31,	**2016**	2015[1]	2014[1]
(millions of Canadian dollars)			
Amount of unrealized gains/(loss) recognized in OCI			
Interest rate contracts	**(44)**	(43)	(29)
Foreign exchange contracts	**-**	2	1
Commodity contracts	**-**	1	3
	(44)	(40)	(25)
Amount of (gains)/loss reclassified from accumulated other comprehensive loss (AOCI) to earnings *(effective portion)*			
Interest rate contracts[2]	**6**	5	4
Commodity contracts[4]	**-**	(1)	(1)
	6	4	3
Amount of loss reclassified due to change to equity accounting			
Foreign exchange contracts	**-**	(3)	-
Commodity contracts	**-**	(2)	-
Total loss reclassified due to change to equity accounting	**-**	(5)	-
Amount of loss reclassified from AOCI to earnings *(ineffective portion and amount excluded from effectiveness testing)*			
Interest rate contracts[2]	**13**	4	-
Amount of unrealized loss from non-qualifying derivatives included in earnings			
Foreign exchange contracts[3]	**-**	(77)	(25)

1 See Overview *for impacts of the 2015 Transaction and the 2014 Transaction.*
2 *Reported within Interest expense in the Statements of Earnings.*
3 *Reported within Other income 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 its indirect investment in EIPLP, draws under committed credit facilities, issuance of MTNs and the issuance of Fund Units. The Fund expects to file a current MTN shelf prospectus with Canadian securities regulators in the first quarter of 2017, which will enable, subject to market conditions, ready access to Canadian public capital markets. Additional liquidity, if necessary, is expected to be available through intercompany transactions with Enbridge or other related entities.

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 credit exposure limits and contractual requirements, netting arrangements and ongoing monitoring of counterparty credit exposure using external credit rating services and other analytical tools.

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.

GENERAL BUSINESS RISKS

Readers are referred to EIPLP's risk factor disclosure under the headings "General Business Risks" and "Risk Management and Financial Instruments" in EIPLP's MD&A.

The following are certain risk factors relating to the activities of the Fund.

Future Distributions

Distributions declared on the Fund Units are wholly-dependent on the declaration of distributions by ECT. ECT's distribution declarations are in turn wholly-dependent on the declaration of distributions by EIPLP. Future distribution payments by the Fund and the level thereof are uncertain as the Fund's distributions practices and the funds available for the payment of distributions from time to time will be dependent upon, among other things, operating cash flow generated by EIPLP and its respective operations and investments, financial requirements for the Fund and its investments' operations and the Fund Group's ability to execute its growth strategy.

Availability of Financing

If the Fund pays out a high proportion of the distributions received from ECT to unitholders by way of distributions, it may have to enter into financings or other transactions involving the issuance of securities by the Fund in order to obtain funds for business purposes. An inability to raise new debt and equity capital may limit the Fund Group's ability to grow and execute its business plan. The issuance of equity securities may also be dilutive to unitholders. To the extent that ENF does not fund portions of the growth capital, Enbridge will be required until December 31, 2020 to provide the Fund Group with equity financing for such projects, unless the project is related to the Line 3 Replacement Program in which case Enbridge's obligation will be to fund the equity requirements for such project until it is placed into service.

CHANGES IN ACCOUNTING POLICIES

ADOPTION OF NEW STANDARDS

Simplifying the Presentation of Debt Issuance Costs

Effective January 1, 2016, the Fund adopted Accounting Standards Update (ASU) 2015-03 on a retrospective basis which, as at December 31, 2015, resulted in a decrease in Deferred amounts and other assets of $7 million and a corresponding decrease in Long-term debt of $7 million. The new standard requires debt issuance costs related to a recognized debt liability to be presented in the Statements of Financial Position as a direct deduction from the carrying amount of that debt liability, consistent with the presentation of debt discounts or premiums. Further, effective January 1, 2016, the Fund adopted ASU 2015-15 which clarifies that debt issuance costs associated with line-of-credit arrangements may be deferred as an asset and subsequently amortized over the term of the arrangement. The adoption of ASU 2015-15 did not have a material impact on the Fund’s financial statements.

Amendments to the Consolidation Analysis

Effective January 1, 2016, the Fund adopted ASU 2015-02 on a modified retrospective basis, which amended and clarified the guidance on variable interest entities (VIEs). There was a significant change in the assessment of limited partnerships and other similar legal entities as VIEs, including the removal of the presumption that the general partner should consolidate a limited partnership. As a result, the Fund has determined that the limited partnership that is currently equity accounted for is a VIE. The amended guidance did not impact the Fund’s accounting treatment of the entity, however, material disclosures for VIEs have been provided, as necessary.

Development Stage Entities

Effective January 1, 2016, the Fund adopted ASU 2014-10, relating to the amendment eliminating the exception to the sufficiency of equity at risk criteria for development stage entities on a retrospective basis. The new criteria amended the consolidation guidance to eliminate the development stage entity relief when applying the VIE model and evaluating the sufficiency of equity at risk. The adoption of the pronouncement did not have a material impact on the Fund’s financial statements.

FUTURE ACCOUNTING POLICY CHANGES

Clarifying the Definition of a Business in an Acquisition

ASU 2017-01 was issued in January 2017 with the intent of clarifying the definition of a business with the objective of adding guidance to assist entities with evaluating whether transactions should be accounted for as acquisitions (disposals) of assets or businesses. The Fund is currently assessing the impact of the new standard on the financial statements. The accounting update is effective for annual and interim periods beginning on or after December 15, 2017 and is to be applied on a prospective basis.

Accounting for Intra-Entity Asset Transfers

ASU 2016-16 was issued in October 2016 with the intent of improving the accounting for the income tax consequences of intra-entity asset transfers other than inventory. Under the new guidance, an entity should recognize the income tax consequences of an intra-entity transfer of an asset, other than inventory, when the transfer occurs. The selling entity is required to recognize a current tax expense or benefit upon transfer of the asset, whereas the purchasing entity is required to recognize a deferred tax asset or deferred tax liability, as well as the related deferred tax benefit or expense, upon receipt of the asset. The accounting update is effective for annual and interim periods beginning on or after December 15, 2017 and is to be applied on a modified retrospective basis, with early adoption permitted. Effective January 1, 2017, the Fund will elect to early adopt ASU 2016-16. The adoption of the pronouncement is not anticipated to have a material impact on the Fund‘s financial statements.

Simplifying Cash Flow Classification
ASU 2016-15 was issued in August 2016 with the intent of reducing diversity in practice of how certain cash receipts and cash payments are classified in the Statements of Cash Flows. The new guidance addresses eight specific presentation issues. The Fund is currently assessing the impact of the new standard on its financial statements. The accounting update is effective for annual and interim periods beginning on or after December 15, 2017 and is to be applied on a retrospective basis.

Recognition and Measurement of Financial Assets and Liabilities
ASU 2016-01 was issued in January 2016 with the intent to address certain aspects of recognition, measurement, presentation, and disclosure of financial assets and liabilities. The amendments revise accounting related to the classification and measurement of investments in equity securities, the presentation of certain fair value changes for financial liabilities measured at fair value, and the disclosure requirements associated with the fair value of financial instruments. The Fund is currently assessing the impact of the new standard on its financial statements. The accounting update is effective for fiscal years beginning after December 15, 2017, and is to be applied by means of a cumulative-effect adjustment to the Statements of Financial Position as of the beginning of the fiscal year of adoption, with amendments related to equity securities without readily determinable fair values to be applied prospectively.

FUND OWNERSHIP

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

	As at February 6, 2017
(number Fund Units outstanding)	
Held by Enbridge	94,150,000
Held by ENF	124,320,723
	218,470,723

ENBRIDGE INCOME FUND

FINANCIAL STATEMENTS

December 31, 2016

MANAGEMENT'S REPORT

To the Unitholders of Enbridge Income Fund (The Fund)

Financial Reporting
The management of Enbridge Management Services Inc. is responsible for the accompanying financial statements and all related financial information contained in the annual report, including Management's Discussion and Analysis. The financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP) and necessarily include amounts that reflect management's judgment and best estimates.

The Board of Trustees (the Board) and its committees are responsible for all aspects related to governance of the Fund. The Audit, Finance & Risk Committee (the AF&RC), composed of trustees who are unrelated and independent, has a specific responsibility to oversee management's efforts to fulfill its responsibilities for financial reporting and internal controls related thereto. The AF&RC meets with management, internal auditors and independent auditors to review the financial statements and the internal controls as they relate to financial reporting. The AF&RC reports its findings to the Board for its consideration in approving the financial statements for issuance to the unitholders. The internal auditors and independent auditors have unrestricted access to the AF&RC.

