ENBRIDGE INCOME PARTNERS LP

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2018

GLOSSARY

Adjusted EBITDA	Adjusted earnings before interest, income taxes and depreciation and amortization
ASU	Accounting Standards Update
Canadian L3R Program	Canadian portion of the Line 3 Replacement Program
DCF	Distributable cash flow
EBITDA	Earnings before interest, income taxes and depreciation and amortization
ECT	Enbridge Commercial Trust
EEP	Enbridge Energy Partners, L.P.
EIPLP	Enbridge Income Partners LP
Enbridge	Enbridge Inc.
ENF	Enbridge Income Fund Holdings Inc.
EPI	Enbridge Pipelines Inc.
FERC	Federal Energy Regulatory Commission
Fund Units	Ordinary trust units of the Fund
IDR	Incentive Distribution Right
IJT	International Joint Tariff
MD&A	Management's Discussion and Analysis
MNPUC	Minnesota Public Utilities Commission
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.
the Proposal	A non-binding offer from Enbridge to acquire all of the outstanding common shares of ENF not currently owned by Enbridge, in exchange for Enbridge common shares at a fixed exchange ratio based on a 5% premium to ENF's closing common share price on May 16, 2018
U.S. L3R Program	United States portion of the Line 3 Replacement Program

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2018

This Management's Discussion and Analysis (MD&A) dated August 3, 2018 should be read in conjunction with the unaudited interim consolidated financial statements and notes thereto of Enbridge Income Partners LP as at and for the three and six months ended June 30, 2018, prepared in accordance with generally accepted accounting principles in the United States of America (U.S. GAAP). It should also be read in conjunction with the audited consolidated financial statements and MD&A for the year ended December 31, 2017.

All financial measures presented in this MD&A are expressed in Canadian dollars, unless otherwise indicated. Enbridge Income Partners LP supplements Enbridge Income Fund's (the Fund) financial statements and MD&A, and additional information related to Enbridge Income Partners LP is available under the Fund's profile on SEDAR at www.sedar.com.

Effective December 31, 2017, Enbridge Income Partners LP revised its segmented information presentation on a retrospective basis to align with current changes in reporting to the Chief Operating Decision Maker in assessing Enbridge Income Partners LP's performance and making decisions on allocation of resources to the segments. Enbridge Income Partners LP changed its profit measure to Earnings before interest, income taxes and depreciation and amortization (EBITDA) from its previous measure of Earnings before interest and income taxes.

OVERVIEW

The terms "we," "our," "us" and "EIPLP" as used in this MD&A refer to Enbridge Income Partners LP unless the context suggests otherwise. EIPLP was formed in 2002, and we are involved in the generation, transportation and storage of energy through our interests in our liquids pipelines business, including the Canadian Mainline and the Regional Oil Sands System, our 50% interest in the Alliance Pipeline, which transports natural gas from Canada to the United States, and our renewable and alternative power generation assets.

EIPLP is a member of the Fund Group, which also includes Enbridge Commercial Trust (ECT) and the Fund. We hold all of the underlying operating entities of the Fund Group through our subsidiaries and investees. Enbridge Inc. (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. The limited partners of EIPLP are ECT and Enbridge and certain of its subsidiaries.

We conduct our business through three business segments: Liquids Pipelines, Gas Pipelines and Green Power.

Liquids Pipelines
Liquids Pipelines consists of common carrier and contract pipelines, feeder pipelines and gathering systems that transport crude oil, natural gas liquids (NGL) and terminals in Canada, including Canadian Mainline, Regional Oil Sands System, Southern Lights Pipeline, which includes the Canadian portion of Southern Lights Pipeline and Class A units of certain Enbridge subsidiaries which provide a defined cash flow stream (Southern Lights Class A units) from the United States portion of Southern Lights Pipeline, Bakken Expansion Pipeline and Storage Facilities and Other.

Gas Pipelines
Gas Pipelines includes our 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
Green Power consists of wind facilities, solar facilities and waste heat recovery facilities located in the provinces of Alberta, Saskatchewan, Ontario and Quebec.

Eliminations and Other
In addition to the segments noted above, Eliminations and Other includes operating and administrative costs and foreign exchange costs which are not allocated to business segments. Also included in Eliminations and Other are new business development activities, general corporate investments and elimination of transactions between segments required to present financial performance and financial position on a consolidated basis.

RECENT DEVELOPMENTS

ENBRIDGE INC. OFFER TO ACQUIRE PUBLICLY OWNED ENF COMMON SHARES
The Fund Group is owned by Enbridge and Enbridge Income Fund Holdings Inc. (ENF), a public company listed on the Toronto Stock Exchange (TSX). On May 18, 2018, ENF announced that it received a non-binding offer from Enbridge to acquire all of the outstanding common shares of ENF not currently owned by Enbridge, in exchange for Enbridge common shares at a fixed exchange ratio based on a 5% premium to ENF's closing common share price on May 16, 2018 (the Proposal). Under the Proposal, common shareholders of ENF would receive 0.7029 common shares of Enbridge per ENF common share. The Board of Directors of ENF has established a special committee of independent directors to review and consider the Proposal.

The Proposal is subject to conditions, including the negotiation of a definitive agreement and the review and favorable recommendation by the special committee, approvals by ENF Board of Directors and the Enbridge Board of Directors, and approvals by the shareholders of ENF. Any definitive agreement is expected to contain customary closing conditions, including standard regulatory notifications and approvals.

The Proposal is part of Enbridge's sponsored vehicle restructuring initiative to simplify its corporate structure. On May 17, 2018, Enbridge announced separate all-share proposals to the respective boards of directors of Enbridge's other sponsored vehicles, including Spectra Energy Partners, LP (SEP), Enbridge Energy Partners, L.P. (EEP), and Enbridge Energy Management, L.L.C. (EEQ) to acquire, in separate combination transactions, all of the outstanding equity securities of those sponsored vehicles not beneficially owned by Enbridge.

REVISED FERC POLICY ON TREATMENT OF INCOME TAXES
On March 15, 2018, the Federal Energy Regulatory Commission (FERC) changed its long-standing policy on the treatment of income tax amounts included in the rates of pipelines and other entities subject to cost of service rate regulation within a Master Limited Partnership (MLP). On July 18, 2018, the FERC issued an Order that: (1) dismissed all requests for rehearing of its March 15, 2018 revised policy statement and explained that its revised policy statement does not establish a binding rule, but is instead an expression of general policy that the Commission intends to follow in the future; and (2) provides guidance that if an MLP or other tax pass-through pipeline eliminates its income tax allowance from its cost of service pursuant to FERC's Revised Policy Statement, then Accumulated Deferred Income Taxes (ADIT) will similarly be removed from the cost of service and MLP pipelines may also eliminate previously-accumulated sums in ADIT instead of flowing ADIT balances back to ratepayers. As a statement of general policy, the FERC will consider alternative application of its tax allowance and ADIT policy on a case-by-case basis.

Although EIPLP is not directly impacted by the FERC actions, under the International Joint Tariff (IJT) mechanism, reductions or increases in the EEP tariff rates will create an offsetting revenue increase or decrease, respectively, on the Canadian Mainline. The impact of the FERC policy change on EEP's tariff

rates is subject to, among other things, the outcome of Enbridge's proposal to acquire EEP's publicly owned equity securities, which would mitigate the impacts of the policy change at EEP.

ASSET MONETIZATION

On May 9, 2018, we entered into agreements with the Canadian Pension Plan Investment Board (CPPIB), which closed on August 1, 2018, whereby we monetized a 49% interest in wind and solar facilities included within our Green Power segment (the Assets) to the CPPIB for cash proceeds of approximately $1.05 billion. We continue to own a 51% interest in these Assets and Enbridge will continue to manage, operate and provide administrative services for the Assets.

The Fund Group will initially utilize the proceeds to repay credit facility and commercial paper borrowings. Following the conclusion of the special committee process discussed above at *Enbridge Inc. Offer to Acquire Publicly Owned ENF Common Shares*, management will evaluate whether additional actions to utilize the proceeds are appropriate, including the potential redemption of ordinary trust units of the Fund (Fund Units).

ALLIANCE PIPELINE NEW OPERATING MODEL

On June 25, 2018, Alliance Pipeline completed the previously announced conversion of the operation and administration of Alliance Pipeline into an owner-operator model, with its functions being split between our Manager and Pembina Pipeline Corporation (Pembina). We hold a 50% interest in Alliance Pipeline, while Pembina holds the remaining 50% interest. The new operating model took effect on June 25, 2018 and will continue to safely and efficiently deliver more value to all stakeholders. The implementation of the new operating model did not have a significant impact on Alliance Pipeline's financial results for the quarter.

MNPUC APPROVAL OF U.S. LINE 3 REPLACEMENT PROGRAM

On June 28, 2018, the Minnesota Public Utilities Commission (MNPUC) approved the issuance to EEP of a Certificate of Need (Certificate) and Route Permit for construction of the United States portion of the Line 3 Replacement Program (U.S. L3R Program) in Minnesota. The Route Permit adopted EEP's preferred route, with minor modifications and subject to certain conditions. EIPLP is executing the Canadian portion of the Line 3 Replacement Program (Canadian L3R Program), which is currently under construction. For further details on the Line 3 Replacement Program, refer to *Growth Project - Regulatory Matters - Canadian Line 3 Replacement Program*.

CONSOLIDATED EARNINGS

	Three months ended June 30,		Six months ended June 30,	
	2018	2017	**2018**	2017
(millions of Canadian dollars)				
Liquids Pipelines	**495**	781	**830**	1,431
Gas Pipelines	**55**	46	**118**	105
Green Power	**71**	71	**132**	139
Eliminations and Other	**18**	(6)	**43**	(5)
Earnings before interest, income taxes and depreciation and amortization	**639**	892	**1,123**	1,670
Depreciation and amortization	**(177)**	(164)	**(355)**	(323)
Interest expense	**(115)**	(103)	**(231)**	(201)
Income tax recovery/(expense)	**242**	(116)	**227**	(196)
Special interest rights distributions - TPDR[1]	**(102)**	(66)	**(203)**	(132)
Special interest rights distributions - IDR[2]	**(31)**	(12)	**(63)**	(24)
Earnings attributable to general and limited partners	**456**	431	**498**	794

1 *Temporary Performance Distribution Right (TPDR) distributes Class D units and refers to the paid-in-kind component of the Special Interest Rights (SIR) distribution. Class D unit distributions are also paid-in-kind with the issuance of additional Class D units (see* Liquidity and Capital Resources – Sources and Uses of Cash – Distributions*).*
2 *Incentive Distribution Right (IDR) refers to the cash component of the SIR distribution (see* Liquidity and Capital Resources – Sources and Uses of Cash – Distributions*).*

EARNINGS ATTRIBUTABLE TO GENERAL AND LIMITED PARTNERS

Earnings attributable to general and limited partners were $456 million and $498 million for the three and six months ended June 30, 2018 compared with $431 million and $794 million in the corresponding 2017 periods, respectively.

The comparability of our earnings was impacted by a number of unusual, non-recurring or non-operating factors that are listed in the Non-GAAP Reconciliation tables and discussed in the results for each reporting segment. Details of significant unusual, non-recurring or non-operating factors impacting the comparability of our earnings attributable to general and limited partners for the three and six months ended June 30, 2018 period-over-period include:

- non-cash, unrealized derivative losses for the Canadian Mainline of $258 million and $546 million ($189 million and $400 million after-tax) for the three and six months ended June 30, 2018 compared with gains of $266 million and $421 million ($195 million and $308 million after-tax) in the same periods of 2017, respectively, reflecting net fair value gains and losses arising from changes in the mark-to-market value of derivative financial instruments used to manage foreign exchange rates, power costs and the price of allowance oil that are inherent in the Competitive Toll Settlement (CTS), which drives Canadian Mainline revenue;
- losses of $10 million and $108 million in the second quarter and first half of 2018, respectively, related to Line 10, a component of the Canadian Mainline, resulting from its classification as an asset held for sale and the subsequent measurement at the lower of carrying value or fair value less costs to sell; and
- a $258 million deferred income tax recovery related to a change in the assertion for our investment in Canadian renewable energy generation assets due to our pending sale, which resulted in a revaluation of the related deferred tax liability to the capital gains tax rate and recognition of previously unrecognized tax basis.

As it pertains to the non-cash, unrealized derivative fair value gains and losses discussed above, we have a comprehensive long-term economic hedging program to mitigate interest rate, foreign exchange and commodity price risks that create volatility in short-term earnings through the recognition of non-cash, unrealized gains and losses on financial derivative instruments used to hedge these risks. Over the long term, we believe our hedging program supports reliable cash flows.

On a year to date basis, earnings attributable to general and limited partners were also impacted by a loss of $22 million ($16 million after-tax) attributable to us in the first quarter of 2018 from our equity investment in NRGreen Power Limited Partnership's (NRGreen) Chickadee Creek waste heat recovery facility located in Alberta.

After taking into consideration the factors above, the remaining increase is primarily explained by the following significant business factors:

- stronger performance from the Canadian Mainline within our Liquids Pipelines segment in the second quarter and first half of 2018, primarily due to higher foreign exchange hedge rates used to record United States dollar denominated Canadian Mainline revenues, higher Canadian Mainline IJT Residual Benchmark Tolls and higher throughput driven by capacity optimization initiatives implemented in 2017;
- additional revenue generated from assets placed into service during 2017 within the Regional Oil Sands System; and

- stronger contributions from our Gas Pipelines segment on a quarter-to-date and year-to-date basis in 2018 and from our Green Power segment on a year-to-date basis; partially offset by
- an increase in interest expense due to lower capitalized interest and higher levels of debt outstanding in 2018;
- higher income tax expense after adjusting for the tax impacts of the unusual, non-recurring or non-operating factors discussed above, primarily reflecting the increase in adjusted earnings before income taxes in 2018; and
- greater IDR cash distributions paid in 2018, which increase as Fund Unit distributions increase.

Refer to *Non-GAAP Measures – Non-GAAP Reconciliations – Adjusted Earnings Attributable to General and Limited Partners* and the results of operations for each reporting segment for further discussion.