Internal Control over Financial Reporting
Management is also responsible for establishing and maintaining adequate internal control over financial reporting. The Fund's internal control over financial reporting includes policies and procedures to facilitate the preparation of relevant, reliable and timely information, to prepare financial statements for external reporting purposes in accordance with U.S. GAAP and provide reasonable assurance that assets are safeguarded.

PricewaterhouseCoopers LLP, independent auditors appointed by the unitholders of the Fund, have conducted an audit of the financial statements of the Fund in accordance with Canadian generally accepted auditing standards and have issued an unqualified audit report, which is accompanying the financial statements.

"signed"

Perry F. Schuldhaus
President, Enbridge Income Fund
Enbridge Management Services Inc.

"signed"

Wanda M. Opheim
Chief Financial Officer, Enbridge Income Fund
Enbridge Management Services Inc.

February 17, 2017

Independent Auditor's Report

To the Unitholders of Enbridge Income Fund

We have audited the accompanying financial statements of Enbridge Income Fund, which comprise the statements of financial position as at December 31, 2016 and December 31, 2015 and the statements of earnings, comprehensive income, changes in unitholders' equity and cash flows for each of the three years in the period ended December 31, 2016, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements
Management is responsible for the preparation and fair presentation of these financial statements in accordance with generally accepted accounting principles in the United States of America, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility
Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the financial statements present fairly, in all material respects, the financial position of Enbridge Income Fund as at December 31, 2016 and December 31, 2015 and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2016 in accordance with accounting principles generally accepted in the United States of America.

PricewaterhouseCoopers LLP

Chartered Professional Accountants
Calgary, Alberta
February 17, 2017

STATEMENTS OF EARNINGS

Year ended December 31,	**2016**	2015[1]	2014[2]
(millions of Canadian dollars)			
Revenues			
Transportation and other services	**-**	170	231
Electricity sales	**-**	128	185
	-	298	416
Expenses			
Operating and administrative	**1**	61	77
Operating and administrative – affiliate *(Note 5)*	**-**	57	71
Depreciation and amortization	**-**	94	135
	1	212	283
	(1)	86	133
Income from equity investment in Enbridge Commercial Trust *(Note 6)*	**747**	7	-
Income from other equity investments *(Note 8)*	**-**	108	140
Other income *(Note 12)*	**-**	43	12
Other income – affiliates *(Note 5)*	**21**	56	6
Interest expense *(Note 9)*	**(119)**	(108)	(78)
	648	192	213
Income taxes *(Note 14)*	-	(72)	(63)
Earnings attributable to unitholders	**648**	120	150

The accompanying notes are an integral part of these 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

Year ended December 31,	**2016**	2015[1]	2014[2]
(millions of Canadian dollars)			
Earnings	**648**	120	150
Other comprehensive income/(loss), net of tax			
Change in unrealized loss on cash flow hedges	**(42)**	(41)	(26)
Other comprehensive loss from equity investee *(Note 6)*	**(51)**	(34)	-
Reclassification to earnings of realized cash flow hedges *(Note 7)*	**6**	4	3
Reclassification to earnings of unrealized cash flow hedges *(Note 7)*	**13**	4	-
Change in foreign currency translation adjustment	**-**	(9)	5
Other comprehensive loss	**(74)**	(76)	(18)
Comprehensive income attributable to unitholders	**574**	44	132

The accompanying notes are an integral part of these 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

Year ended December 31,	**2016**	2015[1]	2014[2]
(millions of Canadian dollars)			
Deficit			
Balance at beginning of year	**(5,171)**	(5,752)	(2,569)
Earnings attributable to unitholders	**648**	120	150
Enbridge Commercial Trust preferred unit distributions	**-**	(110)	(126)
Distributions to unitholders	**(454)**	(213)	(114)
Redemption value adjustment attributable to Enbridge Commercial preferred units *(Note 10)*	**-**	661	(1,351)
Reversal of cumulative redemption value adjustment attributable to Enbridge Commercial Trust preferred units *(Note 6)*	**-**	1,260	-
Redemption value adjustment attributable to trust units *(Note 11)*	**(1,436)**	1,768	(1,244)
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 *(Note 6)*	**-**	(7,259)	-
Equity investment other comprehensive loss *(Note 6)*	**-**	(32)	-
Other *(Note 6)*	**-**	(16)	-
Equity investment dilution loss, net *(Note 6)*	**(156)**	(316)	-
Excess purchase price over historical carrying value acquired *(Note 6)*	**(6)**	-	(392)
Equity of former owners of acquired interest	**-**	-	(106)
Balance at end of year	**(6,575)**	(5,171)	(5,752)
Accumulated other comprehensive loss			
Balance at beginning of year	**(108)**	(32)	(14)
Other comprehensive loss, net of tax	**(74)**	(76)	(18)
Balance at end of year	**(182)**	(108)	(32)
Total unitholders' deficit	**(6,757)**	(5,279)	(5,784)

The accompanying notes are an integral part of these 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

Year ended December 31,	2016	2015[1]	2014[2]
(millions of Canadian dollars)			
Operating activities			
Earnings	**648**	120	150
Cash distributions in excess of equity earnings	**42**	161	11
Depreciation and amortization	**-**	94	135
Deferred income taxes *(Note 14)*	**-**	54	36
Changes in unrealized derivative instrument fair value, net *(Note 7)*	**-**	77	25
Unrealized gain on translation of United States dollar intercompany loan receivable *(Note 12)*	**-**	(99)	(16)
Gain on disposition of certain assets held by Enbridge Income Partners LP *(Note 12)*	**-**	(22)	-
Other	**18**	8	8
Changes in operating assets and liabilities *(Note 13)*	**25**	116	(26)
	733	509	323
Investing activities			
Acquisition of long-term investment *(Note 6)*	**(718)**	(3,874)	-
Affiliate loans, net	**(203)**	-	-
Cash divested on deconsolidation *(Note 2)*	**-**	(118)	-
Additions to property, plant and equipment	**-**	(34)	(40)
Proceeds from disposition	**-**	26	-
Long-term receivable from affiliates	**-**	10	(925)
Contributions to equity investees	**-**	(5)	(6)
Purchase of equity investment *(Note 2)*	**-**	-	(835)
Additions to intangible assets	**-**	-	(1)
Acquisition and other	**-**	-	1
	(921)	(3,995)	(1,806)
Financing activities			
Net change in bank indebtedness	**1**	59	4
Net change in credit facility draws	**225**	(140)	100
Repayment of medium term notes	**(330)**	-	(290)
Issuance of medium term notes, net	**-**	-	1,075
Loans received from affiliates	**-**	10	891
Repayment of affiliate loans	**-**	-	(885)
Enbridge Commercial Trust preferred units issued *(Note 10)*	**-**	-	461
Trust units issued, net *(Note 11)*	**743**	3,847	407
Enbridge Commercial Trust preferred unit distributions declared	**-**	(110)	(126)
Trust unit distributions declared	**(454)**	(213)	(114)
Change in distributions payable	**9**	4	7
Contributions received and shares issued by acquired interest *(Note 2)*	**-**	-	26
Distributions and dividends paid by acquired interest *(Note 2)*	**-**	-	(73)
	194	3,457	1,483
Increase/(decrease) in cash and cash equivalents	**6**	(29)	-
Cash and cash equivalents at beginning of year	-	29	29
Cash and cash equivalents at end of year	**6**	-	29
Supplementary cash flow information			
Income taxes paid	**-**	10	28
Interest paid	**98**	98	69

The accompanying notes are an integral part of these 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

December 31,	**2016**	2015[1]
(millions of Canadian dollars)		
Assets		
Current assets		
Cash and cash equivalents	**6**	-
Demand notes receivable from Enbridge Commercial Trust *(Note 5)*	**654**	451
Accounts receivable from affiliates *(Note 5)*	**45**	72
Other accounts receivable	**1**	-
Current portion of derivative assets *(Note 7)*	**1**	-
Current portion of derivative assets from affiliates *(Note 7)*	**18**	22
	725	545
Long-term notes receivable from Enbridge Commercial Trust *(Note 5)*	**196**	196
Long-term investment *(Note 6)*	**2,244**	1,781
Long-term portion of derivative assets *(Note 7)*	**-**	105
Long-term portion of derivative assets from affiliates *(Note 7)*	**80**	-
Deferred amounts and other assets	**1**	1
	3,246	2,628
Liabilities and unitholders' equity		
Current liabilities		
Bank indebtedness	**1**	-
Interest payable	**20**	20
Current portion of derivative liabilities *(Note 7)*	**23**	25
Current portion of derivative liabilities to affiliates *(Note 7)*	**49**	17
Other accounts payable	**1**	1
Distributions payable to affiliates *(Note 5)*	**39**	30
Current maturities of long-term debt *(Note 9)*	**325**	330
	458	423
Long-term debt *(Note 9)*	**1,969**	2,067
Long-term portion of derivative liabilities *(Note 7)*	**127**	147
Long-term portion of derivative liabilities to affiliates *(Note 7)*	**4**	3
Other long-term liabilities	**-**	1
	2,558	2,641
Trust units *(Note 11)*	**7,445**	5,266
	7,445	5,266
Unitholders' deficit		
Deficit	**(6,575)**	(5,171)
Accumulated other comprehensive loss	**(182)**	(108)
	(6,757)	(5,279)
	3,246	2,628

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

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

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

"signed"
Bruce G. Waterman
Trustee

"signed"
E.F.H. Roberts
Trustee

NOTES TO THE FINANCIAL STATEMENTS

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. The Fund commenced operations on June 30, 2003. Enbridge Management Services Inc. (EMSI), a wholly-owned subsidiary of Enbridge Inc. (Enbridge), manages 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 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 transportation, storage and generation of energy. EIPLP owns its interests in liquids transportation and storage assets, including the Canadian Mainline, the Regional Oil Sands System, a 50% interest in the Canadian and United States portions of the Alliance Pipeline, which transports natural gas, and interests in renewable and alternative power generation assets.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF PRESENTATION AND USE OF ESTIMATES

The financial statements of the Fund have been prepared in accordance with generally accepted accounting principles in the United States of America (U.S. GAAP). Amounts are stated in Canadian dollars unless otherwise noted.

The Fund is permitted to use U.S. GAAP as its primary basis of accounting for purposes of meeting its continuous disclosure obligations under an exemption granted by securities regulators in Canada.

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses as well as the disclosure of contingent assets and liabilities in the financial statements. Significant estimates and assumptions used in preparation of the financial statements for the year ended and as at December 31, 2016 include, but are not limited to fair values of financial instruments *(Note 7)*.

Significant estimates and assumptions used in preparation of the financial statements for the year ended and as at December 31, 2015 include, but are not limited to: depreciation rates; amortization rates of intangible assets; fair values of financial instruments *(Note 7)* and income taxes *(Note 14)*. Significant estimates and assumptions used in the preparation of the financial statements for the year ended December 31, 2014 include, but are not limited to: carrying values of regulatory assets and liabilities; depreciation rates and carrying value of property, plant and equipment; measurement of and amortization rates of intangible assets; measurement of goodwill; fair values of financial instruments *(Note 7)*; income taxes *(Note 14)*; and commitments and contingencies.

Actual results could differ from these estimates.

The 2015 Transaction

On September 1, 2015, EIPLP acquired 100% interests in entities holding certain Canadian liquids pipelines, storage and renewable energy assets from Enbridge and certain of its subsidiaries for aggregate consideration of $30.4 billion plus incentive distribution and performance rights and working capital adjustments (the 2015 Transaction).

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 of 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 the general partner of EIPLP which has 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 Pipeline US) and subscribed for and purchased class A units of Enbridge subsidiaries which provide a defined cash flow stream from the United States portion of Southern Lights (Southern Lights Class A Units) for $1.8 billion (the 2014 Transaction). At the time of the 2014 Transaction, the Fund previously owned a 50% investment in the Canadian portion of Alliance Pipeline (Alliance Pipeline Canada).

The Alliance Pipeline 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 Pipeline 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 Pipeline US for the periods prior to the 2014 Transaction is as follows:

Year ended December 31,	2014
(millions of Canadian dollars)	
Earnings	
Income from equity investments	64
Income taxes	(25)
Earnings	39

Year ended December 31,	2014
millions of Canadian dollars)	
Cash provided by operating activities	47
Cash used in financing activities	(47)
	-

CONTINUING ACCOUNTING POLICIES

The following accounting policies are primarily applicable for transactions and balances as at and for the year ended December 31, 2016.

Cash and Cash Equivalents

Cash and cash equivalents include short-term investments with a term to maturity of three months or less when purchased.

Derivative Instruments and Hedging

Non-qualifying Derivatives

The Fund, through its indirect investment in EIPLP, has non-qualifying derivative instruments. Non-qualifying derivative instruments are used primarily to economically hedge foreign exchange exposure. Non-qualifying derivatives are measured at fair value with changes in fair value recognized in earnings, within Electricity sales revenue and Other income.

Derivatives in Qualifying Hedging Relationships

The Fund, and its indirect investee EIPLP, uses derivative financial instruments to manage its exposure to changes in interest rates and commodity prices. Hedge accounting is optional and requires the Fund to document the hedging relationship and test the hedging item's effectiveness in offsetting changes in fair values or cash flows of the underlying hedged item on an ongoing basis. The Fund presents the earnings effects of hedging items with the hedged transaction. Derivatives in qualifying hedging relationships are categorized as cash flow hedges or fair value hedges.

Cash Flow Hedges

The Fund uses cash flow hedges to manage exposure to changes in interest rates, commodity prices and foreign exchange rates. The effective portion of the change in the fair value of a cash flow hedging instrument is recorded in Other comprehensive income/(loss) (OCI) and is reclassified to earnings when the hedged item impacts earnings. Any hedge ineffectiveness is recorded in current period earnings.

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

Classification of Derivatives

The Fund recognizes the fair market value of derivative instruments on the Statements of Financial Position as current and long-term assets or liabilities depending on the timing of the settlements and the resulting cash flows associated with the instruments. Fair value amounts related to cash flows occurring beyond one year are classified as long-term.

Cash inflows and outflows related to derivative instruments are classified as operating activities on the Statements of Cash Flows.

Balance Sheet Offset

Assets and liabilities arising from derivative instruments may be offset in the Statements of Financial Position when the Fund has the legal right and intention to settle them on a net basis.

Transaction Costs

Transaction costs are incremental costs directly related to the acquisition of a financial asset or the issuance of a financial liability. The Fund incurs transaction costs primarily through the issuance of debt and accounts for these costs as a deduction from Long-term debt on the Statements of Financial Position. These costs are amortized using the effective interest rate method over the term of the related debt instrument and are recorded in Interest expense. Transaction costs directly related to business combinations are expensed in the period incurred.

Equity Investments

Equity investments, over which the Fund exercises significant influence but does not have controlling financial interests, are accounted for using the equity method. Equity investments are initially measured at cost and are adjusted for the Fund's proportionate share of undistributed equity earnings or loss. Equity investments are increased for contributions made to and decreased for distributions received from the investees.

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. See the Long-term investment note *(Note 6)* for more information.

Income Taxes
Pursuant to the *Income Tax Act (Canada)*, the Fund, as a trust, is not subject to income taxes to the extent that taxable income and taxable capital gains are paid or payable to unitholders. Deferred income taxes have not been recognized because it is anticipated that all future earnings will be paid or payable to unitholders.

Impairment
With respect to equity investments, the Fund assesses at each balance sheet date whether there is objective evidence that a financial asset is impaired by completing a quantitative or qualitative analysis of factors impacting the investment. If there is determined to be objective evidence of impairment, the Fund internally values the expected discounted cash flows using observable market inputs and determines whether the decline below carrying value is other than temporary. If the decline is determined to be other than temporary, an impairment charge is recorded in earnings with an offsetting reduction to the carrying value of the asset.

With respect to financial assets, other than equity investments, the Fund assesses the assets for impairment when it no longer has reasonable assurance of timely collection. If evidence of impairment is noted, the Fund reduces the value of the financial asset to its estimated realizable amount, determined using discounted expected future cash flows.

Loans and Receivables
Long-term notes receivable from affiliate are measured at amortized cost using the effective interest rate method, net of any impairment losses recognized. Accounts receivable and other are measured at cost. Interest income is recognized in earnings as it is earned with the passage of time.

Deferred Amounts and Other Assets
Deferred amounts and other assets primarily include derivative financial instruments.

Redeemable Securities – Trust Units
Ordinary trust units issued by the Fund (Fund Units) are classified as temporary equity and reflected within the mezzanine section of the Statements of Financial Position between long-term liabilities and Unitholders' deficit. Fund Units are recorded at their maximum redemption value with changes in estimated redemption value reflected as a charge or credit to deficit.

Principles of Consolidation
Upon inception of a contractual agreement, the Fund performs an assessment to determine whether the arrangement contains a variable interest in a legal entity and whether that legal entity is a variable interest entity (VIE). Where the Fund concludes it is the primary beneficiary of a VIE, the Fund consolidates the accounts of that entity and all significant intercompany accounts and transactions are eliminated upon consolidation.