FORWARD-LOOKING INFORMATION

Forward-looking information, or forward-looking statements, have been included in this MD&A to provide information about EIPLP and EIPLP's subsidiaries and affiliates, including management's assessment of EIPLP's plans and operations. This information may not be appropriate for other purposes. Forward-looking statements are typically identified by words such as "anticipate", "expect", "project", "estimate", "forecast", "plan", "intend", "target", "believe", "likely" and similar words suggesting future outcomes or statements regarding an outlook. Forward-looking 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) or adjusted earnings/(loss); EBITDA or adjusted earnings before interest, income taxes and depreciation and amortization (adjusted EBITDA); effect of the increase or decrease of the Canadian Mainline IJT Residual Benchmark Toll on adjusted EBITDA; distributable cash flow (DCF); cash flows; distributions and policy; costs related to announced projects and projects under construction; in-service dates for announced projects and projects under construction; capital expenditures; recovery of the costs of the Canadian L3R Program through the use of surcharges; actions of regulators; commodity prices; supply forecasts; impact of hedging program; impact of the Canadian L3R Program on existing integrity programs; outcome of proceedings in respect of the Canadian L3R Program and the U.S. L3R Program; Alliance Pipeline operating model and expansion project; the impact of the Proposal, including the consummation thereof; Enbridge's separate all-share proposals to the respective boards of directors of SEP, EEP and EEQ, including the consummation thereof; the impact of the revised FERC policy announced March 15, 2018; the timing of the Asset Monetization, and use of proceeds, including the timing of closing; timing, results and impact of the MNPUC process regarding the U.S. L3R Program; receipt of approvals required from state agencies for the construction of the U.S. L3R Program; impact of Accounting Standards Update (ASU) 2018-01; and sources of liquidity and sufficiency of financial resources.

Although EIPLP 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 of and demand for crude oil, natural gas, NGL and renewable energy; prices of crude oil, natural gas, NGL and renewable energy; exchange rates; inflation; Canadian pipeline export capacity; levels of competition; interest rates; availability and price of labor and construction materials; operational reliability; customer and regulatory approvals; maintenance of support and regulatory approvals for EIPLP's projects (including the Canadian and U.S. L3R Program); anticipated in-service dates; weather; credit ratings; capital project funding; anticipated refinancing of debt upon maturity; potential acquisitions, dispositions or other strategic transactions; earnings/(loss) or adjusted earnings/(loss); EBITDA or adjusted EBITDA; cash flows and DCF; 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 levels of demand for EIPLP's services. Similarly, exchange rates, inflation and interest rates impact the economies and business environments in which EIPLP operates and may impact levels of demand for EIPLP'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), EBITDA, adjusted EBITDA, DCF, cash flows and distributions. The most relevant assumptions associated with forward-looking statements on announced projects and projects under construction, including estimated completion dates and expected capital expenditures, include the following: availability and price of labor and construction materials; effects of inflation and foreign exchange rates on labor and

material costs; effects of interest rates on borrowing costs; and impact of weather and customer, government and regulatory approvals on construction and in-service schedules and cost recovery regimes.

EIPLP's forward-looking statements are subject to risks and uncertainties pertaining to distribution policy, 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, the interpretation and impact of newly adopted tax policies, changes in trade agreements, exchange rates, interest rates, commodity prices, political decisions and supply of and demand for commodities, including but not limited to those risks and uncertainties discussed in this MD&A. 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 EIPLP'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, EIPLP 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 EIPLP or persons acting on EIPLP's behalf, are expressly qualified in their entirety by these cautionary statements.

NON-GAAP MEASURES

This MD&A contains references to adjusted EBITDA, adjusted earnings and DCF. Adjusted EBITDA represents EBITDA adjusted for unusual, non-recurring or non-operating factors on both a consolidated and segmented basis. Adjusted earnings represent earnings adjusted for unusual, non-recurring or non-operating factors included in adjusted EBITDA, as well as adjustments for unusual, non-recurring or non-operating factors in respect of interest expense and income taxes on a consolidated basis. These factors, referred to as adjusting items, are reconciled and discussed in the financial results sections for the affected business segments.

DCF represents cash available to fund distributions on Class A and Class C units, as well as for debt repayments and reserves. DCF consists of adjusted EBITDA further adjusted for non-cash items, representing cash flow from our 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. DCF 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 adjusted EBITDA, adjusted earnings and DCF give useful information to partners and unitholders as they provide increased transparency and insight into our performance. The Manager uses adjusted EBITDA, adjusted earnings and DCF to set targets and to assess our performance. Adjusted EBITDA, adjusted earnings and DCF are not measures that have standardized meaning 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 provide a reconciliation of the GAAP and non-GAAP measures.

NON-GAAP RECONCILIATIONS
EBITDA to Adjusted EBITDA

	Three months ended June 30,		Six months ended June 30,	
	2018	2017	**2018**	2017
(millions of Canadian dollars)				
Earnings before interest, income taxes and depreciation and amortization	**639**	892	**1,123**	1,670
Adjusting items[1]:				
Changes in unrealized derivative fair value (gain)/loss[2]	**264**	(280)	**557**	(445)
Asset write-down loss	**10**	—	**108**	—
Equity investment asset impairment	**—**	—	**22**	—
Unrealized (gain)/loss on translation of United States dollar intercompany loan receivable	**(2)**	20	**(15)**	26
Lease termination costs	**—**	—	**23**	—
Leak remediation costs	**—**	5	**—**	12
Leak insurance recoveries	**—**	(1)	**—**	(4)
Adjusted earnings before interest, income taxes and amortization and depreciation	**911**	636	**1,818**	1,259

1 The above table summarizes adjusting items by nature. For a detailed listing of adjusting items by segment, refer to individual segment discussions.
2 Changes in unrealized derivative fair value gains and losses are presented net of amounts realized on the settlement of derivative contracts during the applicable period.

Adjusted EBITDA to Adjusted Earnings

	Three months ended June 30,		Six months ended June 30,	
	2018	2017	**2018**	2017
(millions of Canadian dollars)				
Liquids Pipelines	**772**	509	**1,523**	1,002
Gas Pipelines	**54**	43	**117**	100
Green Power	**69**	70	**150**	136
Eliminations and Other	**16**	14	**28**	21
Adjusted earnings before interest, income taxes and depreciation and amortization	**911**	636	**1,818**	1,259
Depreciation and amortization	**(177)**	(164)	**(355)**	(323)
Interest expense[1]	**(115)**	(104)	**(231)**	(204)
Income tax expense[1]	**(88)**	(45)	**(192)**	(82)
Special interest rights distributions - TPDR	**(102)**	(66)	**(203)**	(132)
Special interest rights distributions - IDR	**(31)**	(12)	**(63)**	(24)
Adjusted earnings attributable to general and limited partners	**398**	245	**774**	494

1 These balances are presented net of adjusting items.

Adjusted Earnings Attributable to General and Limited Partners

Adjusted earnings attributable to general and limited partners were $398 million and $774 million for the second quarter and first half of 2018 compared with $245 million and $494 million in the corresponding 2017 periods, respectively. Significant business factors increasing our adjusted earnings attributable to general and limited partners for the three and six months ended June 30, 2018 period-over-period include:

- higher foreign exchange hedge rates used to record United States dollar denominated Canadian Mainline revenues in the second quarter and first half of 2018. The IJT Benchmark Toll and its components are set in United States dollars, and the majority of our foreign exchange risk on Canadian Mainline revenues is hedged;
- higher Canadian Mainline revenues due to higher Canadian Mainline IJT Residual Benchmark Tolls of US$1.64 and US$1.89 for the first and second quarter of 2018, respectively, compared to US$1.47 and US$1.62 for the corresponding quarters of 2017, respectively;
- strengthened Canadian Mainline throughput in 2018 driven by capacity optimization initiatives implemented in 2017;
- additional revenue generated in 2018 on assets placed into service during 2017, primarily including Norlite Pipeline System (Norlite) and Wood Buffalo Extension; and
- an increase in seasonal firm service revenue in 2018 at Alliance Pipeline within our Gas Pipelines segment.

The positive factors above were partially offset by:

- an increase in interest expense due to lower capitalized interest and higher levels of debt outstanding in 2018;
- higher adjusted income tax expense, primarily driven by the increase in adjusted earnings before income taxes in 2018; and
- greater IDR cash distributions paid in 2018, which increase as Fund Unit distributions increase.

Adjusted earnings attributable to general and limited partners for the year-to-date period also benefited from stronger contributions from our Green Power segment due to stronger wind resources and a net gain of $11 million in the first quarter of 2018 from an arbitration settlement related to our wind facilities located in Quebec.

Cash Provided by Operating Activities to Distributable Cash Flow

	Three months ended June 30,		Six months ended June 30,	
	2018	2017	**2018**	2017
(unaudited; millions of Canadian dollars)				
Cash provided by operating activities	**771**	619	**1,576**	1,181
Adjusted for changes in operating assets and liabilities	**6**	(75)	**(71)**	(140)
	777	544	**1,505**	1,041
Maintenance capital expenditures[1]	**(19)**	(10)	**(37)**	(29)
Significant adjusting items:				
Special interest rights distributions - IDR	**(31)**	(12)	**(63)**	(24)
Other receipts of cash not recognized in revenue[2]	**5**	19	**34**	27
Lease termination costs	**—**	—	**23**	—
Leak remediation costs	**—**	5	**—**	12
Leak insurance recoveries	**—**	(1)	**—**	(4)
Other adjusting items	**(3)**	6	**9**	3
Distributable cash flow	**729**	551	**1,471**	1,026

1 Maintenance capital expenditures are expenditures that are required for the ongoing support and maintenance of the existing pipeline system or that are necessary to maintain the service capability of the existing assets (including the replacement of components that are worn, obsolete or completing their useful lives). For the purpose of DCF, maintenance capital excludes expenditures that extend asset useful lives, increase capacities from existing levels or reduce costs to enhance revenues or provide enhancements to the service capability of the existing assets. Maintenance capital expenditures occur primarily within our Liquids Pipelines segment.

2 Consists of cash received net of revenue recognized for contracts under make-up rights and similar deferred revenue arrangements.

Adjusted EBITDA to Distributable Cash Flow

	Three months ended June 30,		Six months ended June 30,	
	2018	2017	**2018**	2017
(millions of Canadian dollars)				
Adjusted earnings before interest, income taxes and depreciation and amortization	**911**	636	**1,818**	1,259
Cash distributions in excess of equity earnings[1]	**21**	18	**16**	7
Maintenance capital expenditures[2]	**(19)**	(10)	**(37)**	(29)
Interest expense[1]	**(108)**	(99)	**(218)**	(193)
Current income taxes[1]	**(42)**	(6)	**(86)**	(30)
Special interest rights distributions - IDR	**(31)**	(12)	**(63)**	(24)
Other receipts of cash not recognized in revenue[3]	**5**	20	**34**	28
Other adjusting items	**(8)**	4	**7**	8
Distributable cash flow	**729**	551	**1,471**	1,026

1 *These balances are presented net of adjusting items.*

2 *Maintenance capital expenditures are expenditures that are required for the ongoing support and maintenance of the existing pipeline system or that are necessary to maintain the service capability of the existing assets (including the replacement of components that are worn, obsolete or completing their useful lives). For the purpose of DCF, maintenance capital excludes expenditures that extend asset useful lives, increase capacities from existing levels or reduce costs to enhance revenues or provide enhancements to the service capability of the existing assets. Maintenance capital expenditures occur primarily within our Liquids Pipelines segment.*

3 *Consists of cash received net of revenue recognized for contracts under make-up rights and similar deferred revenue arrangements.*

Distributable Cash Flow

DCF represents cash available to fund distributions on Class A and Class C units, as well as for debt repayments and reserves. Such reserves are determined by the Manager and are used for payment of committed charges, such as interest and income taxes, and for execution of the capital maintenance program.

Our DCF was $729 million and $1,471 million for the second quarter and first half of 2018 compared with $551 million and $1,026 million for the same periods in 2017, respectively. Significant business factors impacting our DCF for the three and six months ended June 30, 2018 period-over-period include:

- stronger contributions from our Canadian Mainline on a quarter-to-date and year-to-date basis in 2018 due to higher Canadian Mainline IJT Residual Benchmark Tolls, higher foreign exchange hedge rates used to record United States dollar denominated Canadian Mainline revenues, and stronger Canadian Mainline throughput as a result of capacity optimization initiatives implemented in 2017;
- additional contributions from Regional Oil Sands System in 2018 on assets placed into service during 2017; and
- higher cash distributions received from Alliance Pipeline in 2018; partially offset by
- lower receipts of cash net of revenue recognized for contracts under deferred revenue arrangements on a quarter-to-date basis in 2018, with greater receipts of cash net of revenue recognized on a year-to-date basis in 2018;
- higher interest expense due to lower capitalized interest and higher levels of debt outstanding in 2018;
- higher adjusted current income taxes, primarily due to an increase in adjusted earnings before income taxes in 2018; and
- greater IDR cash distributions paid in 2018, which increase as Fund Unit distributions increase.

OTHER ANNOUNCED PROJECT UNDER DEVELOPMENT

GAS PIPELINES

The following project has not yet met our criteria to be classified as commercially secured:

- **Alliance Pipeline Expansion Project -** on March 28, 2018, Alliance Pipeline announced an open season for binding bids for additional long-term firm transportation service contracts on the Alliance Pipeline Canada and Alliance Pipeline US systems in support of up to 400 million cubic feet per day (mmcf/d) of expanded services on Alliance Pipeline Canada and up to 430 mmcf/d of expanded services on Alliance Pipeline US, with an anticipated in-service date in the fourth quarter of 2021. The open season closed on May 30, 2018, and the binding commitments did not reach the targets for additional long-term firm transportation service noted above. Based on these results and feedback from producers, Alliance Pipeline is assessing potential alternatives and next steps.

GROWTH PROJECT - REGULATORY MATTERS

Canadian Line 3 Replacement Program

The Canadian L3R program involves the replacement of the existing Line 3 crude oil pipeline between Hardisty, Alberta and Gretna, Manitoba. The Canadian L3R Program is currently under construction.

The U.S. L3R Program is being executed by EEP and will complement existing integrity programs by replacing approximately 576 kilometers (358 miles) of the remaining line segments of the existing Line 3 pipeline between Neche, North Dakota and Superior, Wisconsin. EEP has the authorization to replace Line 3 in North Dakota and Wisconsin. EEP is in the process of obtaining the appropriate permits for constructing the U.S. L3R Program in Minnesota. The project requires both a Certificate and Route Permit from the MNPUC.