Commitments and Contingencies
Liabilities for commitments and contingencies are recognized when, after fully analysing available information, the Fund determines it is either probable that an asset has been impaired, or that a liability has been incurred, and the amount of impairment or loss can be reasonably estimated. When a range of probable loss can be estimated, the Fund recognizes the most likely amount, or if no amount is more likely than another, the minimum of the range of probable loss is accrued. The Fund expenses legal costs associated with loss contingencies as such costs are incurred. At December 31, 2016, the Fund did not have any significant commitments or known contingencies.

COMPARATIVE PERIOD ACCOUNTING POLICIES

The following accounting policies are primarily applicable for transactions prior to the 2015 Transaction on September 1, 2015 and for transactions for the year ended December 31, 2014.

Revenue Recognition

Revenues from business operations in EIPLP and ECT prior to the closing of the 2015 Transaction on September 1, 2015 were accounted for on a consolidated basis. Subsequent to September 1, 2015, revenues from business operations in EIPLP and ECT are recorded within the Fund's equity accounting for its indirect investment in EIPLP.

For the Fund Group's businesses that are not rate-regulated, revenues were recorded when products were delivered or services were performed, the amount of revenue was reliably measured and collectability was reasonably assured. Customer credit worthiness was assessed prior to agreement signing as well as throughout the contract duration. Certain pipelines revenues were recognized under the terms of committed delivery contracts rather than the cash tolls received.

Long-term take-or-pay contracts, under which shippers are obligated to pay fixed amounts rateably over the contract period regardless of volumes shipped, may contain make-up rights. Make-up rights are earned by shippers when minimum volume commitments are not utilized during the period but under certain circumstances can be used to offset overages in future periods, subject to expiry periods. The Fund recognized revenues associated with make-up rights at the earlier of when the make-up volume was shipped, the make-up right expired or when it was determined that the likelihood that the shipper will utilize the make-up right was remote.

For the Fund Group's rate-regulated businesses, revenues were recognized in a manner that was consistent with the underlying agreements as approved by the regulators.

Regulation

Prior to the closing of the 2015 Transaction on September 1, 2015, the financial statement effect of rate regulation was recorded directly in the Fund and subsequent to September 1, 2015, the financial statement effect of rate regulation is recorded within the Fund's equity accounting for its indirect investment in EIPLP.

Certain of the Fund Group's businesses are subject to regulation by various authorities including, but not limited to the National Energy Board (NEB), Federal Energy Regulatory Commission (FERC), Saskatchewan Ministry of Economy (SME) and Manitoba Mineral Resources. 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 or expected to be paid to cover future abandonment costs in relation to NEB's Land Matters Consultation Initiative (LMCI). Long-term regulatory assets were recorded in Deferred amounts and other assets and current regulatory assets were recorded in Accounts receivable and other. Long-term regulatory liabilities were included in Other long-term liabilities and current regulatory liabilities were recorded in Accounts payable and other. Regulatory assets were assessed for impairment if the Fund identified 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 have differed significantly from those recorded. In the absence of rate regulation, regulatory assets or liabilities would not generally be recognized and the earnings impact would be recorded in the period the expenses are incurred or revenues are earned. A regulatory asset or liability was recognized in respect of deferred income taxes when it was expected the amounts would be recovered or settled through future regulator-approved rates.

Allowance for funds used during construction (AFUDC) was included in the cost of property, plant and equipment and is depreciated over future periods as part of the total cost of the related asset. AFUDC included both an interest component and, if approved by the regulator, a cost of equity component which were both capitalized based on rates set out in a regulatory agreement. In the absence of rate regulation, the Fund would have capitalized interest using a capitalization rate based on its cost of borrowing, whereas the capitalized equity component, the corresponding earnings during the construction phase and the subsequent depreciation would not be recognized.

Income Taxes

Pursuant to the *Income Tax Act (Canada)*, the Fund and ECT, as trusts, are not subject to income taxes to the extent that taxable income and taxable capital gains are paid or payable to unitholders. However, certain previously consolidated subsidiary corporations are taxable and applicable income taxes have been reflected in these financial statements for the periods prior to September 1, 2015.

Following the liability method of accounting for income taxes, deferred income tax assets and liabilities were recorded based on temporary differences between the tax bases of assets and liabilities and their carrying value for accounting purposes. Deferred income tax assets and liabilities were measured using the tax rate that is expected to apply when the temporary differences reverse. For the Fund's previously consolidated regulated operations, a deferred income tax liability was recognized with a corresponding regulatory asset to the extent taxes could be recovered through rates. Interest and penalties related to tax are reflected in income taxes.

Foreign Currency Transactions and Translation

Foreign currency transactions are those transactions whose terms are denominated in a currency other than the currency of the primary economic environment in which the Fund or a previously consolidated subsidiary operates, referred to as the functional currency. Transactions denominated in foreign currencies are translated into the functional currency using the exchange rate prevailing at the date of transaction. Monetary assets and liabilities denominated in foreign currencies are translated to the functional currency using the rate of exchange in effect at the balance sheet date. Exchange gains and losses resulting from translation of monetary assets and liabilities are included in the Statements of Earnings in the period in which they arise.

Gains and losses arising from translation of a foreign operation's functional currency to the Fund's Canadian dollar presentation currency were included in the cumulative translation adjustment component of accumulated other comprehensive income (AOCI) and would have been recognized in earnings upon sale of the foreign operation. Asset and liability accounts were translated at the exchange rates in effect on the balance sheet date, while revenues and expenses were translated using monthly average exchange rates.

Deferred Amounts

Deferred amounts and other assets in the prior year also included costs which regulatory authorities have permitted, or were expected to permit, to be recovered through future rates including deferred income taxes.

Property, Plant and Equipment

Property, plant and equipment was recorded at historical cost. Expenditures for construction, expansion, major renewals and betterments were capitalized. Maintenance and repair costs were expensed as incurred. Expenditures for project development were capitalized if they were expected to have future benefit. The Fund capitalized interest incurred during construction.

Two primary methods of depreciation were utilized. For distinct assets, depreciation was generally provided on a straight-line basis over the estimated useful lives of the assets commencing when the asset was placed in service. For largely homogeneous groups of assets with comparable useful lives, the pool method of accounting for property, plant and equipment was followed whereby similar assets are grouped and depreciated as a pool. When those assets were retired or otherwise disposed of, gains and losses were booked as an adjustment to accumulated depreciation. Certain pipeline assets in service were depreciated based on unit of throughput.

Intangible Assets
Intangible assets consisted primarily of acquired power production and incentive agreements for wind and solar projects and computer software. The Fund capitalized costs incurred during the development stage of internal use software projects. Intangible assets were amortized on a straight-line basis over their expected lives.

Goodwill
Goodwill represents the excess of the purchase price over the fair value of net identifiable assets on acquisition of a business. The carrying value of goodwill, which is not amortized, is assessed for impairment annually, or more frequently if events or changes in circumstances arise that suggest the carrying value of goodwill may be impaired. The Fund did not have any goodwill as at December 31, 2015 and did not recognize any goodwill impairments for the eight month period prior to September 1, 2015 and the year ended December 31, 2014.

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.

For the majority of the assets within the indirect investments of the Fund, it is not possible to make a reasonable estimate of ARO due to the indeterminate timing and scope of the asset retirements.

Redeemable Securities – ECT preferred units
Prior to the 2015 Transaction, preferred units issued by ECT (ECT Preferred Units) were classified as temporary equity and reflected within the mezzanine section of the Statements of Financial Position between long-term liabilities and Unitholders' deficit. ECT Preferred Units were recorded at their maximum redemption value with changes in estimated redemption value reflected as a charge or credit to deficit.

3. CHANGES IN ACCOUNTING POLICIES

ADOPTION OF NEW STANDARDS
Simplifying the Presentation of Debt Issuance Costs
Effective January 1, 2016, the Fund adopted Accounting Standards Update (ASU) 2015-03 on a retrospective basis which, as at December 31, 2015, resulted in a decrease in Deferred amounts and other assets of $7 million and a corresponding decrease in Long-term debt of $7 million. The new standard requires debt issuance costs related to a recognized debt liability to be presented in the Statements of Financial Position as a direct deduction from the carrying amount of that debt liability, consistent with the presentation of debt discounts or premiums. Further, effective January 1, 2016, the Fund adopted ASU 2015-15 which clarifies that debt issuance costs associated with line-of-credit arrangements may be deferred as an asset and subsequently amortized over the term of the arrangement. The adoption of ASU 2015-15 did not have a material impact on the Fund's financial statements.

Amendments to the Consolidation Analysis
Effective January 1, 2016, the Fund adopted ASU 2015-02 on a modified retrospective basis, which amended and clarified the guidance on VIEs. There was a significant change in the assessment of limited partnerships and other similar legal entities as VIEs, including the removal of the presumption that the general partner should consolidate a limited partnership. As a result, the Fund has determined that the limited partnership that is currently equity accounted for is a VIE. The amended guidance did not impact the Fund's accounting treatment of the entity, however, material disclosures for VIEs have been provided, as necessary.

Development Stage Entities
Effective January 1, 2016, the Fund adopted ASU 2014-10, relating to the amendment eliminating the exception to the sufficiency of equity at risk criteria for development stage entities on a retrospective basis. The new criteria amended the consolidation guidance to eliminate the development stage entity relief when applying the VIE model and evaluating the sufficiency of equity at risk. The adoption of the pronouncement did not have a material impact on the Fund's financial statements.

FUTURE ACCOUNTING POLICY CHANGES
Clarifying the Definition of a Business in an Acquisition
ASU 2017-01 was issued in January 2017 with the intent of clarifying the definition of a business with the objective of adding guidance to assist entities with evaluating whether transactions should be accounted for as acquisitions (disposals) of assets or businesses. The Fund is currently assessing the impact of the new standard on the financial statements. The accounting update is effective for annual and interim periods beginning on or after December 15, 2017 and is to be applied on a prospective basis.

Accounting for Intra-Entity Asset Transfers
ASU 2016-16 was issued in October 2016 with the intent of improving the accounting for the income tax consequences of intra-entity asset transfers other than inventory. Under the new guidance, an entity should recognize the income tax consequences of an intra-entity transfer of an asset, other than inventory, when the transfer occurs. The selling entity is required to recognize a current tax expense or benefit upon transfer of the asset, whereas the purchasing entity is required to recognize a deferred tax asset or deferred tax liability, as well as the related deferred tax benefit or expense, upon receipt of the asset. The accounting update is effective for annual and interim periods beginning on or after December 15, 2017 and is to be applied on a modified retrospective basis, with early adoption permitted. Effective January 1, 2017, the Fund will elect to early adopt ASU 2016-16. The adoption of the pronouncement is not anticipated to have a material impact on the Fund's financial statements.

Simplifying Cash Flow Classification
ASU 2016-15 was issued in August 2016 with the intent of reducing diversity in practice of how certain cash receipts and cash payments are classified in the Statements of Cash Flows. The new guidance addresses eight specific presentation issues. The Fund is currently assessing the impact of the new standard on its financial statements. The accounting update is effective for annual and interim periods beginning on or after December 15, 2017 and is to be applied on a retrospective basis.

Recognition and Measurement of Financial Assets and Liabilities
ASU 2016-01 was issued in January 2016 with the intent to address certain aspects of recognition, measurement, presentation, and disclosure of financial assets and liabilities. The amendments revise accounting related to the classification and measurement of investments in equity securities, the presentation of certain fair value changes for financial liabilities measured at fair value, and the disclosure requirements associated with the fair value of financial instruments. The Fund is currently assessing the impact of the new standard on its financial statements. The accounting update is effective for fiscal years beginning after December 15, 2017, and is to be applied by means of a cumulative-effect adjustment to the Statements of Financial Position as of the beginning of the fiscal year of adoption, with amendments related to equity securities without readily determinable fair values to be applied prospectively.

4. 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.

5. 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 information.

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.

DEMAND NOTES RECEIVABLE FROM ENBRIDGE COMMERCIAL TRUST

December 31,	**2016**	2015
(millions of Canadian dollars)		
Non-interest bearing note, due on demand from ECT	**-**	303
Floating interest rate note, due on demand from ECT	**654**	148
	654	451

For the year ended December 31, 2016, Other income – affiliates included interest income of $8 million (2015 - $1 million) related to the floating interest rate note payable from ECT. Both the non-interest bearing note receivable and the floating interest rate note receivable are due on demand.

ACCOUNTS RECEIVABLE FROM AFFILIATES

December 31,	**2016**	2015
(millions of Canadian dollars)		
Distributions receivable from ECT	**43**	44
Accounts receivable from ECT	**2**	13
Accounts receivable from EPI	**-**	12
Other accounts receivable from affiliates	**-**	3
	45	72

For the year ended December 31, 2016, the Fund's investment in ECT reflects $789 million of distributions (2015 - $168 million) and $718 million of contributions (2015 - $3,874 million) *(Note 6)*.

For the year ended December 31, 2015 and 2014, Other income – affiliates included $51 million and $6 million, respectively, of interest income related to the Southern Lights Class A Units long-term receivable which were subscribed for and purchased as part of the 2014 Transaction *(Note 2)*.

LONG-TERM NOTES RECEIVABLE FROM ENBRIDGE COMMERCIAL TRUST

December 31,	**2016**	2015
(millions of Canadian dollars)		
5.69% due June 22, 2017 from ECT[1]	**96**	96
7.00% due November 12, 2020 from ECT	**100**	100
	196	196

1 *This note receivable has been classified as non-current on the Statements of Financial Position as the maturity date is expected to be extended prior to maturity.*

For the year ended December 31, 2016, Other income – affiliates included $13 million (2015 - $4 million) of interest income related to the long-term notes receivable from ECT.

DISTRIBUTIONS PAYABLE TO AFFILIATES
As at December 31, 2016, Distributions payable to affiliates included Fund Unit distributions payable to ENF of $22 million (2015 - $15 million) and to Enbridge of $17 million (2015 - $15 million).

DUE TO AFFILIATES
Under the management and administrative agreements with EMSI, an incentive fee is payable annually from ECT to EMSI based on cash distributions above a base distribution level. For the year ended December 31, 2016, no incentive fees were recorded as the Fund no longer consolidates ECT. Prior to September 1, 2015, the results of ECT's operations were accounted for on a consolidated basis and incentive fees of $23 million were recorded within Operating and administrative expense – affiliate on the Statements of Earnings for both the years ended December 31, 2015 and 2014.

The Fund does not have any employees and prior to September 1, 2015, wholly-owned subsidiaries of the Fund used the services of Enbridge for managing and operating the businesses. For the year ended December 31, 2016, no service fees were recorded as the Fund no longer consolidates ECT. Prior to September 1, 2015, the results of operations from the Fund's wholly-owned subsidiaries were accounted for on a consolidated basis and the service fees of $34 million and $48 million were recorded for the years ended December 31, 2015 and 2014, respectively, were recorded within Operating and administrative expense – affiliate on the Statements of Earnings.

These services were charged at cost in accordance with the service agreements.

OTHER AFFILIATE TRANSACTIONS
During 2016, the Fund paid $24 million (2015 - $28 million; 2014 - $14 million) for share issue costs incurred in connection with the public offering of 20.4 million common shares (2015 - 21.5 million common shares; 2014 - 11 million subscription receipts) by ENF *(Note 11)*.

On September 1, 2015, the Fund entered into interest rate derivative instrument agreements with Enbridge to limit the Fund Group's exposure to interest rate fluctuations in addition to its pre-existing external agreements. The Fund also had existing foreign exchange derivative instrument agreements with external counterparties and offsetting foreign exchange derivative instrument agreements with a wholly-owned subsidiary of EIPLP. The net affiliate derivative instrument balance was $45 million asset (2015 - $2 million asset) *(Note 7).*

In November 2014, the Fund received an $878 million loan from Enbridge, a related party by virtue of its ownership of ECT Preferred Units and Fund Units, to partially finance the purchase of Southern Lights Class A Units and Alliance Pipeline US *(Note 2).* Interest expense on this loan of $2 million was incurred by the Fund for the year ended December 31, 2014 and had been paid in full as at December 31, 2014. The subscription price for the Southern Lights Class A Units was at a fixed exchange rate of Canadian dollars to the United States dollar price. Given exchange rates on the date of closing, the Fund recorded a realized foreign exchange gain of $22 million in the fourth quarter 2014.

6. LONG-TERM INVESTMENT

INVESTMENT IN ENBRIDGE COMMERCIAL TRUST

ECT is a VIE as the holders of the common units of ECT lack decision making abilities. Enbridge has the power to make decisions which impact ECT's performance and therefore, the Fund is not considered the primary beneficiary of ECT and equity accounts for its investment in ECT.

As at December 31, 2016, the Fund's maximum exposure to loss is limited to the carrying amount of its equity investment in ECT, which is $ 2,244 million (2015 - $1,781 million). ECT's assets consist primarily of an equity investment in EIPLP and affiliate receivables. ECT's liabilities are primarily comprised of preferred units of ECT (ECT Preferred Units), held by Enbridge, and affiliate loans. As at December 31, 2016, the carrying value of ECT's assets was $4,764 million and the carrying value of its liabilities was $2,520 million.

Further upon closing of the 2015 Transaction, the ECT Preferred Units were reclassified 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 Unitholders' 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.