On June 28, 2018, the MNPUC approved the issuance of a Certificate and Route Permit that adopts EEP's preferred route, with minor modifications and subject to certain conditions. A written order documenting the MNPUC's rulings in the Certificate and Route Permit dockets is expected by September 2018. Permits are also required from the United States Army Corps of Engineers (Army Corps), state agencies (including the Minnesota Department of Natural Resources and the Minnesota Pollution Control Agency) and local governments in Minnesota. EEP anticipates the receipt of all required permits in time to mobilize their contractors and commence construction activities during the first quarter of 2019.

FINANCIAL RESULTS

LIQUIDS PIPELINES

Earnings Before Interest, Income Taxes and Depreciation and Amortization

	Three months ended June 30,		Six months ended June 30,	
	2018	2017	**2018**	2017
(millions of Canadian dollars)				
Canadian Mainline	**515**	312	**996**	627
Regional Oil Sands System	**206**	135	**428**	266
Southern Lights Pipeline	**25**	28	**53**	60
Bakken Expansion Pipeline	**6**	9	**11**	17
Storage Facilities and Other	**20**	25	**35**	32
Adjusted earnings before interest, income taxes and depreciation and amortization	**772**	509	**1,523**	1,002
Canadian Mainline - changes in unrealized derivative fair value gain/(loss)	**(258)**	266	**(546)**	421
Canadian Mainline - asset write-down loss	**(10)**	—	**(108)**	—
Canadian Mainline - lease termination costs	**—**	—	**(23)**	—
Canadian Mainline - leak remediation costs	**—**	(5)	**—**	(12)
Regional Oil Sands System - leak insurance recoveries	**—**	1	**—**	4
Southern Lights Pipeline - changes in unrealized derivative fair value gain/(loss)	**(9)**	10	**(16)**	16
Earnings before interest, income taxes and depreciation and amortization	**495**	781	**830**	1,431

Additional details on items impacting Liquids Pipelines EBITDA include:

- Canadian Mainline EBITDA for each period reflected a non-cash, unrealized gain and loss, reflecting net fair value gains and losses arising from changes in the mark-to-market value of derivative financial instruments used to manage foreign exchange and commodity price risks inherent within the CTS;
- Canadian Mainline EBITDA for 2018 reflected a loss related to Line 10, a component of the Canadian Mainline, resulting from its classification as an asset held for sale and the subsequent measurement at the lower of carrying value or fair value less costs to sell;
- Canadian Mainline EBITDA for 2018 reflected office lease termination costs;
- Canadian Mainline EBITDA for 2017 included charges related to the crude oil release on Line 2A, which occurred in February 2017;
- Regional Oil Sands System EBITDA for 2017 included insurance recoveries associated with the Line 37 crude oil release, which occurred in June 2013; and
- Southern Lights Pipeline EBITDA for each period reflected net fair value gains on derivative financial instruments used to manage foreign exchange risk on United States dollar cash flows from Southern Lights Class A units.

Canadian Mainline

Canadian Mainline adjusted EBITDA was $515 million and $996 million for the second quarter and first half of 2018 compared with $312 million and $627 million for the same periods in 2017, respectively. Significant business factors increasing Canadian Mainline adjusted EBITDA for the three and six months ended June 30, 2018 period-over-period include:

- higher average throughput in 2018 driven by capacity optimization initiatives implemented in 2017 as well as the impact of an unexpected outage and accelerated maintenance at a customer's facility in the second quarter of 2017;

- higher average Canadian Mainline IJT Residual Benchmark Tolls of US$1.64 for the first quarter of 2018 with a further increase to US$1.89 for the second quarter of 2018 compared to US$1.47 and US$1.62 for the corresponding quarters of 2017, respectively; and
- a higher foreign exchange hedge rate used to record United States dollar denominated Canadian Mainline revenues of $1.26 for the second quarter and first half of 2018 compared with $1.04 for both of the corresponding periods in 2017.

Supplemental information related to the Canadian Mainline for the three and six months ended June 30, 2018 and 2017 is provided below:

June 30,	**2018**	2017
(United States dollars per barrel)		
IJT Benchmark Toll[1]	**$4.07**	$4.05
Lakehead System Local Toll[2]	**$2.18**	$2.43
Canadian Mainline IJT Residual Benchmark Toll[3]	**$1.89**	$1.62

1 The IJT Benchmark Toll is per barrel of heavy crude oil transported from Hardisty, Alberta to Chicago, Illinois. A separate distance adjusted toll applies to shipments originating at receipt points other than Hardisty and lighter hydrocarbon liquids pay a lower toll than heavy crude oil. Effective July 1, 2017 this toll increased to US$4.07. Effective July 1, 2018, this toll increased to US$4.15.

2 The Lakehead System Local Toll is per barrel of heavy crude oil transported from Neche, North Dakota to Chicago, Illinois. Effective April 1, 2017, this toll decreased to US$2.43. Effective April 1, 2018, this toll decreased to US$2.18. Effective July 1, 2018, this toll increased to US$2.23.

3 The Canadian Mainline IJT Residual Benchmark Toll is per barrel of heavy crude oil transported from Hardisty, Alberta to Gretna, Manitoba. For any shipment, this toll is the difference between the IJT Benchmark Toll and the Lakehead System Local Toll. Effective April 1, 2017, this toll increased to US$1.62, coinciding with the revised Lakehead System Local Toll. Effective July 1, 2017 this toll increased to US$1.64. Effective April 1, 2018, this toll increased to US$1.89, coinciding with the revised Lakehead System Local Toll. Effective July 1, 2018, this toll increased to US$1.92.

Throughput Volume[1]

	Three months ended June 30,		Six months ended June 30,	
	2018	2017	**2018**	2017
(thousands of barrels per day)				
Average throughput volume[1]	**2,636**	2,449	**2,631**	2,521

1 Throughput volume represents mainline deliveries ex-Gretna, Manitoba which is made up of United States and eastern Canada deliveries originating from western Canada.

Regional Oil Sands System

Regional Oil Sands System adjusted EBITDA was $206 million and $428 million for the second quarter and first half of 2018 compared with $135 million and $266 million for the corresponding 2017 periods, respectively. Significant business factors impacting Regional Oil Sands System adjusted EBITDA for the three and six months ended June 30, 2018 period-over-period include:

- additional EBITDA generated in 2018 as a result of new projects that went into service later in 2017, which primarily include Norlite and Wood Buffalo Extension; and
- higher average throughput in 2018 on Waupisoo Pipeline.

GAS PIPELINES

Earnings Before Interest, Income Taxes and Depreciation and Amortization

	Three months ended June 30,		Six months ended June 30,	
	2018	2017	**2018**	2017
(millions of Canadian dollars)				
Gas Pipelines	**54**	43	**117**	100
Adjusted earnings before interest, income taxes and depreciation and amortization	**54**	43	**117**	100
Changes in unrealized derivative fair value gain	**1**	3	**1**	5
Earnings before interest, income taxes and depreciation and amortization	**55**	46	**118**	105

Additional details on items impacting Gas Pipelines EBITDA include:

- Gas Pipelines EBITDA for 2017 reflected a non-cash, unrealized fair value gain, reflecting net fair value gains and losses arising from the change in the mark-to-market of derivative financial instruments used to manage foreign exchange exposures associated with United States dollar denominated distributions from Alliance Pipeline.

Gas Pipelines adjusted EBITDA was $54 million and $117 million for the second quarter and first half of 2018 compared with $43 million and $100 million for the same periods of 2017, respectively. Significant business factors impacting Gas Pipelines adjusted EBITDA for the three and six months ended June 30, 2018 period-over-period include:

- higher earnings at Alliance Pipeline in 2018 primarily due to an increase in revenues resulting from strong demand for seasonal firm and interruptible service.

Throughput Volume

	Three months ended June 30,		Six months ended June 30,	
	2018	2017	**2018**	2017
(millions of cubic feet per day)				
Average throughput volume				
Alliance Pipeline - Canada	**1,584**	1,519	**1,611**	1,574
Alliance Pipeline - US	**1,706**	1,623	**1,728**	1,674

GREEN POWER

Earnings Before Interest, Income Taxes and Depreciation and Amortization

	Three months ended June 30,		Six months ended June 30,	
	2018	2017	**2018**	2017
(millions of Canadian dollars)				
Green Power	**69**	70	**150**	136
Adjusted earnings before interest, income taxes and depreciation and amortization	**69**	70	**150**	136
Changes in unrealized derivative fair value gain	**2**	1	**4**	3
Equity investment asset impairment	**—**	—	**(22)**	—
Earnings before interest, income taxes and depreciation and amortization	**71**	71	**132**	139

Additional details on items impacting Green Power EBITDA include:

- Green Power EBITDA for each period reflected a non-cash, unrealized fair value gain, reflecting net fair value gains and losses arising from the change in the mark-to-market of derivative financial instruments used to manage commodity price risk; and
- Green Power EBITDA for 2018 reflected an asset impairment charge from our equity investment in NRGreen related to the Chickadee Creek waste heat recovery facility in Alberta.

Green Power adjusted EBITDA was $69 million and $150 million for the second quarter and first half of 2018 compared with $70 million and $136 million for the corresponding 2017 periods, respectively. Green Power adjusted EBITDA was comparable period-over-period for the second quarter of 2018. Significant business factors impacting Green Power adjusted EBITDA for the six months ended June 30, 2018 period-over-period include:

- stronger wind resources, primarily relating to our wind facilities located in Quebec; and
- a net gain of $11 million in the first quarter of 2018 from an arbitration settlement related to our wind facilities located in Quebec.

Production

	Three months ended June 30,		Six months ended June 30,	
	2018	2017	**2018**	2017
(thousands of megawatt hours produced)				
Wind Facilities	**645**	652	**1,427**	1,358
Solar Facilities	**49**	49	**77**	75
Waste Heat Facilities	**22**	22	**52**	50

ELIMINATIONS AND OTHER

Earnings Before Interest, Income Taxes and Depreciation and Amortization

	Three months ended June 30,		Six months ended June 30,	
	2018	2017	**2018**	2017
(millions of Canadian dollars)				
Dividend income from affiliate	**9**	9	**18**	19
Other	**7**	5	**10**	2
Adjusted earnings before interest, income taxes and depreciation and amortization	**16**	14	**28**	21
Unrealized gain/(loss) on translation of United States dollar intercompany loan receivable	**2**	(20)	**15**	(26)
Earnings/(loss) before interest, income taxes and depreciation and amortization	**18**	(6)	**43**	(5)

Eliminations and Other primarily includes dividend income from our Series A Preferred Shares investment in Enbridge Employee Services Canada Inc. and realized foreign exchange gains and losses generated from repayments received from a subsidiary on an intercompany loan receivable denominated in United States dollars.

LIQUIDITY AND CAPITAL RESOURCES

Our primary uses of cash are distributions to our partners, administrative and operational expenses, maintenance and growth capital spending, as well as interest and principal repayments on our long-term debt. We generate cash from operations, commercial paper issuances and credit facility draws, through the periodic issuance of public term debt and the issuance of units to our partners. Additionally, to ensure ongoing liquidity and to mitigate the risk of capital market disruption, we maintain a committed bank credit facility. In addition to ensuring adequate liquidity, we actively manage our bank funding sources to optimize pricing and other terms. All of the above noted debt, commercial paper and credit facility are held through our wholly-owned subsidiary, Enbridge Pipelines Inc. (EPI). Additional liquidity, if necessary, is expected to be available through intercompany transactions with Enbridge, the Fund or other related entities.

BANK CREDIT AND LIQUIDITY

Long-term debt primarily consists of a committed credit facility and medium-term notes. As at June 30, 2018, EIPLP's subsidiary, EPI, had a $3,000 million (December 31, 2017 - $3,005 million) committed credit facility, of which $1,094 million (December 31, 2017 - $1,567 million) was unutilized. In addition to this committed credit facility, EPI had access to Enbridge's demand letter of credit facilities at June 30, 2018 and December 31, 2017 totaling $500 million, of which $29 million (December 31, 2017 - $19 million) letters of credit were issued by EPI.

EPI must adhere to covenants under its credit facility agreement and Trust Indenture. Under the terms of EPI's Trust Indenture, in order to continue to issue long-term debt, EPI must maintain a ratio of Consolidated Funded Obligations to Total Consolidated Capitalization of less than 75%. Total Consolidated Capitalization consists of shareholder's equity, long-term debt and deferred income taxes. As at June 30, 2018, EPI was in compliance with all debt covenants.

Our net available liquidity of $1,124 million, as at June 30, 2018, was inclusive of $30 million of unrestricted cash and cash equivalents. Our net available liquidity, together with cash from operations, intercompany funding and proceeds of debt capital market transactions, is expected to be sufficient to finance capital expenditures requirements, fund liabilities as they become due, fund debt retirements and pay distributions.

SOURCES AND USES OF CASH

	Three months ended June 30,		Six months ended June 30,	
	2018	2017	**2018**	2017
(millions of Canadian dollars)				
Operating activities	**771**	619	**1,576**	1,181
Investing activities	**(247)**	(360)	**(584)**	(810)
Financing activities	**(538)**	(258)	**(980)**	(381)
Effect of translation of foreign denominated cash and cash equivalents	**—**	(1)	**1**	(1)
Increase/(decrease) in cash and cash equivalents	**(14)**	—	**13**	(11)

Significant sources and uses of cash for the three and six months ended June 30, 2018 and 2017 are summarized below:

Operating Activities
Factors impacting the increase in cash provided by operating activities period-over-period primarily include:

- the operating factors discussed under *Consolidated Earnings – Earnings Attributable to General and Limited Partners*, which primarily included stronger contributions from our Liquids Pipelines segment in 2018; and
- fluctuations in our operating assets and liabilities in the normal course due to various factors including the timing of tax payments, general variations in activity levels within our businesses, as well as timing of cash receipts and payments.

Investing Activities
Cash used in investing activities primarily relates to capital expenditures to execute our growth capital program. The timing of capital expenditures is impacted by project approval, construction and in-service dates. Factors impacting the decrease in cash used in investing activities period-over-period primarily include:

- a decrease in capital expenditures to $220 million and $554 million in the second quarter and first half of 2018 from $344 million and $745 million in the same periods of 2017, respectively, due to the completion of several growth projects in 2017, partially offset by higher spending on the Canadian L3R Program in 2018.

Financing Activities
Cash used in financing activities primarily relates to issuances and repayments of external debt and loans from affiliates, along with cash distributions to partners. Factors impacting the increase in cash used in financing activities period-over-period primarily include:

- net repayments of $141 million and $303 million on affiliate loans in the second quarter and first half of 2018 compared with net advances of $245 million and $482 million in the corresponding 2017 periods, respectively;
- an increase in distributions to partners due to higher distribution rates for our Class A and C units commencing in January 2018 as well as additional Class A units outstanding following our December 2017 issuance; and
- an increase in IDR distributions paid in 2018, which increase as Fund Unit distributions increase; partially offset by
- an increase in credit facility draws in 2018.

Distributions
The following tables summarize the cash and non-cash distributions declared by EIPLP for the three and six months ended June 30, 2018 and 2017.

Class A Units

	2018		2017	
	Distribution per Unit[1]	Total	Distribution per Unit[1]	Total
(millions of Canadian dollars, except distribution rate)				
Three months ended March 31,	**0.6555**	**268**	0.5760	220
Three months ended June 30,	**0.6555**	**267**	0.5760	220
Six months ended June 30,	**1.3110**	**535**	1.1520	440

1 Class A unit distributions are declared monthly and paid in cash in the following month.

Class C Units

	2018		2017	
	Distribution per Unit[1]	Total	Distribution per Unit[1]	Total
(millions of Canadian dollars, except distribution rate)				
Three months ended March 31,	**0.6402**	**284**	0.5376	238
Three months ended June 30,	**0.6402**	**283**	0.5376	238
Six months ended June 30,	**1.2804**	**567**	1.0752	476

1 Class C unit distributions are declared monthly and paid in cash in the following month.

Class D Units

	2018		2017	
	Distribution per Unit[1]	Total	Distribution per Unit[1]	Total
(millions of Canadian dollars, except distribution rate)				
Three months ended March 31,	**0.6402**	**14**	0.5376	6
Three months ended June 30,	**0.6402**	**16**	0.5376	7
Six months ended June 30,	**1.2804**	**30**	1.0752	13

1 Class D unit distributions are declared monthly and paid-in-kind with the issuance of additional Class D units in the following month.

Special Interest Rights – TPDR

	2018	2017
	Total[1]	Total[1]
(millions of Canadian dollars)		
Three months ended March 31,	**101**	66
Three months ended June 30,	**102**	66
Six months ended June 30,	**203**	132

1 TPDR distributions are declared monthly and paid-in-kind to holders of the SIR with the issuance of additional Class D units in the following month.

Special Interest Rights – IDR

	2018	2017
	Total[1]	Total[1]
(millions of Canadian dollars)		
Three months ended March 31,	**32**	12
Three months ended June 30,	**31**	12
Six months ended June 30,	**63**	24

1 IDR distributions are declared monthly and paid in cash to holders of the SIR in the following month.

CAPITAL EXPENDITURE COMMITMENTS

We have signed contracts for the purchase of services, pipe and other materials totaling $1,585 million, which are expected to be paid over the next five years.

LITIGATION

EIPLP and its subsidiaries are subject to various legal and regulatory actions and proceedings which arise in the normal course of business, including interventions in regulatory proceedings and challenges to regulatory approvals and permits by special interest groups. While the final outcome of such actions and proceedings cannot be predicted with certainty, management believes that the resolution of such actions and proceedings will not have a material impact on EIPLP's consolidated financial position or results of operations.

QUARTERLY FINANCIAL INFORMATION

	2018		2017				2016	
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
(millions of Canadian dollars)								
Revenues	**892**	808	1,047	1,223	1,104	1,021	787	853
Earnings attributable to general and limited partners	**456**	42	332	487	431	363	890	221

Several factors impact comparability of our financial results, 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.

Our revenues can be impacted by several factors. Our transportation assets operating under market-based arrangements generate revenues driven by volumes transported and the corresponding tolls for transportation services. For assets operating under take-or-pay contracts, revenues reflect the terms of the underlying contract for services or capacity. For rate-regulated assets, revenues are charged in accordance with tolls established by the regulator, and in most cost-of-service based arrangements are reflective of our cost to provide the service plus a regulator-approved rate of return. In addition, our electricity sales can be impacted by weather conditions.

We actively manage our exposure to market risks including, but not limited to, commodity prices, interest rates 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 gains and losses outlined above, significant items that have impacted our financial results are as follows:

- In the first quarter and second quarter of 2018, we recorded losses of $98 million and an additional $10 million related to our Line 10 crude oil pipeline, respectively.
- In the first quarter of 2018, we recorded a loss of $22 million related to NRGreen's Chickadee Creek waste heat recovery facility in Alberta.
- We issued 25.8 million Class A units to ECT in December 2017. The proceeds were used to fund our secured growth program.
- Included in the fourth quarter of 2016 was a before-tax gain of $850 million related to the disposition of the South Prairie Region assets within our Liquids Pipelines segment.
- Included in the third quarter of 2016 were after-tax costs of $13 million incurred in relation to the restart of certain of our pipelines and facilities following the northeastern Alberta wildfires that occurred in second quarter of 2016.
- Our Green Power segment is subject to seasonal variations. This is driven by generally stronger wind resources in the first and fourth quarters and stronger solar resources in the second and third quarters. Although these trends are offsetting, revenues and earnings are generally expected to be lowest in the third quarter, attributable to seasonally weaker wind resources.

Finally, we undertook a substantial capital program in recent years and the timing of construction and completion of growth projects may impact the comparability of quarterly results. Refer to EIPLP's 2017 Annual MD&A for further details on our recent capital expansion initiatives, including construction commencement and in-service dates.

RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

Maintaining a reliable and low risk business model is central to our objective of paying out a predictable cash flow to partners. The Fund Group actively manages both financial and non-financial risks that we are 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 DCF of the Fund Group.

Our earnings, cash flows and other comprehensive income (OCI) are subject to movements in foreign exchange rates, interest rates and commodity prices. We use a combination of qualifying and non-qualifying derivative instruments to manage the risks. Refer to EIPLP's 2017 Annual MD&A for further details on financial instrument risk management.

THE EFFECT OF DERIVATIVE INSTRUMENTS ON THE STATEMENTS OF EARNINGS AND COMPREHENSIVE INCOME

The following table presents the effect of cash flow hedges on our consolidated earnings and consolidated comprehensive income, before the effect of income taxes.

	Three months ended June 30,		Six months ended June 30,	
	2018	2017	**2018**	2017
(millions of Canadian dollars)				
Amount of unrealized gain/(loss) recognized in OCI				
Cash flow hedges				
Foreign exchange contracts	**—**	—	**(1)**	—
Interest rate contracts	**3**	15	**12**	3
Commodity contracts	**(1)**	(8)	**(3)**	12
	2	7	**8**	15
Amount of (gain)/loss reclassified from Accumulated other comprehensive income (AOCI) to earnings *(effective portion)*				
Interest rate contracts[1]	**5**	7	**11**	12
Commodity contracts[2]	**—**	(2)	**(1)**	(4)
	5	5	**10**	8
Amount of (gain)/loss reclassified from AOCI to earnings *(ineffective portion and amount excluded from effectiveness testing)*				
Interest rate contracts[1]	**—**	(1)	**—**	—
	—	(1)	**—**	—
Amount of gain/(loss) from non-qualifying derivatives included in earnings				
Foreign exchange contracts[3]	**(264)**	253	**(569)**	414
Commodity contracts[2]	**1**	24	**14**	23
	(263)	277	**(555)**	437

1 *Reported within Interest expense in the Consolidated Statements of Earnings.*
2 *Reported within Transportation and other services revenues, Electricity sales revenues, Operating and administrative expense and Other income/(expense) in the Consolidated Statements of Earnings.*
3 *Reported within Transportation and other services revenues and Other income/(expense) in the Consolidated Statements of Earnings.*

LIQUIDITY RISK

Liquidity risk is the risk we will not be able to meet our financial obligations, including commitments and guarantees, as they become due. In order to manage this risk, we forecast cash requirements over the near and long term to determine whether sufficient funds will be available when required. We generate cash from operations, commercial paper issuances and credit facility draws, through the periodic issuance of public term debt and issuance of units to our partners. Additionally, to ensure ongoing liquidity and to mitigate the risk of market disruption, we maintain a committed bank credit facility. We actively manage our bank funding sources to optimize pricing and other terms. Additional liquidity, if necessary, is expected to be available through intercompany transactions with Enbridge or other related entities.

CREDIT RISK

Entering into derivative instruments may result in exposure to credit risk. Credit risk arises from the possibility that a counterparty will default on its contractual obligations. In order to mitigate this risk, we enter into risk management transactions primarily 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.

GENERAL BUSINESS RISKS

Enbridge Inc. Offer to Acquire Publicly Owned ENF Common Shares

EIPLP is a member of the Fund Group, which is owned by Enbridge and ENF, a public company listed on the TSX. As discussed in *Recent Developments*, on May 18, 2018, ENF announced that it received a non-binding offer from Enbridge to acquire all of the outstanding common shares of ENF not currently owned by Enbridge, in exchange for Enbridge common shares at a fixed exchange ratio based on a 5% premium to ENF's closing common share price on May 16, 2018. Under the Proposal, common shareholders of ENF would receive 0.7029 common shares of Enbridge per ENF common share.

The Proposal is subject to conditions, including the negotiation of a definitive agreement and the review and favorable recommendation by the special committee, approvals by ENF Board of Directors and the Enbridge Board of Directors, approvals by the shareholders of ENF. Any definitive agreement is expected to contain customary closing conditions, including standard regulatory notifications and approvals.

We cannot predict whether the terms of the potential transaction with Enbridge will be agreed upon by the special committee, the ENF Board of Directors, or the Enbridge Board of Directors, or whether any such transactions will be approved by the requisite votes of shareholders of ENF.

We also cannot predict the timing, final structure or other terms of any potential transaction, and the terms of any such transaction may differ materially from those originally proposed by Enbridge. Any decrease in the market prices of Enbridge’s common shares would result in a corresponding proportional decrease in the value of the Enbridge common shares the shareholders of ENF would receive in the event the proposed transactions were consummated on the terms proposed by Enbridge. Any changes in the market prices of Enbridge’s common shares or the common shares of ENF could affect whether the proposed transaction is ultimately approved, or if such approval is granted, the terms on which the proposed transactions are approved.

CHANGES IN ACCOUNTING POLICIES

ADOPTION OF NEW STANDARDS

Clarifying Guidance on Derecognition and Partial Sales of Nonfinancial Assets

Effective January 1, 2018, we adopted ASU 2017-05 on a modified retrospective basis. The new standard clarifies the scope provisions of nonfinancial assets and how to allocate consideration to each distinct asset upon sale or partial sale, and amends the guidance for derecognition of a distinct nonfinancial asset in partial sale transactions so that an in-scope partial sale results in the recognition of a full gain or loss. The adoption of this accounting update did not have a material impact on our consolidated financial statements.

Simplifying Cash Flow Classification

Effective January 1, 2018, we adopted ASU 2016-15 on a retrospective basis. The new standard reduces diversity in practice of how certain cash receipts and cash payments are classified in the statement of cash flows. The new guidance addresses eight specific presentation issues. We assessed each of the eight specific presentation issues and the adoption of this ASU did not have a material impact on our consolidated financial statements.

Recognition and Measurement of Financial Assets and Liabilities

Effective January 1, 2018, we adopted ASU 2016-01 on a prospective basis. The new standard addresses certain aspects of recognition, measurement, presentation and disclosure of financial assets and liabilities. Investments in equity securities, excluding equity method and consolidated investments, are no longer classified as trading or available-for-sale securities. All investments in equity securities with readily determinable fair values are classified as investments at fair value through net income. Investments in equity securities without readily determinable fair values are measured using the fair value measurement alternative and are recorded at cost minus impairment, if any, plus or minus changes resulting from observable price changes in orderly transactions for an identical or similar investment of the same issuer. Investments in equity securities measured using the fair value measurement alternative are reviewed for indicators of impairment each reporting period. Fair value of financial assets and liabilities is measured using the exit price notion, which is the price that would be received to sell an asset or transfer a liability in an orderly transaction between market participants at the measurement date. The adoption of this accounting update did not have a material impact on our consolidated financial statements.

Revenue from Contracts with Customers

Effective January 1, 2018, we adopted ASU 2014-09 on a modified retrospective basis to contracts that were not complete at the date of initial application. The new standard was issued with the intent of significantly enhancing consistency and comparability of revenue recognition practices across entities and industries. The new standard establishes a single, principles-based five-step model to be applied to all contracts with customers and introduces new and enhanced disclosure requirements. It also requires the use of more estimates and judgments than the previous standards.

In adopting Accounting Standards Codification (ASC) 606, we applied the practical expedient for contract modifications whereby contracts that were modified before January 1, 2018 were not retrospectively restated. Instead, the aggregate effect of all contract modifications occurring before that time has been reflected when identifying satisfied and unsatisfied performance obligations, determining the transaction price and allocating the transaction price to satisfied and unsatisfied obligations.

The following table presents the effect of the adoption of ASC 606 at January 1, 2018 on EIPLP's Consolidated Statements of Financial Position. For the three and six months ended June 30, 2018, the effect of the adoption of ASC 606 on our Consolidated Statement of Earnings was not material.

(millions of Canadian dollars)	Balance at December 31, 2017	Adjustments due to ASC 606	Balance at January 1, 2018
Assets			
Deferred amounts and other assets[1,2]	1,988	(179)	1,809
Property, plant and equipment, net[2]	23,622	90	23,712
Liabilities			
Accounts payable and other[1,2]	914	62	976
Other long-term liabilities[2]	1,425	45	1,470
Deferred income taxes[1,2]	2,327	(53)	2,274
Partners' capital[1,2]	(3,693)	(143)	(3,836)

1 Revenue was previously recognized for a certain contract within the Liquids Pipelines business unit using a formula-based method. Under the new revenue standard, revenue from this contract is recognized on a straight-line basis over the term of the agreement in order to reflect the fulfilment of EIPLP's performance obligation to provide up to a specified volume of pipeline capacity throughout the term of the contract. The effect of this change has resulted in:

a. A reduction in contract assets, included within deferred amounts and other assets, of $179 million at January 1, 2018;
b. An increase in accounts payable and other (current deferred revenue) of $58 million at January 1, 2018;
c. A reduction in deferred income tax liability of $66 million at January 1, 2018; and
d. A reduction in partners' capital of $179 million at January 1, 2018 to record the effect of the above items.