December 31,	**2016**	2015
(millions of Canadian dollars)		
Investment balance at beginning of period[1]	**1,781**	1,568
Investment acquired	**718**	3,874
Reversal of redemption value adjustment attributable to ECT Preferred Units	**-**	1,260
The 2015 Transaction adjustments:		
Equity true-up – September 1, 2015	**-**	2,866
EIPLP's excess purchase price over historical carrying value acquired	**(6)**	(7,259)
Equity investment other comprehensive loss	**-**	(32)
Other	**-**	(16)
Equity investment income	**747**	7
Equity investment other comprehensive loss	**(51)**	(3)
Equity investment dilution loss, net	**(156)**	(316)
Distributions[2]	**(789)**	(168)
Investment balance at end of year	**2,244**	1,781

1 Opening balance for 2015 as at September 1, 2015, following the change in accounting of ECT from consolidation to equity method accounting.

2 Subsequent to the sale of EIPLP's South Prairie Region assets in December 2016, EIPLP made a special one-time distribution to ECT utilizing proceeds from the sale, which in turn was paid from ECT to the Fund and is included in distributions.

As at December 31, 2016, the Fund owned 306 million (2015 - 280 million) units of ECT, representing all of ECT's issued and outstanding common units. Prior to September 1, 2015, ECT was a subsidiary of the Fund and was consolidated *(Note 2)*.

In September 2015, the Fund used the aggregate proceeds of $3 billion from the issuance of Fund Units to Enbridge to purchase additional common units of ECT. ECT used the aggregate proceeds of $3 billion to purchase additional class A units issued by EIPLP (EIPLP Class A Units).

In November 2015, the Fund used the aggregate proceeds of $874 million from the issuance of Fund Units to ENF to purchase additional common units of ECT, and ECT used the aggregate proceeds of $874 million to purchase additional EIPLP Class A Units.

INDIRECT INVESTMENT IN EIPLP

EIPLP is considered a VIE as its limited partners lack substantive kick-out rights and participating rights. As the Fund does not have the power to direct the activities that most significantly impact EIPLP's economic performance, the Fund is not considered the primary beneficiary of EIPLP.

As the Fund does not directly own an interest in EIPLP, its maximum exposure to loss equates to its indirect investment in EIPLP through the ownership of ECT. At December 31, 2016, the Fund, through its 100% ownership of ECT, owned 382 million (2015 - 357 million) of the issued and outstanding EIPLP Class A Units, representing an indirect ownership of 45.8% (2015 - 44.5%) of EIPLP's total issued and outstanding common units.

The following table represents ECT's investment in EIPLP:

December 31,	**2016**	2015
(millions of Canadian dollars)		
Investment balance at beginning of period[1]	**3,902**	3,086
Investment acquired	**718**	3,874
The 2015 Transaction adjustments:		
Equity true-up - September 1, 2015	**-**	4,687
EIPLP's excess purchase price over historical carrying value acquired	**(6)**	(7,259)
Equity investment other comprehensive loss	**-**	(32)
Other	**-**	(16)
Equity investment income	**1,068**	104
Equity investment other comprehensive loss	**(51)**	(3)
Equity investment dilution loss, net	**(156)**	(316)
Distributions[2]	**(1,115)**	(223)
Investment balance at end of year	**4,360**	3,902

1 Opening balance for 2015 as at September 1, 2015, following the change in accounting of ECT from consolidation to equity method accounting.

2 Subsequent to the sale of EIPLP's South Prairie Region assets in December 2016, EIPLP made a special one-time distribution to ECT utilizing proceeds from the sale.

Equity issuances from EIPLP result in dilution gains or losses, with a corresponding charge or credit to deficit, when each of EIPLP's partners do not participate equally in the issuance. For the year ended December 31, 2016, ECT recorded a net dilution loss of $156 million (2015 - $316 million loss) resulting from its increase in ownership of EIPLP Class A Units partially offset by EIPLP's issuance of class D Units to Enbridge. ECT's net dilution loss is recorded as a component of the Fund's equity pickup of ECT.

Summarized financial information of EIPLP accounted for under the equity method was as follows:

Year ended December 31,	**2016**	2015[1]	2014[1]
(millions of Canadian dollars)			
Revenues	**3,922**	1,874	2,186
Earnings	**2,297**	180	631

1 Retrospectively adjusted to furnish comparative information related to the 2015 and 2014 Transactions (Note 2).

December 31,	**2016**	2015
(millions of Canadian dollars)		
Current assets	**888**	794
Property, plant and equipment, net	**22,455**	21,064
Other long-term assets	**3,919**	3,792
Current liabilities	**2,174**	1,928
Long-term debt	**6,043**	5,591
Other long-term liabilities	**9,514**	9,368

FINANCIAL STATEMENT EFFECTS OF RATE REGULATION

The financial statement effect of rate regulation is recorded within the Fund's equity accounting for its indirect investment in EIPLP. The Canadian Mainline and Southern Lights Pipeline businesses within EIPLP are subject to regulation by the National Energy Board (NEB). EIPLP also collects and sets aside funds to cover future pipeline abandonment costs for all NEB regulated pipelines as a result of the NEB's regulatory requirements under the NEB's Land Matters Consultation Initiative. Amounts expected to be paid to cover future abandonment costs are recognized as long-term regulatory liabilities. EIPLP's significant regulated businesses and other 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 NEB. Canadian Mainline tolls (excluding Lines 8 and 9) are currently governed by the 10-year 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 Enbridge's Lakehead System 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

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

Saskatchewan Gathering System

The Saskatchewan Gathering System is regulated by the Saskatchewan Ministry of Economy. The Saskatchewan Gathering System follows a cost of service methodology. In May 2016, EIPLP reached a Settlement Agreement (the Settlement) with a group of shippers that revised the tolling methodology on the Saskatchewan Gathering System. The regulatory governance of the Settlement changed and as such, all of the criteria required for the continued application of rate-regulated accounting treatment were no longer met and derecognition of regulatory balances as at May 1, 2016 was required.

On December 1, 2016, EIPLP disposed of the Saskatchewan Gathering System as part of the sale of the South Prairie Region assets.

Alliance Pipeline

Alliance Pipeline Canada has tolls and tariffs regulated by the NEB and Alliance Pipeline US has tolls and tariffs regulated by the FERC. With the expiration of Alliance Pipeline's transportation service agreements in December 2015, Alliance Pipeline announced a new services framework and the related tolls and tariff provisions required to implement the new services (collectively, New Services Framework). Pursuant to the New Services Framework, Alliance Pipeline retains exposure to potential variability in certain future costs and throughput volumes. As such, the majority of Alliance Pipeline's operations no longer meet all of the criteria required for the continued application of rate-regulated accounting treatment and derecognition of regulatory balances as at June 30, 2015 was required.

7. DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGING ACTIVITIES

INTEREST RATE RISK

The Fund's earnings, cash flows and OCI are exposed to short term interest rate variability due to the regular repricing of its variable rate debt, primarily credit facilities. Floating to fixed interest rate swaps are used to hedge against the effect of future interest rate movements. The Fund has implemented a program to mitigate the volatility of short-term interest rates on interest expense with the execution of floating to fixed rate interest rate swaps at an average swap rate of 2.5%.

The Fund's earnings, cash flows and OCI are also exposed to variability in longer term interest rates ahead of anticipated fixed rate debt issuances. Forward starting interest rate swaps may be used to hedge against the effect of future interest rate movements. The Fund has implemented a program to mitigate its exposure to long-term interest rate variability on select forecast term debt issuances with the execution of floating to fixed interest rate swaps at an average swap rate of 3.1%.

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

TOTAL DERIVATIVE INSTRUMENTS

The following table summarizes the Statements of Financial Position location and carrying value of the Fund's derivative instruments. The Fund did not have any outstanding fair value hedges as at December 31, 2016 or 2015.

The Fund generally has a policy of entering into individual International Swaps and Derivatives Association, Inc. agreements, or other similar derivative agreements, with the majority 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.