2 Certain payments received from customers to offset the cost of constructing assets required to provide services to those customers, referred to as Contributions in Aid of Construction (CIACs) were previously recorded as reductions of property, plant and equipment regardless of whether the amounts were imposed by regulation or were the result of negotiations with customers. Under the new revenue standard, CIACs which are negotiated as part of an agreement to provide transportation and other services to a customer are considered to be advance payments for future services and are recognized as revenue when those future services are provided. Accordingly, negotiated CIACs are accounted for as deferred revenue and recognized as revenue over the term of the associated revenue contract. The effect of this change has resulted in:

a. An increase in contract assets, included within deferred amounts and other assets of $9 million at January 1, 2018;
e. An increase in property, plant and equipment of $90 million at January 1, 2018;
f. An increase in deferred income tax liability of $13 million at January 1, 2018;
g. An increase in other long-term liabilities (deferred revenue) of $45 million at January 1, 2018;
h. An increase in accounts payable and other (current deferred revenue) of $4 million at January 1, 2018; and
i. An increase in partners' capital of $36 million at January 1, 2018 to record the effect of the above items.

FUTURE ACCOUNTING POLICY CHANGES

Recognition of Leases

ASU 2016-02 was issued in February 2016 with the intent to increase transparency and comparability among organizations. It requires lessees of operating lease arrangements to recognize lease assets and lease liabilities on the statement of financial position and disclose additional key information about lease agreements. The accounting update also replaces the current definition of a lease and requires that an arrangement be recognized as a lease when a customer has the right to obtain substantially all of the economic benefits from the use of an asset, as well as the right to direct the use of the asset. We will adopt the new standard on January 1, 2019 and we intend to apply the transition practical expedients offered in connection with this update. The election to apply the package of practical expedients allows an entity to not apply the new lease standard to the prior year comparative periods in the year of adoption. Application of the package of practical expedients permits entities not to reassess whether any expired or existing contracts contain leases, their lease classification, as well as any related initial direct costs.

Further, ASU 2018-01 was issued in January 2018 to address stakeholder concerns about the costs and complexity of complying with the transition provisions of the new lease requirements as they relate to land easements. The amendments provide an optional transition practical expedient to not evaluate existing or expired land easements that were not previously accounted for as leases under existing guidance. We intend to elect this practical expedient in connection with the adoption of the new lease requirements.

We are in the process of identifying existing lease contracts and performing detailed evaluations of our leases under the new accounting requirements. We believe the most significant changes to its financial statements relate to the recognition of a lease liability and offsetting right-of-use asset in our consolidated balance sheet for operating leases. We continue to assess the necessary changes to accounting and

business processes in order to implement the recognition and disclosure requirements of the new lease standard.

EIPLP OWNERSHIP

The following presents the partners' ownership of EIPLP:

	As at July 20, 2018
(number of units outstanding)	
Class A units	
Held by Enbridge Income Partners GP Inc.	40,471
Held by Enbridge Commercial Trust	408,045,956
	408,086,427
Class C units[1]	
Held by Enbridge Inc.	442,923,363
Class D units[2]	
Held by Enbridge Inc.	28,118,517
Class E unit	
Held by Enbridge Inc.	1
Special Interest Rights - SIR	
Held by Enbridge Inc.	1,000

1 Class C units may, at the option of the holder, be exchanged in whole or in part for preferred units of ECT, Fund Units or ENF common shares.

2 The Class D units may, at the option of the holder, be exchanged for Class C units commencing on the fourth anniversary of the year of issuance.

ENBRIDGE INCOME PARTNERS LP

CONSOLIDATED FINANCIAL STATEMENTS

(unaudited)

June 30, 2018

ENBRIDGE INCOME PARTNERS LP
CONSOLIDATED STATEMENTS OF EARNINGS

	Three months ended June 30,		Six months ended June 30,	
	2018	2017	**2018**	2017
(unaudited; millions of Canadian dollars)				
Operating revenues				
Transportation and other services	**776**	998	**1,482**	1,931
Electricity sales	**91**	91	**173**	168
Revenues - affiliates	**25**	15	**45**	26
Total operating revenues	**892**	1,104	**1,700**	2,125
Operating expenses				
Operating and administrative	**238**	181	**445**	402
Operating and administrative, net - affiliates	**82**	84	**179**	193
Depreciation and amortization	**177**	164	**355**	323
Environmental costs, net of recoveries	**—**	—	**(10)**	(4)
Asset impairment *(Note 5)*	**10**	—	**108**	—
Total operating expenses	**507**	429	**1,077**	914
Operating income	**385**	675	**623**	1,211
Income from equity investments	**55**	45	**99**	104
Other income/(expense)				
Interest income - affiliates	**10**	16	**19**	31
Dividend income from affiliated company	**8**	9	**18**	19
Other	**4**	(17)	**9**	(18)
Interest expense	**(48)**	(36)	**(97)**	(68)
Interest expense - affiliates	**(67)**	(67)	**(134)**	(133)
Earnings before income tax	**347**	625	**537**	1,146
Income tax recovery/(expense)	**242**	(116)	**227**	(196)
Earnings	**589**	509	**764**	950
Special interest rights distributions				
Temporary performance distribution rights	**(102)**	(66)	**(203)**	(132)
Incentive distribution rights	**(31)**	(12)	**(63)**	(24)
Earnings attributable to general and limited partners	**456**	431	**498**	794
Earnings attributable to general partner's interest	**—**	—	**—**	—
Earnings attributable to limited partners' interests	**456**	431	**498**	794
	456	431	**498**	794

See accompanying notes to the interim financial statements.

ENBRIDGE INCOME PARTNERS LP
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Three months ended June 30,		Six months ended June 30,	
	2018	2017	**2018**	2017
(unaudited; millions of Canadian dollars)				
Earnings	**589**	509	**764**	950
Other comprehensive income/(loss), net of tax				
Change in unrealized gain on cash flow hedges	**2**	5	**7**	12
Reclassification to earnings of loss on cash flow hedges	**3**	1	**7**	4
Foreign currency translation adjustments	**12**	(16)	**29**	(20)
Other comprehensive income/(loss), net of tax	**17**	(10)	**43**	(4)
Comprehensive income	**606**	499	**807**	946

See accompanying notes to the interim financial statements.

ENBRIDGE INCOME PARTNERS LP
CONSOLIDATED STATEMENTS OF PARTNERS' CAPITAL

	General partner's capital deficit	Limited partners' capital - Enbridge Commercial Trust	Special interest rights	Accumulated other comprehensive loss	Total
(unaudited; millions of Canadian dollars)					
December 31, 2017	**(8,758)**	**2,697**	**2,565**	**(197)**	**(3,693)**
Retrospective adoption of accounting standard *(Note 2)*	**—**	**(143)**	**—**	**—**	**(143)**
Earnings allocation	**—**	**239**	**—**	**—**	**239**
Other comprehensive income, net of tax	**—**	**—**	**—**	**43**	**43**
Redemption value adjustment attributable to Class C and D units	**—**	**(1,421)**	**—**	**—**	**(1,421)**
Distributions	**—**	**(535)**	**—**	**—**	**(535)**
June 30, 2018	**(8,758)**	**837**	**2,565**	**(154)**	**(5,510)**

	General partner's capital deficit	Limited partners' capital - Enbridge Commercial Trust	Special interest rights	Accumulated other comprehensive loss	Total
(unaudited; millions of Canadian dollars)					
December 31, 2016	(8,758)	—	2,565	(196)	(6,389)
Earnings allocation	—	378	—	—	378
Other comprehensive loss, net of tax	—	—	—	(4)	(4)
Redemption value adjustment attributable to Class C and D units	—	1,084	—	—	1,084
Distributions	—	(440)	—	—	(440)
June 30, 2017	(8,758)	1,022	2,565	(200)	(5,371)

See accompanying notes to the interim financial statements.

ENBRIDGE INCOME PARTNERS LP
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Three months ended June 30,		Six months ended June 30,	
	2018	2017	**2018**	2017
(unaudited; millions of Canadian dollars)				
Operating activities				
Earnings	**589**	509	**764**	950
Adjustments to reconcile earnings to net cash provided by operating activities:				
Depreciation and amortization	**177**	164	**355**	323
Deferred income tax (recovery)/expense	**(284)**	109	**(313)**	166
Changes in unrealized (gain)/loss on derivative instruments, net *(Note 11)*	**263**	(277)	**555**	(437)
Cash distributions in excess of equity earnings	**21**	18	**38**	7
Asset impairment *(Note 5)*	**10**	—	**108**	—
Unrealized (gain)/loss on foreign intercompany loan	**(2)**	20	**(15)**	26
Other	**3**	1	**13**	6
Changes in operating assets and liabilities	**(6)**	75	**71**	140
Net cash provided by operating activities	**771**	619	**1,576**	1,181
Investing activities				
Capital expenditures	**(220)**	(344)	**(554)**	(745)
Joint venture financing	**(17)**	(2)	**(13)**	(41)
Long-term investments	**—**	1	**—**	1
Restricted long-term investments	**(15)**	(18)	**(27)**	(31)
Additions to intangible assets	**—**	(2)	**—**	(3)
Long-term receivable from affiliate	**5**	5	**10**	9
Net cash used in investing activities	**(247)**	(360)	**(584)**	(810)
Financing activities				
Affiliate loans, net	**(141)**	245	**(303)**	482
Net change in commercial paper and credit facility draws	**184**	(26)	**465**	82
Debenture and term note repayments	**—**	(7)	**(9)**	(7)
Distributions to partners	**(581)**	(470)	**(1,133)**	(938)
Net cash used in financing activities	**(538)**	(258)	**(980)**	(381)
Effect of translation of foreign denominated cash and cash equivalents	**—**	(1)	**1**	(1)
Net increase/(decrease) in cash and cash equivalents	**(14)**	—	**13**	(11)
Cash and cash equivalents at beginning of period *(Note 1)*	**44**	111	**17**	122
Cash and cash equivalents at end of period *(Note 1)*	**30**	111	**30**	111

See accompanying notes to the interim financial statements.

ENBRIDGE INCOME PARTNERS LP
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	June 30, 2018	December 31, 2017
(unaudited; millions of Canadian dollars)		
Assets		
Current assets		
Cash and cash equivalents	**30**	17
Accounts receivable and other	**604**	525
Accounts receivable from affiliates	**110**	141
Loans to affiliates	**3**	3
	747	686
Property, plant and equipment, net	**23,628**	23,622
Long-term receivable from affiliate	**735**	710
Investment in affiliated company	**514**	514
Long-term investments	**404**	431
Restricted long-term investments	**162**	135
Deferred amounts and other assets	**1,907**	1,988
Intangible assets, net	**103**	107
Goodwill	**29**	29
Deferred income taxes	**107**	109
Asset held for sale *(Note 5)*	**78**	—
Total assets	**28,414**	28,331
Liabilities and partners' capital		
Current liabilities		
Accounts payable and other	**947**	914
Accounts payable to affiliates	**367**	314
Distributions payable to affiliates	**234**	188
Interest payable	**61**	62
Loans from affiliates *(Note 13)*	**252**	555
Current portion of long-term debt	**328**	327
	2,189	2,360
Long-term debt	**6,591**	6,132
Other long-term liabilities	**1,992**	1,425
Loans from affiliates *(Note 13)*	**5,801**	5,801
Deferred income taxes	**2,069**	2,327
	18,642	18,045
Contingencies		
Class C units *(Note 9)*	**13,961**	12,947
Class D units *(Note 9)*	**846**	557
Class E unit	**475**	475
	15,282	13,979
Partners' capital		
General partner's capital deficit	**(8,758)**	(8,758)
Limited partners' capital	**837**	2,697
Special interest rights	**2,565**	2,565
Accumulated other comprehensive loss *(Note 10)*	**(154)**	(197)
	(5,510)	(3,693)
Total liabilities and partners' capital	**28,414**	28,331

See accompanying notes to the interim financial statements.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(unaudited)

1. BASIS OF PRESENTATION

The accompanying unaudited interim consolidated financial statements of Enbridge Income Partners LP (EIPLP) have been prepared in accordance with generally accepted accounting principles in the United States of America (U.S. GAAP) for interim consolidated financial information. They do not include all of the information and notes required by U.S. GAAP for annual consolidated financial statements and should therefore be read in conjunction with EIPLP's audited annual consolidated financial statements and notes for the year ended December 31, 2017. In the opinion of management, the interim consolidated financial statements contain all normal recurring adjustments necessary to present fairly EIPLP's financial position, results of operations and cash flows for the interim periods reported. These interim consolidated financial statements follow the same significant accounting policies as those included in EIPLP's annual consolidated financial statements for the year ended December 31, 2017, except for the adoption of new standards *(Note 2)* and the presentation of Cash and cash equivalents to include Bank indebtedness, discussed below. Certain comparative amounts presented have been restated accordingly to be consistent with the current period presentation. Amounts are stated in Canadian dollars unless otherwise noted.

Effective September 30, 2017, EIPLP combined Cash and cash equivalents and amounts previously presented as Bank indebtedness where the corresponding bank accounts are subject to cash pooling arrangements. As at June 30, 2017 and December 31, 2017, $431 million and $77 million of Bank indebtedness have been combined within Cash and cash equivalents in EIPLP's Consolidated Statements of Cash Flows and Consolidated Statements of Financial Position, respectively. Net cash used in financing activities in the Consolidated Statements of Cash Flows for the three and six months ended June 30, 2017 has increased by $127 million and $260 million, respectively, to reflect this change.

EIPLP's operations and earnings for interim periods can be affected by seasonal fluctuations, such as the supply of and demand for crude oil and natural gas, and may not be indicative of annual results.

EIPLP is a member of the Fund Group, which also includes Enbridge Commercial Trust (ECT) and Enbridge Income Fund. The Fund Group is owned by Enbridge Inc. and Enbridge Income Fund Holdings Inc. (ENF), a public company listed on the Toronto Stock Exchange. On May 18, 2018, ENF announced that it received a non-binding offer from Enbridge to acquire all of the outstanding common shares of ENF not currently owned by Enbridge, in exchange for Enbridge common shares at a fixed exchange ratio based on a 5% premium to ENF's closing common share price on May 16, 2018 (the Proposal). Under the Proposal, common shareholders of ENF would receive 0.7029 common shares of Enbridge per ENF common share. The Board of Directors of ENF has established a special committee of independent directors to review and consider the Proposal.

The Proposal is subject to conditions, including the negotiation of a definitive agreement and the review and favorable recommendation by the special committee, approvals by ENF Board of Directors and the Enbridge Board of Directors, and approvals by the shareholders of ENF. Any definitive agreement is expected to contain customary closing conditions, including standard regulatory notifications and approvals.