December 31, 2016	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)					
Current portion of derivative assets					
Foreign exchange contracts	**-**	**1**	**1**	**-**	**1**
	-	**1**	**1**	**-**	**1**
Current portion of derivative assets - affiliates					
Foreign exchange contracts	**-**	**18**	**18**	**(1)**	**17**
	-	**18**	**18**	**(1)**	**17**
Long-term portion of derivative assets - affiliates					
Foreign exchange contracts	**-**	**80**	**80**	**-**	**80**
	-	**80**	**80**	**-**	**80**
Current portion of derivative liabilities					
Interest rate contracts	**(5)**	**-**	**(5)**	**-**	**(5)**
Foreign exchange contracts	**-**	**(18)**	**(18)**	**-**	**(18)**
	(5)	**(18)**	**(23)**	**-**	**(23)**
Current portion of derivative liabilities - affiliates					
Interest rate contracts	**(48)**	**-**	**(48)**	**-**	**(48)**
Foreign exchange contracts	**-**	**(1)**	**(1)**	**1**	**-**
	(48)	**(1)**	**(49)**	**1**	**(48)**
Long-term portion of derivative liabilities					
Interest rate contracts	**(47)**	**-**	**(47)**	**-**	**(47)**
Foreign exchange contracts	**-**	**(80)**	**(80)**	**-**	**(80)**
	(47)	**(80)**	**(127)**	**-**	**(127)**
Long-term portion of derivative liabilities - affiliates					
Interest rate contracts	**(4)**	**-**	**(4)**	**-**	**(4)**
	(4)	**-**	**(4)**	**-**	**(4)**
Total net derivative liability					
Interest rate contracts	**(104)**	**-**	**(104)**	**-**	**(104)**
Foreign exchange contracts	**-**	**-**	**-**	**-**	**-**
	(104)	**-**	**(104)**	**-**	**(104)**

December 31, 2015	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)					
Current portion of derivative assets - affiliates					
Foreign exchange contracts	-	22	22	-	22
	-	22	22	-	22
Long-term portion of derivative assets					
Foreign exchange contracts	-	105	105	-	105
	-	105	105	-	105
Current portion of derivative liabilities					
Interest rate contracts	(3)	-	(3)	-	(3)
Foreign exchange contracts	-	(22)	(22)	-	(22)
	(3)	(22)	(25)	-	(25)
Current portion of derivative liabilities - affiliates					
Interest rate contracts	(17)	-	(17)	-	(17)
	(17)	-	(17)	-	(17)
Long-term portion of derivative liabilities					
Interest rate contracts	(42)	-	(42)	-	(42)
Foreign exchange contracts	-	(105)	(105)	-	(105)
	(42)	(105)	(147)	-	(147)
Long-term portion of derivative liabilities - affiliates					
Interest rate contracts	(3)	-	(3)	-	(3)
	(3)	-	(3)	-	(3)
Total net derivative liability					
Interest rate contracts	(65)	-	(65)	-	(65)
Foreign exchange contracts	-	-	-	-	-
	(65)	-	(65)	-	(65)

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

December 31, 2016	2017	2018	2019	2020	2021	Thereafter
Interest rate contracts - short-term borrowings *(millions of Canadian dollars)*	**326**	**319**	**1**	**-**	**-**	**-**
Interest rate contracts - long-term borrowings *(millions of Canadian dollars)*	**800**	**350**	**-**	**-**	**-**	**-**
Foreign exchange contracts - United States dollar forwards - purchase *(millions of United States dollars)*	**99**	**92**	**57**	**63**	**69**	**222**
Foreign exchange contracts - United States dollar forwards - sell *(millions of United States dollars)*	**99**	**92**	**57**	**63**	**69**	**222**

December 31, 2015	2016	2017	2018	2019	2020	Thereafter
Interest rate contracts - short-term borrowings *(millions of Canadian dollars)*	301	326	319	1	-	-
Interest rate contracts - long-term borrowings *(millions of Canadian dollars)*	720	330	100	-	-	-
Foreign exchange contracts - United States dollar forwards - purchase *(millions of United States dollars)*	87	86	86	57	63	291
Foreign exchange contracts - United States dollar forwards - sell *(millions of United States dollars)*	87	86	86	57	63	291

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.

Year ended December 31,	**2016**	2015	2014
(millions of Canadian dollars)			
Amount of unrealized gains/(loss) recognized in OCI			
Interest rate contracts	**(44)**	(43)	(29)
Foreign exchange contracts	**-**	2	1
Commodity contracts	**-**	1	3
Total unrealized loss recognized in OCI	**(44)**	(40)	(25)
Amount of (gains)/loss reclassified from AOCI to earnings *(effective portion)*			
Interest rate contracts[1]	**6**	5	4
Commodity contracts[2]	**-**	(1)	(1)
Total loss reclassified from AOCI to earnings *(effective portion)*	**6**	4	3
Amount of loss reclassified due to change to equity accounting			
Foreign exchange contracts	**-**	(3)	-
Commodity contracts	**-**	(2)	-
Total loss reclassified due to change to equity accounting	**-**	(5)	-
Amount of loss reclassified from AOCI to earnings (*ineffective portion and amount excluded from effectiveness testing)*			
Interest rate contracts[1]	**13**	4	-

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 $8 million. Actual amounts reclassified to earnings depend on the interest rates 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.

Year ended December 31,	**2016**	2015	2014
(millions of Canadian dollars)			
Foreign exchange contracts[1]	**-**	(77)	(25)
Total unrealized derivative fair value loss	**-**	(77)	(25)

1 *Reported within Other income 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 (MTNs) and the issuance of Fund Units. The Fund expects to file a current MTN shelf prospectus with Canadian securities regulators in the first quarter of 2017, which will enable, subject to market conditions, ready access to Canadian public capital markets. Additional liquidity, if necessary, is expected to be available through intercompany transactions with Enbridge or other related entities.

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 credit exposure limits and contractual requirements, netting arrangements and ongoing monitoring of counterparty credit exposure using external credit rating services and other analytical tools.

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

December 31,	**2016**	2015
(millions of Canadian dollars)		
European financial institutions	**1**	-
Due from affiliate	**98**	127
	99	127

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 December 31, 2016 or 2015.

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 December 31, 2016 or 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 or foreign exchange) 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:

December 31, 2016	Level 1	Level 2	Level 3	Total Gross Derivative Instruments
(millions of Canadian dollars)				
Financial assets				
Current derivative assets	-	**19**	-	**19**
Long-term derivative assets	-	**80**	-	**80**
Financial liabilities				
Current derivative liabilities	-	**(72)**	-	**(72)**
Long-term derivative liabilities	-	**(131)**	-	**(131)**
Total net liability	-	**(104)**	-	**(104)**

December 31, 2015	Level 1	Level 2	Level 3	Total Gross Derivative Instruments
(millions of Canadian dollars)				
Financial assets				
Current derivative assets	-	22	-	22
Long-term derivative assets	-	105	-	105
Financial liabilities				
Current derivative liabilities	-	(42)	-	(42)
Long-term derivative liabilities	-	(150)	-	(150)
Total net liability	-	(65)	-	(65)

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

Year ended December 31,	**2016**	2015
(millions of Canadian dollars)		
Level 3 net derivative asset at beginning of year	**-**	2
Settlements	**-**	(2)
Level 3 net derivative asset at end of year	**-**	-

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 December 31, 2016 and 2015.

FAIR VALUE OF OTHER FINANCIAL INSTRUMENTS

At December 31, 2016, the Fund's long-term debt had a fair value of $2,415 million (2015 - $2,395 million). This fair value measurement has been classified as a Level 2 fair value measurement.

8. OTHER LONG-TERM INVESTMENTS

As a result of the deconsolidation of EIPLP, the Fund's interest in other equity investments in Alliance Pipeline, NRGreen Power Limited Partnership, and SunBridge Wind Power Facility, were removed from the Fund's Statements of Financial Position at September 1, 2015, the closing date of the 2015 Transaction. Income from these other equity investments for the year ended December 31, 2015 relate to the first eight months of the year.

Summarized combined financial information of the Fund's interests in other investments accounted for under the equity method was as follows:

Year ended December 31,	2015[1]	2014[2]
(millions of Canadian dollars)		
Earnings		
Revenues	301	445
Operating and administrative	(90)	(145)
Depreciation and amortization	(72)	(106)
Other income	5	2
Interest expense	(36)	(56)
Earnings	108	140

1 Reflects the deconsolidation of ECT and EIPLP (Note 2).
2 Retrospectively adjusted to furnish comparative information related to Alliance Pipeline US (Note 2).

9. DEBT

December 31,	**2016**	2015
(millions of Canadian dollars)		
Medium-term notes		
5.00% due June 22, 2017	**100**	100
2.92% due December 14, 2017	**225**	225
4.00% due December 20, 2018	**125**	125
4.10% due February 22, 2019	**300**	300
4.85% due November 12, 2020	**100**	100
4.85% due February 22, 2022	**200**	200
3.94% due January 13, 2023	**275**	275
3.95% due November 19, 2024	**500**	500
4.87% due November 21, 2044	**250**	250
Floating rate due November 21, 2016	**-**	330
Credit facilities	**225**	-
Debt discount and financing costs	**(6)**	(8)
Total debt	**2,294**	2,397
Current maturities	**(325)**	(330)
Long-term debt	**1,969**	2,067

MEDIUM-TERM NOTES

The MTNs are unsecured and redeemable by the Fund prior to maturity, in whole or in part, from time to time, and at the option of the Fund at a price equal to the greater of the applicable Government of Canada yield price and par. Interest on the MTNs is payable semi-annually. No MTNs were issued during the year ended December 31, 2016.