2. CHANGES IN ACCOUNTING POLICIES

ADOPTION OF NEW STANDARDS

Clarifying Guidance on Derecognition and Partial Sales of Nonfinancial Assets

Effective January 1, 2018, EIPLP adopted Accounting Standards Update (ASU) 2017-05 on a modified retrospective basis. The new standard clarifies the scope provisions of nonfinancial assets and how to allocate consideration to each distinct asset upon sale or partial sale, and amends the guidance for derecognition of a distinct nonfinancial asset in partial sale transactions so that an in-scope partial sale results in the recognition of a full gain or loss. The adoption of this accounting update did not have a material impact on EIPLP's consolidated financial statements.

Simplifying Cash Flow Classification

Effective January 1, 2018, EIPLP adopted ASU 2016-15 on a retrospective basis. The new standard reduces diversity in practice of how certain cash receipts and cash payments are classified in the statement of cash flows. The new guidance addresses eight specific presentation issues. EIPLP assessed each of the eight specific presentation issues and the adoption of this ASU did not have a material impact on its consolidated financial statements.

Recognition and Measurement of Financial Assets and Liabilities

Effective January 1, 2018, EIPLP adopted ASU 2016-01 on a prospective basis. The new standard addresses certain aspects of recognition, measurement, presentation and disclosure of financial assets and liabilities. Investments in equity securities, excluding equity method and consolidated investments, are no longer classified as trading or available-for-sale securities. All investments in equity securities with readily determinable fair values are classified as investments at fair value through net income. Investments in equity securities without readily determinable fair values are measured using the fair value measurement alternative and are recorded at cost minus impairment, if any, plus or minus changes resulting from observable price changes in orderly transactions for an identical or similar investment of the same issuer. Investments in equity securities measured using the fair value measurement alternative are reviewed for indicators of impairment each reporting period. Fair value of financial assets and liabilities is measured using the exit price notion, which is the price that would be received to sell an asset or transfer a liability in an orderly transaction between market participants at the measurement date. The adoption of this accounting update did not have a material impact on EIPLP's consolidated financial statements.

Revenue from Contracts with Customers

Effective January 1, 2018, EIPLP adopted ASU 2014-09 on a modified retrospective basis to contracts that were not complete at the date of initial application. The new standard was issued with the intent of significantly enhancing consistency and comparability of revenue recognition practices across entities and industries. The new standard establishes a single, principles-based five-step model to be applied to all contracts with customers and introduces new and enhanced disclosure requirements. It also requires the use of more estimates and judgments than the previous standards.

In adopting Accounting Standards Codification (ASC) 606, EIPLP applied the practical expedient for contract modifications whereby contracts that were modified before January 1, 2018 were not retrospectively restated. Instead, the aggregate effect of all contract modifications occurring before that time has been reflected when identifying satisfied and unsatisfied performance obligations, determining the transaction price and allocating the transaction price to satisfied and unsatisfied obligations.

The following table presents the effect of the adoption of ASC 606 at January 1, 2018 on EIPLP's Consolidated Statements of Financial Position. For the three and six months ended June 30, 2018, the effect of the adoption of ASC 606 on EIPLP's Consolidated Statement of Earnings was not material.

(millions of Canadian dollars)	Balance at December 31, 2017	Adjustments due to ASC 606	Balance at January 1, 2018
Assets			
Deferred amounts and other assets[1,2]	1,988	(179)	1,809
Property, plant and equipment, net[2]	23,622	90	23,712
Liabilities			
Accounts payable and other[1,2]	914	62	976
Other long-term liabilities[2]	1,425	45	1,470
Deferred income taxes[1,2]	2,327	(53)	2,274
Partners' capital[1,2]	(3,693)	(143)	(3,836)

1 *Revenue was previously recognized for a certain contract within the Liquids Pipelines business unit using a formula-based method. Under the new revenue standard, revenue from this contract is recognized on a straight-line basis over the term of the agreement in order to reflect the fulfilment of EIPLP's performance obligation to provide up to a specified volume of pipeline capacity throughout the term of the contract. The effect of this change has resulted in:*
   - *a. A reduction in contract assets, included within deferred amounts and other assets, of $179 million at January 1, 2018;*
   - *b. An increase in accounts payable and other (current deferred revenue) of $58 million at January 1, 2018;*
   - *c. A reduction in deferred income tax liability of $66 million at January 1, 2018; and*
   - *d. A reduction in partners' capital of $179 million at January 1, 2018 to record the effect of the above items.*

2 *Certain payments received from customers to offset the cost of constructing assets required to provide services to those customers, referred to as Contributions in Aid of Construction (CIACs) were previously recorded as reductions of property, plant and equipment regardless of whether the amounts were imposed by regulation or were the result of negotiations with customers. Under the new revenue standard, CIACs which are negotiated as part of an agreement to provide transportation and other services to a customer are considered to be advance payments for future services and are recognized as revenue when those future services are provided. Accordingly, negotiated CIACs are accounted for as deferred revenue and recognized as revenue over the term of the associated revenue contract. The effect of this change has resulted in:*
   - *a. An increase in contract assets, included within deferred amounts and other assets of $9 million at January 1, 2018;*
   - *a. An increase in property, plant and equipment of $90 million at January 1, 2018;*
   - *b. An increase in deferred income tax liability of $13 million at January 1, 2018;*
   - *c. An increase in other long-term liabilities (deferred revenue) of $45 million at January 1, 2018;*
   - *d. An increase in accounts payable and other (current deferred revenue) of $4 million at January 1, 2018; and*
   - *e. An increase in partners' capital of $36 million at January 1, 2018 to record the effect of the above items.*

FUTURE ACCOUNTING POLICY CHANGES

Recognition of Leases

ASU 2016-02 was issued in February 2016 with the intent to increase transparency and comparability among organizations. It requires lessees of operating lease arrangements to recognize lease assets and lease liabilities on the statement of financial position and disclose additional key information about lease agreements. The accounting update also replaces the current definition of a lease and requires that an arrangement be recognized as a lease when a customer has the right to obtain substantially all of the economic benefits from the use of an asset, as well as the right to direct the use of the asset. EIPLP will adopt the new standard on January 1, 2019 and EIPLP intends to apply the transition practical expedients offered in connection with this update. The election to apply the package of practical expedients allows an entity to not apply the new lease standard to the prior year comparative periods in the year of adoption. Application of the package of practical expedients permits entities not to reassess whether any expired or existing contracts contain leases, their lease classification, as well as any related initial direct costs.

Further, ASU 2018-01 was issued in January 2018 to address stakeholder concerns about the costs and complexity of complying with the transition provisions of the new lease requirements as they relate to land easements. The amendments provide an optional transition practical expedient to not evaluate existing or expired land easements that were not previously accounted for as leases under existing guidance. EIPLP intends to elect this practical expedient in connection with the adoption of the new lease requirements.

EIPLP is in the process of identifying existing lease contracts and performing detailed evaluations of our leases under the new accounting requirements. EIPLP believes the most significant changes to its financial statements relate to the recognition of a lease liability and offsetting right-of-use asset in its consolidated balance sheet for operating leases. EIPLP continues to assess the necessary changes to

accounting and business processes in order to implement the recognition and disclosure requirements of the new lease standard.

3. REVENUES

REVENUE FROM CONTRACTS WITH CUSTOMERS
Major products and services

Three months ended June 30, 2018	Liquids Pipelines	Green Power	Consolidated
(millions of Canadian dollars)			
Transportation revenue[1]	**1,043**	**—**	**1,043**
Storage and other revenue[2]	**25**	**—**	**25**
Electricity sales[3]	**—**	**82**	**82**
Total revenue from contracts with customers[4]	**1,068**	**82**	**1,150**
Other revenue[5]	**(260)**	**2**	**(258)**
Total revenue	**808**	**84**	**892**

Six months ended June 30, 2018	Liquids Pipelines	Green Power	Consolidated
(millions of Canadian dollars)			
Transportation revenue[1]	**2,007**	**—**	**2,007**
Storage and other revenue[2]	**48**	**—**	**48**
Electricity sales[3]	**—**	**168**	**168**
Total revenue from contracts with customers[4]	**2,055**	**168**	**2,223**
Other revenue[5]	**(528)**	**5**	**(523)**
Total revenue	**1,527**	**173**	**1,700**

1 Performance obligation includes the transportation of crude oil.
2 Performance obligation includes the storage of crude oil.
3 Performance obligation includes the delivery of electricity from renewable energy generation facilities.
4 Revenue from products and services transferred over time.
5 Includes mark-to-market gain/(loss) from EIPLP's hedging program.

Contract balances

	Accounts Receivable	Contract Assets	Contract Liabilities
(millions of Canadian dollars)			
Balance at January 1, 2018	**449**	**255**	**371**
Balance at June 30, 2018	**477**	**257**	**433**

Payments are received monthly from customers under long-term transportation contracts.

Contract assets represent the amount of revenue which has been recognized in advance of payments received for performance obligations EIPLP has fulfilled (or partially fulfilled) and prior to the point in time at which EIPLP's right to the payment is unconditional. Amounts included in contract assets are transferred to accounts receivable when EIPLP's right to the consideration becomes unconditional.

Contract liabilities primarily relate to make-up rights and deferred revenues. Revenue recognized during the three and six months ended June 30, 2018 relating to make-up rights and deferred revenues that existed at December 31, 2017 was $13 million and $24 million, respectively. Increases in contract liabilities from cash received, net of amounts recognized as revenue during the three and six months ended June 30, 2018 were $50 million and $86 million, respectively.

Revenue to be recognized from unfulfilled performance obligations
The total revenue from performance obligations expected to be fulfilled in future periods is $16.1 billion, of which $0.6 billion and $1.1 billion is expected to be recognized during the remaining six months of the year ending December 31, 2018 and the year ending December 31, 2019, respectively.

The revenues excluded from the amounts above based on optional exemptions available under ASC 606, as explained below, represent a significant portion of EIPLP's overall revenues and revenues from contracts with customers. Certain revenues such as flow-through operating costs charged to shippers are recognized at the amount for which EIPLP has the right to invoice our customers. Those revenues are not included in the amounts for revenue to be recognized in the future from unfulfilled performance obligations above. Variable consideration is excluded from the amounts above due to the uncertainty of the associated consideration, which is generally resolved when actual volumes and prices are determined. For example, EIPLP considers interruptible transportation service revenues to be variable revenues since volumes cannot be estimated. Additionally, the effect of escalation on certain tolls which are contractually escalated for inflation has not been reflected in the amounts above as it is not possible to reliably estimate future inflation rates. Revenues for periods extending beyond the current rate settlement term for regulated contracts where the tolls are periodically reset by the regulator are excluded from the amounts above since future tolls remain unknown. Finally, revenues from contracts with customers which have an original expected duration of one year or less are excluded from the amounts above.

SIGNIFICANT JUDGMENTS MADE IN RECOGNIZING REVENUE
Long-term transportation agreements
For long-term transportation agreements, significant judgments pertain to the period over which revenue is recognized and whether the agreement provides for make-up rights for the shippers. Transportation revenue earned from firm contracted capacity arrangements is recognized ratably over the contract period. Transportation revenue from interruptible or volumetric-based arrangements is recognized when services are performed.

Estimates of variable consideration
Revenue from arrangements subject to variable consideration is recognized only when the amount of variable consideration can be reasonably estimated. This occurs when actual volumes are sold or transported and actual tolls are determined.

Recognition and measurement of revenue
Performance obligations satisfied over time
For arrangements involving the transportation of crude oil where the transportation services are simultaneously received and consumed by the shipper or customer, EIPLP recognizes revenue over time using an output method based on volumes of commodities delivered or transported.

Determination of tolls
Prices for transportation services are determined based on the capital cost of the pipelines and associated infrastructure required to provide such services plus a rate of return on capital invested that is determined either through negotiations with customers or through regulatory processes for those operations that are subject to rate regulation.

4. SEGMENTED INFORMATION

Effective December 31, 2017, EIPLP revised its segmented information presentation on a retrospective basis to present Earnings before interest, income taxes and depreciation and amortization of each segment as opposed to Earnings before interest and income taxes.

Segmented information for the three and six months ended June 30, 2018 and 2017 were as follows:

Three months ended June 30, 2018	Liquids Pipelines	Gas Pipelines	Green Power	Eliminations and Other	Consolidated
(millions of Canadian dollars)					
Revenues	**808**	**—**	**84**	**—**	**892**
Operating and administrative	**(307)**	**—**	**(13)**	**—**	**(320)**
Asset impairment	**(10)**	**—**	**—**	**—**	**(10)**
	491	**—**	**71**	**—**	**562**
Income from equity investments	**—**	**55**	**—**	**—**	**55**
Other income	**4**	**—**	**—**	**18**	**22**
Earnings before interest and income taxes and depreciation and amortization	**495**	**55**	**71**	**18**	**639**
Depreciation and amortization					**(177)**
Interest expense					**(115)**
Income tax recovery					**242**
Special interest rights distributions					**(133)**
Earnings attributable to general and limited partners					**456**
Capital expenditures	**218**	**—**	**2**	**—**	**220**

Three months ended June 30, 2017	Liquids Pipelines	Gas Pipelines	Green Power	Eliminations and Other	Consolidated
(millions of Canadian dollars)					
Revenues	1,019	—	85	—	1,104
Operating and administrative	(250)	—	(14)	(1)	(265)
	769	—	71	(1)	839
Income from equity investments	—	45	—	—	45
Other income/(loss)	12	1	—	(5)	8
Earnings before interest and income taxes and depreciation and amortization	781	46	71	(6)	892
Depreciation and amortization					(164)
Interest expense					(103)
Income tax expense					(116)
Special interest rights distributions					(78)
Earnings attributable to general and limited partners					431
Capital expenditures	342	—	2	—	344

Six months ended June 30, 2018	Liquids Pipelines	Gas Pipelines	Green Power	Eliminations and Other	Consolidated
(millions of Canadian dollars)					
Revenues	**1,527**	**—**	**173**	**—**	**1,700**
Operating and administrative	**(603)**	**—**	**(21)**	**—**	**(624)**
Environmental costs, net of recoveries	**10**	**—**	**—**	**—**	**10**
Asset impairment	**(108)**	**—**	**—**	**—**	**(108)**
	826	**—**	**152**	**—**	**978**
Income/(loss) from equity investments	**—**	**119**	**(20)**	**—**	**99**
Other income/(loss)	**4**	**(1)**	**—**	**43**	**46**
Earnings before interest and income taxes and depreciation and amortization	**830**	**118**	**132**	**43**	**1,123**
Depreciation and amortization					**(355)**
Interest expense					**(231)**
Income tax recovery					**227**
Special interest rights distributions					**(266)**
Earnings attributable to general and limited partners					**498**
Capital expenditures	**550**	**—**	**4**	**—**	**554**

Six months ended June 30, 2017	Liquids Pipelines	Gas Pipelines	Green Power	Eliminations and Other	Consolidated
(millions of Canadian dollars)					
Revenues	1,957	—	168	—	2,125
Operating and administrative	(561)	—	(30)	(4)	(595)
Environmental costs, net of recoveries	4	—	—	—	4
	1,400	—	138	(4)	1,534
Income from equity investments	—	103	1	—	104
Other income/(expense)	31	2	—	(1)	32
Earnings/(loss) before interest and income taxes and depreciation and amortization	1,431	105	139	(5)	1,670
Depreciation and amortization					(323)
Interest expense					(201)
Income tax expense					(196)
Special interest rights distributions					(156)
Earnings attributable to general and limited partners					794
Capital expenditures	742	—	3	—	745

TOTAL ASSETS

	June 30, 2018	December 31, 2017
(millions of Canadian dollars)		
Liquids Pipelines	**25,250**	25,061
Gas Pipelines	**391**	386
Green Power	**2,102**	2,156
Eliminations and Other	**671**	728
	28,414	28,331

5. ASSET HELD FOR SALE

In the first quarter of 2018, EIPLP satisfied the condition as set out in the agreement for the sale of its Line 10 crude oil pipeline (Line 10), which is a component of the Canadian Mainline included within its Liquids Pipelines segment. Line 10 originates near Hamilton, Ontario and terminates near Buffalo, New York. EIPLP owns the Canadian portion of Line 10, while Enbridge Energy Partners, L.P., a subsidiary of Enbridge, owns the United States portion.

EIPLP expects to close the sale of Line 10 within one year, subject to regulatory approval and certain closing conditions. As such, EIPLP classified Line 10 as an asset held for sale and measured it at the lower of carrying value or fair value less costs to sell, which resulted in a loss of $10 million and $108 million included within Asset impairment on the Consolidated Statements of Earnings for the three and six months ended June 30, 2018, respectively.

6. DISPOSITION

On May 9, 2018, EIPLP entered into agreements to sell a 49% interest in wind and solar facilities included within the Green Power segment (the Assets) to an unrelated party for cash consideration of approximately $1.05 billion. EIPLP will maintain a 51% interest in the Assets and Enbridge will continue to manage, operate and provide administrative services for the Assets. On August 1, 2018, EIPLP closed the sale of the Assets for total cash proceeds of approximately $1.05 billion.

Also, during the three and six months ended June 30, 2018, a deferred income tax recovery of $258 million was recorded as a result of the agreement entered into for the Assets *(Note 12)*.

7. LONG-TERM INVESTMENTS

During the six months ended June 30, 2018, NRGreen Power Limited Partnership (NRGreen) recorded a pre-tax asset impairment charge related to the Chickadee Creek Waste Heat Recovery Facility (Chickadee Creek) located in Alberta of $43 million ($22 million attributable to EIPLP). Chickadee Creek generates waste heat from the Alliance Pipeline and sells the power generated to the Alberta power grid at market rates. EIPLP holds a 50% investment in NRGreen, which is included within the Green Power segment. The impairment charge is recorded within EIPLP's Income from equity investments within the Consolidated Statements of Earnings.

8. DEBT

CREDIT FACILITY

		June 30, 2018		
	Maturity	Total Facility	Draws[1]	Available
(millions of Canadian dollars)				
Enbridge Pipelines Inc.	2019	**3,000**	**1,906**	**1,094**

1 Includes facility draws and commercial paper issuances that are back-stopped by the credit facility.

The credit facility serves as a back-stop to the commercial paper program and EIPLP's subsidiary, Enbridge Pipelines Inc. (EPI), has the option to extend the facility, which is currently set to mature in July 2019.

As at June 30, 2018, commercial paper and credit facility draws of $1,906 million (December 31, 2017 - $1,438 million) were supported by the availability of a long-term committed credit facility and therefore have been classified as long-term debt.

DEBT COVENANTS

EPI was in compliance with all terms and conditions of its committed credit facility agreement and Trust Indenture as at June 30, 2018.

9. PARTNERS' CAPITAL

EXCHANGEABLE UNITS

Class C Units

	2018		2017	
Six months ended June 30,	Number of Units	Amount	Number of Units	Amount
(millions of Canadian dollars; number of units in millions)				
Balance at beginning of period	**443**	**12,947**	443	15,104
Earnings allocation	**—**	**244**	—	403
Class C unit distribution	**—**	**(567)**	—	(476)
	443	**12,624**	443	15,031
Fair market value adjustment	**—**	**1,337**	—	(1,048)
Balance at end of period	**443**	**13,961**	443	13,983

Class D Units

Six months ended June 30,	2018 Number of Units	2018 Amount	2017 Number of Units	2017 Amount
(millions of Canadian dollars; number of units in millions)				
Balance at beginning of period	**19**	**557**	10	341
Class D units issued[1]	**7**	**220**	4	145
Earnings allocation	**—**	**15**	—	13
Class D unit distribution[2]	**1**	**(30)**	—	(13)
	27	**762**	14	486
Fair market value adjustment	**—**	**84**	—	(36)
Balance at end of period	**27**	**846**	14	450

1 Class D units issued on payment of Temporary Performance Distribution Right distributions.
2 For the six months ended June 30, 2017, there were 0.4 million Class D units issued on payment of Class D distributions.

10. COMPONENTS OF ACCUMULATED OTHER COMPREHENSIVE LOSS

Changes in Accumulated other comprehensive loss (AOCI) for the six months ended June 30, 2018 and 2017 are as follows:

	Cash Flow Hedges	Cumulative Translation Adjustment	Total
(millions of Canadian dollars)			
Balance at January 1, 2018	**(230)**	**33**	**(197)**
Other comprehensive income retained in AOCI	**8**	**29**	**37**
Other comprehensive (income)/loss reclassified to earnings			
Interest rate contracts[1]	**11**	**—**	**11**
Commodity contracts[2]	**(1)**	**—**	**(1)**
	18	**29**	**47**
Tax impact			
Income tax on amounts retained in AOCI	**(1)**	**—**	**(1)**
Income tax on amounts reclassified to earnings	**(3)**	**—**	**(3)**
	(4)	**—**	**(4)**
Balance at June 30, 2018	**(216)**	**62**	**(154)**

	Cash Flow Hedges	Cumulative Translation Adjustment	Total
(millions of Canadian dollars)			
Balance at January 1, 2017	(269)	73	(196)
Other comprehensive income/(loss) retained in AOCI	17	(20)	(3)
Other comprehensive (income)/loss reclassified to earnings			
Interest rate contracts[1]	10	—	10
Commodity contracts[2]	(4)	—	(4)
	23	(20)	3
Tax impact			
Income tax on amounts retained in AOCI	(5)	—	(5)
Income tax on amounts reclassified to earnings	(2)	—	(2)
	(7)	—	(7)
Balance at June 30, 2017	(253)	53	(200)

1 Reported within Interest expense in the Consolidated Statements of Earnings.
2 Reported within Electricity sales in the Consolidated Statements of Earnings.

11. RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

MARKET RISK

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

The following summarizes the types of market risks to which EIPLP is exposed and the risk management instruments used to mitigate them. EIPLP uses a combination of qualifying and non-qualifying derivative instruments to manage the risks noted below.

Foreign Exchange Risk

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

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

Interest Rate Risk

EIPLP'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 commercial paper. Pay fixed-receive floating interest rate swaps are used to hedge against the effect of future interest rate movements. EIPLP has implemented a program to significantly mitigate the volatility of short-term interest rates on interest expense via execution of floating to fixed rate interest rate swaps with an average swap rate of 2.6%.

EIPLP'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 are used to hedge against the effect of future interest rate movements. EIPLP has implemented a program to significantly mitigate its exposure to long-term interest rate variability on select forecast term debt issuances via execution of floating to fixed rate interest rate swaps with an average swap rate of 3.0%.

EIPLP's portfolio mix of fixed and variable rate debt instruments is managed by the Fund Group.

Commodity Price Risk

EIPLP's earnings, cash flows and OCI are exposed to changes in commodity prices as a result of its ownership interest in certain assets and investments. These commodities primarily consist of crude oil and power. EIPLP employs financial derivative instruments to fix a portion of the variable price exposures that arise from physical transactions involving these commodities. EIPLP may use a combination of qualifying and non-qualifying derivative instruments to manage commodity price risk.

TOTAL DERIVATIVE INSTRUMENTS

The following table summarizes the Consolidated Statements of Financial Position location and carrying value of EIPLP's derivative instruments. EIPLP did not have any fair value or net investment hedges outstanding as at June 30, 2018 or December 31, 2017.

EIPLP 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 financial 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 EIPLP's credit risk exposure on financial derivative asset positions outstanding with the counterparties in

these particular circumstances. The following table also summarizes the maximum potential settlement in the event of these specific circumstances. All amounts are presented gross in the Consolidated Statements of Financial Position.

June 30, 2018	Derivative Instruments Used as Cash Flow Hedges	Non-Qualifying Derivative Instruments	Total Gross Derivative Instruments as Presented	Amounts Available for Offset	Total Net Derivative Instruments
(millions of Canadian dollars)					
Accounts receivable and other					
Foreign exchange contracts	**—**	**18**	**18**	**(12)**	**6**
Interest rate contracts	**4**	**—**	**4**	**(4)**	**—**
Commodity contracts	**—**	**—**	**—**	**—**	**—**
	4	**18**	**22**[1]	**(16)**	**6**
Deferred amounts and other assets					
Foreign exchange contracts	**—**	**5**	**5**	**—**	**5**
Interest rate contracts	**2**	**—**	**2**	**—**	**2**
Commodity contracts	**17**	**—**	**17**	**(16)**	**1**
	19	**5**	**24**	**(16)**	**8**
Accounts payable and other					
Foreign exchange contracts	**—**	**(185)**	**(185)**	**12**	**(173)**
Interest rate contracts	**(81)**	**—**	**(81)**	**4**	**(77)**
Commodity contracts	**(1)**	**(33)**	**(34)**	**—**	**(34)**
	(82)	**(218)**	**(300)**[2]	**16**	**(284)**
Other long-term liabilities					
Foreign exchange contracts	**—**	**(1,323)**	**(1,323)**	**—**	**(1,323)**
Interest rate contracts	**(11)**	**—**	**(11)**	**—**	**(11)**
Commodity contracts	**—**	**(108)**	**(108)**	**16**	**(92)**
	(11)	**(1,431)**	**(1,442)**	**16**	**(1,426)**
Total net derivative asset/(liability)					
Foreign exchange contracts	**—**	**(1,485)**	**(1,485)**	**—**	**(1,485)**
Interest rate contracts	**(86)**	**—**	**(86)**	**—**	**(86)**
Commodity contracts	**16**	**(141)**	**(125)**	**—**	**(125)**
	(70)	**(1,626)**	**(1,696)**	**—**	**(1,696)**

December 31, 2017	Derivative Instruments Used as Cash Flow Hedges	Non-Qualifying Derivative Instruments	Total Gross Derivative Instruments as Presented	Amounts Available for Offset	Total Net Derivative Instruments
(millions of Canadian dollars)					
Accounts receivable and other					
Foreign exchange contracts	—	77	77	(69)	8
Interest rate contracts	6	—	6	(6)	—
Commodity contracts	2	—	2	(2)	—
	8	77	85[1]	(77)	8
Deferred amounts and other assets					
Foreign exchange contracts	1	18	19	—	19
Interest rate contracts	1	—	1	—	1
Commodity contracts	17	—	17	(16)	1
	19	18	37	(16)	21
Accounts payable and other					
Foreign exchange contracts	—	(143)	(143)	69	(74)
Interest rate contracts	(90)	—	(90)	6	(84)
Commodity contracts	—	(29)	(29)	2	(27)
	(90)	(172)	(262)[2]	77	(185)
Other long-term liabilities					
Foreign exchange contracts	—	(868)	(868)	—	(868)
Interest rate contracts	(14)	—	(14)	—	(14)
Commodity contracts	—	(126)	(126)	16	(110)
	(14)	(994)	(1,008)	16	(992)
Total net derivative asset/(liability)					
Foreign exchange contracts	1	(916)	(915)	—	(915)
Interest rate contracts	(97)	—	(97)	—	(97)
Commodity contracts	19	(155)	(136)	—	(136)
	(77)	(1,071)	(1,148)	—	(1,148)

1 *Reported within Accounts receivable and other (2018 - $8 million; December 31, 2017 - $7 million) and Accounts receivable from affiliates (2018 - $14 million; December 31, 2017 - $78 million) on the Consolidated Statements of Financial Position.*
2 *Reported within Accounts payable and other (2018 - $44 million; December 31, 2017 - $41 million) and Accounts payable to affiliates (2018 - $256 million; December 31, 2017 - $221 million) on the Consolidated Statements of Financial Position.*

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

June 30, 2018	2018	2019	2020	2021	2022	Thereafter
Interest rate contracts - short-term borrowings *(millions of Canadian dollars)*	**636**	**561**	**334**	**38**	**25**	**166**
Interest rate contracts - long-term debt *(millions of Canadian dollars)*	**1,170**	**400**	**125**	**—**	**—**	**—**
Foreign exchange contracts - United States dollar forwards - sell *(millions of United States dollars)*	**1,313**	**1,807**	**2,060**	**1,687**	**1,675**	**3,489**
Foreign exchange contracts - United States dollar forwards - purchase *(millions of United States dollars)*	**353**	**2**	**1**	**—**	**—**	**—**
Commodity contracts - crude oil *(millions of barrels)*	**—**	**(1)**	**—**	**—**	**—**	**—**
Commodity contracts - power *(megawatt hours (MW/H))*[1]	**32**	**31**	**35**	**(3)**	**(43)**	**(43)**

December 31, 2017	2018	2019	2020	2021	2022	Thereafter
Interest rate contracts - short-term borrowings *(millions of Canadian dollars)*	1,227	81	25	25	25	166
Interest rate contracts - long-term debt *(millions of Canadian dollars)*	1,170	400	125	—	—	—
Foreign exchange contracts - United States dollar forwards - sell *(millions of United States dollars)*	2,107	1,807	2,060	1,687	1,675	1,820
Foreign exchange contracts - United States dollar forwards - purchase *(millions of United States dollars)*	414	2	2	—	—	—
Commodity contracts - power *(MW/H)*[1]	30	31	35	(3)	(43)	(43)

1 *Thereafter includes an average of (43) MW/H for 2023 through 2025.*

The Effect of Derivative Instruments on the Statements of Earnings and Comprehensive Income
The following table presents the effect of cash flow hedges on EIPLP's consolidated earnings and consolidated comprehensive income, before the effect of income taxes:

	Three months ended June 30,		Six months ended June 30,	
	2018	2017	**2018**	2017
(millions of Canadian dollars)				
Amount of unrealized gain/(loss) recognized in OCI				
Cash flow hedges				
Foreign exchange contracts	**—**	—	**(1)**	—
Interest rate contracts	**3**	15	**12**	3
Commodity contracts	**(1)**	(8)	**(3)**	12
	2	7	**8**	15
Amount of (gain)/loss reclassified from AOCI to earnings *(effective portion)*				
Interest rate contracts[1]	**5**	7	**11**	12
Commodity contracts[2]	**—**	(2)	**(1)**	(4)
	5	5	**10**	8
Amount of loss reclassified from AOCI to earnings *(ineffective portion and amount excluded from effectiveness testing)*				
Interest rate contracts[1]	**—**	(1)	**—**	—
	—	(1)	**—**	—

1 *Reported within Interest expense in the Consolidated Statements of Earnings.*
2 *Reported within Transportation and other services revenues, Electricity sales revenues, and Other income/(expense) in the Consolidated Statements of Earnings.*

EIPLP estimates that $4 million of AOCI related to cash flow hedges will be reclassified to earnings in the next 12 months. Actual amounts reclassified to earnings depend on the foreign exchange rates, interest rates and commodity prices in effect when derivative contracts that are currently outstanding mature. For all forecasted transactions, the maximum term over which EIPLP is hedging exposures to the variability of cash flows is 30 months at June 30, 2018.