For the years ending December 31, 2017 through December 31, 2021, MTN maturities are $325 million, $125 million, $300 million, $100 million and nil, respectively, and $1,225 million thereafter. As at December 31, 2016, the MTNs had a fair value of $2,190 million (2015 - $2,395 million) based on quoted market prices.

CREDIT FACILITY

In October 2015, the Fund increased the size of its unsecured $500 million, 3-year standby committed credit facility with a syndicate of commercial banks by $1,000 million, to a total of $1,500 million. On an annual basis, the Fund may request a one-year extension of the applicable maturity date. This was utilized in August 2016 and the Fund extended the maturity date to August 3, 2019.

At December 31, 2016, there was $225 million (2015 - nil) drawn on the facility. Letters of credit totalled $11 million (2015 - $11 million) leaving $1,264 million (2015 - $1,489 million) of the credit facility available for use at December 31, 2016. The Fund's credit facility carries a standby fee of 0.2% (2015 - 0.2%) per annum. The Fund is subject to several covenants under its credit facility, including covenants that limit outstanding debt to a percentage of the Fund's and EIPLP's capitalization. The Fund was in compliance with all covenants as at December 31, 2016.

INTEREST EXPENSE

Year ended December 31,	**2016**	2015	2014
(millions of Canadian dollars)			
Interest expense on long-term debt	**114**	103	72
Interest on affiliate loans *(Note 5)*	**-**	1	3
Amortization of financing costs and bank charges	**5**	4	3
	119	108	78

Interest obligations on the Fund's MTNs for the years ending December 31, 2017 through 2021 are $84 million, $75 million, $63 million, $57 million and $52 million, respectively.

10. ECT PREFERRED UNITS

	2015[1]		2014	
	Number of Units	Mezzanine Equity	Number of Units	Mezzanine Equity
(millions of Canadian dollars; number of units in millions)				
ECT Preferred Units, series 1				
Balance, beginning of year	38	1,517	38	885
Redemption value adjustment	-	(287)	-	632
Deconsolidation adjustment	(38)	(1,230)	-	-
Balance, end of year	-	-	38	1,517
ECT Preferred Units, series 2				
Balance, beginning of year	16	641	16	374
Redemption value adjustment	-	(121)	-	267
Deconsolidation adjustment	(16)	(520)	-	-
Balance, end of year	-	-	16	641
ECT Preferred Units, series 3				
Balance, beginning of year	13	525	13	306
Redemption value adjustment	-	(99)	-	219
Deconsolidation adjustment	(13)	(426)	-	-
Balance, end of year	-	-	13	525
ECT Preferred Units, series 4				
Balance, beginning of year	5	209	5	122
Redemption value adjustment	-	(39)	-	87
Deconsolidation adjustment	(5)	(170)	-	-
Balance, end of year	-	-	5	209
ECT Preferred Units, series 5				
Balance, beginning of year	15	607	-	-
Issued	-	-	15	461
Redemption value adjustment	-	(115)	-	146
Deconsolidation adjustment	(15)	(492)	-	-
Balance, end of year	-	-	15	607
Total ECT Preferred Units	-	-	87	3,499

1 Reflects the deconsolidation of ECT and EIPLP (Note 2).

ECT Preferred Units are entitled to non-cumulative distributions when declared by ECT, have no direct voting rights except in limited circumstances and all mature on June 30, 2050.

11. TRUST UNITS

December 31,	2016 Number of Units	2016 Amount	2015 Number of Units	2015 Amount	2014 Number of Units	2014 Amount
(millions of Canadian dollars; number of units in millions)						
Fund Units, beginning of year	**191**	**5,266**	80	3,187	66	1,536
Issued	**27**	**767**	111	3,875	14	421
Share issue costs	**-**	**(24)**	-	(28)	-	(14)
Redemption value adjustment	**-**	**1,436**	-	(1,768)	-	1,244
Fund Units, end of year[1]	**218**	**7,445**	191	5,266	80	3,187

1 *Enbridge owned 94 million common trust units at December 31, 2016 (2015 - 94 million; 2014 - 10 million).*

Holders of the class C units of EIPLP (EIPLP Class C Units), ECT Preferred Units and Fund Units may exchange such securities in whole or in part for ECT Preferred Units, Fund Units or ENF common shares, as applicable, at any time or from time to time, directly or indirectly on a one-for-one basis pursuant to the terms of such securities and an exchange right support agreement entered into with ENF (Exchange Right).

Pursuant to the Trust Indenture, an unlimited number of Fund Units may be issued by the Fund. Each Fund Unit represents an equal undivided beneficial interest in any distributions from the Fund and in the net assets in the event of termination or wind-up of the Fund. All Fund Units are voting and have equal rights and privileges. The Fund is required to reserve a sufficient number of Fund Units to satisfy the Exchange Right.

Fund Units are redeemable at any time at the option of the holder. At December 31, 2016 and 2015, the redemption price per Fund Unit is equal to the net asset value per Fund Unit, calculated with reference to the market price of an ENF common share, adjusted for non-consolidated assets and liabilities of ENF. The maximum amount payable by the Fund in respect of redemptions in any calendar month is limited to $0.1 million. To the extent that a unitholder is not entitled to receive cash upon the redemption of Fund Units, the redemption price shall be satisfied, subject to all necessary regulatory approvals, by way of a distribution of Fund property, which may include ECT notes or other assets held by the Fund.

12. OTHER INCOME

Year ended December 31,	2016	2015[1]	2014
(millions of Canadian dollars)			
Realized loss on derivative instruments	**-**	(9)	21
Unrealized loss on derivative instruments	**-**	(77)	(25)
Unrealized gain on foreign intercompany loan	**-**	99	16
Realized gain on foreign intercompany loan	**-**	8	-
Gain on disposition	**-**	22	-
	-	43	12

1 *Reflects the deconsolidation of ECT and EIPLP (Note 2).*

13. CHANGES IN OPERATING ASSETS AND LIABILITIES

Year ended December 31,	**2016**	2015[1]	2014[2]
(millions of Canadian dollars)			
Accounts receivable and other, net	**(1)**	(7)	(22)
Accounts receivable from other affiliates	**27**	95	(25)
Other accounts payable	**-**	17	1
Interest payable	**-**	1	4
Due to affiliates	**-**	-	5
Deferred amounts and other assets	**-**	18	27
Other long-term liabilities	**(1)**	(8)	(16)
	25	116	(26)

1 Reflects the deconsolidation of ECT and EIPLP (Note 2).
2 Retrospectively adjusted to furnish comparative information related to the 2014 Transaction (Note 2).

14. INCOME TAXES

INCOME TAX RATE RECONCILIATION

Year ended December 31,	**2016**	2015[1]	2014[2]
(millions of Canadian dollars)			
Earnings before income taxes	**648**	192	213
Combined statutory income tax rate[3]	**48%**	15%	15%
Income taxes at federal statutory rate	**311**	29	32
Increase/(decrease) resulting from:			
Provincial and state taxes	**-**	29	16
Foreign and other statutory rate differentials	**-**	15	19
Taxable component of trust distributions	**(216)**	(7)	(8)
Deferred income taxes related to regulated operations[4]	**-**	11	5
Temporary differences not recognized	**(95)**	1	(1)
Non-taxable portion of capital gains	**-**	(9)	-
Other	**-**	3	-
Income tax expense	**-**	72	63
Effective income tax rate	**-**	37.5%	29.6%

1 Reflects the deconsolidation of ECT and EIPLP (Note 2).
2 Retrospectively adjusted to furnish comparative information related to the 2014 Transaction (Note 2).
3 As a result of the 2015 Transaction, the 2016 rate is the combined federal and provincial trust income tax rate. The 2015 and 2014 rates are the federal corporate income tax rate.
4 The amounts in 2015 included the federal component of the tax effect of the write-off of regulatory receivables.

COMPONENTS OF PRETAX EARNINGS AND INCOME TAXES

Year ended December 31,	**2016**	2015[1]	2014[2]
(millions of Canadian dollars)			
Earnings before income taxes			
Canada	**648**	115	117
United States	**-**	77	96
	648	192	213
Current income taxes			
Canada	**-**	18	4
United States	**-**	-	23
	-	18	27
Deferred income taxes			
Canada	**-**	23	21
United States	**-**	31	15
	-	54	36
Income taxes on earnings	**-**	72	63

1 Reflects the deconsolidation of ECT and EIPLP (Note 2).
2 Retrospectively adjusted to furnish comparative information related to the 2014 Transaction (Note 2).