Non-Qualifying Derivatives

The following table presents the unrealized gains and losses associated with changes in the fair value of EIPLP's non-qualifying derivatives:

	Three months ended June 30,		Six months ended June 30,	
	2018	2017	**2018**	2017
(millions of Canadian dollars)				
Foreign exchange contracts[1]	**(264)**	253	**(569)**	414
Commodity contracts[2]	**1**	24	**14**	23
Total unrealized derivative fair value gain/(loss)	**(263)**	277	**(555)**	437

1 For the respective six months ended period, reported within Transportation and other services revenues (2018 - $556 million loss; 2017 - $401 million gain) and Other income/(expense) (2018 - $13 million loss; 2017 - $13 million gain) in the Consolidated Statements of Earnings.

2 For the respective six months ended period, reported within Transportation and other services revenues (2018 - $9 million loss; 2017 - $4 million gain), Electricity sales revenues (2018 - $4 million gain; 2017 - $3 million gain) and Operating and administrative expense (2018 - $19 million gain; 2017 - $16 million gain) in the Consolidated Statements of Earnings.

LIQUIDITY RISK

Liquidity risk is the risk EIPLP will not be able to meet its financial obligations, including commitments and guarantees, as they become due. In order to manage this risk, EIPLP forecasts cash requirements over the near and long term to determine whether sufficient funds will be available when required. EIPLP generates cash from operations, commercial paper issuances and credit facility draws, through the periodic issuance of public term debt and issuance of units to its partners. Additionally, to ensure ongoing liquidity and to mitigate the risk of market disruption, EIPLP maintains a committed bank credit facility. EIPLP actively manages its bank funding sources to optimize pricing and other terms. Additional liquidity, if necessary, is expected to be available through intercompany transactions with Enbridge or other related entities.

CREDIT RISK

Entering into derivative instruments may result in exposure to credit risk. Credit risk arises from the possibility that a counterparty will default on its contractual obligations. In order to mitigate this risk, EIPLP enters into risk management transactions primarily 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.

EIPLP has credit concentrations and credit exposure, with respect to derivative instruments, in the following counterparty segments:

	June 30, 2018	December 31, 2017
(millions of Canadian dollars)		
Canadian financial institutions	**3**	8
United States financial institutions	**2**	—
European financial institutions	**6**	17
Other[1]	**5**	9
	16	34

1 Other is comprised of primarily Enbridge and its affiliates.

Derivative assets are adjusted for non-performance risk of EIPLP's counterparties using their credit default swap spread rates, and are reflected in the fair value. For derivative liabilities, EIPLP's non-performance risk is considered in the valuation.

Credit risk also arises from trade and other long-term receivables, and is mitigated through credit exposure limits, contractual requirements, assessment of credit ratings and netting arrangements. Generally, EIPLP classifies and provides for receivables older than 30 days as past due. The maximum exposure to credit risk related to non-derivative financial assets is their carrying value.

FAIR VALUE MEASUREMENTS

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

FAIR VALUE OF FINANCIAL INSTRUMENTS

EIPLP categorizes its derivative instruments 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 derivatives 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 derivative is considered to be a market where transactions occur with sufficient frequency and volume to provide pricing information on an ongoing basis. EIPLP does not have any financial instruments valued using Level 1 inputs.

Level 2

Level 2 includes derivative valuations determined using directly or indirectly observable inputs other than quoted prices included within Level 1. Derivatives 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 derivative. Derivatives valued using Level 2 inputs include non-exchange traded derivatives such as over-the-counter foreign exchange forward contracts and interest rate swaps for which observable inputs can be obtained.

EIPLP has also categorized the fair value of its Investment in affiliated company and Long-term debt as Level 2. The fair value is based on quoted market prices for instruments of similar yield, credit risk and tenor.

Level 3

Level 3 includes derivative valuations based on inputs which are less observable, unavailable or where the observable data does not support a significant portion of the derivatives' fair value. Generally, Level 3 derivatives 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. EIPLP has developed methodologies, benchmarked against industry standards, to determine fair value for these derivatives based on extrapolation of observable future prices and rates. Derivatives valued using Level 3 inputs include long-dated derivative power contracts, basis swaps, commodity swaps, power and energy swaps and options.

EIPLP uses the most observable inputs available to estimate the fair value of its derivatives. When possible, EIPLP estimates the fair value of its derivatives based on quoted market prices. If quoted

market prices are not available, EIPLP uses estimates from third party brokers. For non-exchange traded derivatives classified in Levels 2 and 3, EIPLP uses standard valuation techniques to calculate the estimated fair value. These methods include discounted cash flows for forwards and swaps and Black-Scholes-Merton pricing models for options. Depending on the type of derivative and nature of the underlying risk, EIPLP uses observable market prices (interest, foreign exchange and commodity) and volatility as primary inputs to these valuation techniques. Finally, EIPLP 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.

Fair Value of Derivatives

EIPLP has categorized its derivative assets and liabilities measured at fair value as follows:

June 30, 2018	Level 1	Level 2	Level 3	Total Gross Derivative Instruments
(millions of Canadian dollars)				
Financial assets				
Current derivative assets				
Foreign exchange contracts	**—**	**18**	**—**	**18**
Interest rate contracts	**—**	**4**	**—**	**4**
Commodity contracts	**—**	**—**	**—**	**—**
	—	**22**	**—**	**22**
Long-term derivative assets				
Foreign exchange contracts	**—**	**5**	**—**	**5**
Interest rate contracts	**—**	**2**	**—**	**2**
Commodity contracts	**—**	**—**	**17**	**17**
	—	**7**	**17**	**24**
Financial liabilities				
Current derivative liabilities				
Foreign exchange contracts	**—**	**(185)**	**—**	**(185)**
Interest rate contracts	**—**	**(81)**	**—**	**(81)**
Commodity contracts	**—**	**(11)**	**(23)**	**(34)**
	—	**(277)**	**(23)**	**(300)**
Long-term derivative liabilities				
Foreign exchange contracts	**—**	**(1,323)**	**—**	**(1,323)**
Interest rate contracts	**—**	**(11)**	**—**	**(11)**
Commodity contracts	**—**	**(3)**	**(105)**	**(108)**
	—	**(1,337)**	**(105)**	**(1,442)**
Total net financial liability				
Foreign exchange contracts	**—**	**(1,485)**	**—**	**(1,485)**
Interest rate contracts	**—**	**(86)**	**—**	**(86)**
Commodity contracts	**—**	**(14)**	**(111)**	**(125)**
	—	**(1,585)**	**(111)**	**(1,696)**

December 31, 2017	Level 1	Level 2	Level 3	Total Gross Derivative Instruments
(millions of Canadian dollars)				
Financial assets				
Current derivative assets				
Foreign exchange contracts	—	77	—	77
Interest rate contracts	—	6	—	6
Commodity contracts	—	—	2	2
	—	83	2	85
Long-term derivative assets				
Foreign exchange contracts	—	19	—	19
Interest rate contracts	—	1	—	1
Commodity contracts	—	—	17	17
	—	20	17	37
Financial liabilities				
Current derivative liabilities				
Foreign exchange contracts	—	(143)	—	(143)
Interest rate contracts	—	(90)	—	(90)
Commodity contracts	—	(5)	(24)	(29)
	—	(238)	(24)	(262)
Long-term derivative liabilities				
Foreign exchange contracts	—	(868)	—	(868)
Interest rate contracts	—	(14)	—	(14)
Commodity contracts	—	(1)	(125)	(126)
	—	(883)	(125)	(1,008)
Total net financial liability				
Foreign exchange contracts	—	(915)	—	(915)
Interest rate contracts	—	(97)	—	(97)
Commodity contracts	—	(6)	(130)	(136)
	—	(1,018)	(130)	(1,148)

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

June 30, 2018	Fair Value	Unobservable Input	Minimum Price	Maximum Price	Weighted Average Price	Unit of Measurement
(fair value in millions of Canadian dollars)						
Commodity contracts - financial[1]						
Power	(111)	Forward power price	35.30	79.40	53.14	$/MW/H

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

If adjusted, the significant unobservable inputs disclosed in the table above would have a direct impact on the fair value of EIPLP's Level 3 derivative instruments. The significant unobservable inputs used in the fair value measurement of Level 3 derivative instruments include forward commodity prices and for option contracts, price volatility. Changes in forward commodity prices could result in significantly different fair values for EIPLP's Level 3 derivatives. Changes in price volatility would change the value of the option contracts. Generally, a change in the estimate of forward commodity prices is unrelated to a change in the estimate of price volatility.

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

	Six months ended June 30,	
	2018	2017
(millions of Canadian dollars)		
Level 3 net derivative liability at beginning of period	**(130)**	(181)
Total gain/(loss), unrealized		
Included in earnings[1]	**21**	19
Included in OCI	**(2)**	7
Level 3 net derivative liability at end of period	**(111)**	(155)

1 Reported within Transportation and other services revenues, and Operating and administrative expense in the Consolidated Statements of Earnings.

EIPLP's policy is to recognize transfers as at the last day of the reporting period. There were no transfers between levels as at June 30, 2018 or 2017.

Fair Value of Other Financial Instruments

EIPLP had Restricted long-term investments held in trust totaling $162 million as at June 30, 2018 (December 31, 2017 - $135 million) which are recognized at fair value.

At June 30, 2018, EIPLP's long-term debt had a carrying value of $6,936 million (December 31, 2017 - $6,476 million) before debt issuance costs and a fair value of $7,304 million (December 31, 2017 - $6,942 million).

At June 30, 2018, EPI, a subsidiary of EIPLP, had an investment of $514 million (December 31, 2017 - $514 million) in non-voting, redeemable Series A Preferred Shares in Enbridge Employee Services Canada Inc. EIPLP has classified this investment in affiliated company as available-for-sale debt security and carries it at fair value, with changes in fair value recorded in OCI. As at June 30, 2018, the fair value of this investment approximates its cost and redemption value.

EIPLP holds Class A units of certain Enbridge subsidiaries which provide defined, scheduled and fixed distributions that represent the equity cash flows derived from the core rate base of the United States portion of Southern Lights Pipeline until June 30, 2040. At June 30, 2018, EIPLP's investment had a carrying value of $756 million (December 31, 2017 - $729 million) included in Long-term receivable from affiliate on the Consolidated Statements of Financial Position and a fair value of $694 million (December 31, 2017 - $658 million).

The fair value of other financial assets and liabilities, other than those disclosed above, approximates its cost due to the short period to maturity.

12. INCOME TAXES

The effective income tax rates for the three and six months ended June 30, 2018 were recoveries of 69.7% and 42.3%, respectively (2017 - expense of 18.6% and 17.1%, respectively). The period-over-period decrease in the effective income tax rates is substantially related to a change in assertion regarding the manner of recovery for the investment in Canadian renewable energy generation assets due to the pending sale which resulted in a revaluation of the related deferred tax liability to the capital gains tax rate and recognition of previously unrecognized tax basis *(Note 6)*.

13. RELATED PARTY TRANSACTIONS

Loans from Affiliates

The following loans from affiliates are evidenced by formal loan agreements:

		June 30, 2018		December 31, 2017	
	Maturity	Weighted Average Interest Rate	Amount	Weighted Average Interest Rate	Amount
(in millions of Canadian dollars)					
Enbridge	2020-2064	**4.5%**	**4,191**	4.5%	4,191
Enbridge	2025	**4.0%**	**124**	4.0%	124
Enbridge	Current	—	**57**	—	57
Enbridge Income Fund Holdings Inc.	Current	**4.3%**	**137**	4.3%	72
ECT	Current	**2.8%**	**58**	2.4%	426
ECT	2020	**7.1%**	**100**	7.1%	100
Enbridge	2045	**4.0%**	**734**	4.0%	734
Enbridge	2045	**4.0%**	**652**	4.0%	652
			6,053		6,356
Current portion of loans from affiliates			**(252)**		(555)
			5,801		5,801

14. CONTINGENCIES

LITIGATION

EIPLP and its subsidiaries are subject to various legal and regulatory actions and proceedings which arise in the normal course of business, including interventions in regulatory proceedings and challenges to regulatory approvals and permits by special interest groups. While the final outcome of such actions and proceedings cannot be predicted with certainty, the Manager, Enbridge Management Services Inc., believes that the resolution of such actions and proceedings will not have a material impact on EIPLP's consolidated financial position or results of operations.