ENBRIDGE INCOME PARTNERS LP

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2016

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FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2016

This Management's Discussion and Analysis (MD&A) dated July 29, 2016 should be read in conjunction with the unaudited interim consolidated financial statements and notes thereto of Enbridge Income Partners LP (EIPLP) as at and for the three and six months ended June 30, 2016, 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 notes thereto and MD&A for the year ended December 31, 2015.

EIPLP is a member of the Fund Group, which also includes Enbridge Commercial Trust (ECT) and Enbridge Income Fund (the Fund). EIPLP holds all of the underlying operating entities of the Fund Group through its subsidiaries. Enbridge Inc. (Enbridge), through its wholly-owned subsidiary Enbridge Management Services Inc. (EMSI or the Manager), 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 Enbridge and certain of its subsidiaries and ECT.

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

THE 2015 TRANSACTION

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

The 2015 Transaction was accounted for as a transaction among entities under common control, similar to a pooling of interests, whereby the assets and liabilities acquired were recorded at Enbridge's historic carrying values. Financial information for periods prior to September 1, 2015 have been retrospectively adjusted to present the results of operations for EIPLP and its interests in the Purchased Entities on a combined basis.

IMPACT OF WILDFIRES IN NORTHEASTERN ALBERTA

During the first week of May 2016, extreme wildfires in northeastern Alberta resulted in the shutdown of a number of oil sands production facilities and the evacuation of more than 80,000 people from the city of Fort McMurray which serves as a commercial and regional logistics centre for the oil sands region and a home to a significant portion of the oil sands workforce.

EIPLP's facilities in the region were largely unaffected; however, as a precautionary measure on May 4, 2016, EIPLP temporarily shut down and evacuated its Cheecham terminal and curtailed operations at its Athabasca terminal. It also isolated and shut down pipelines in and out of the Cheecham terminal and shut down or curtailed operations on other pipelines it operates in the region.

EIPLP coordinated with emergency response, public safety and utility officials to restore power and make any necessary repairs to its systems while working closely with producers in the region and restarted and returned the majority of its regional pipeline systems to normal operation by the end of May 2016.

Oil sands production from facilities in the vicinity of Fort McMurray, Alberta was curtailed longer than originally anticipated, given the severity and longevity of the wildfires. On average, EIPLP's mainline system deliveries were lower by approximately 255,000 barrels per day (bpd) during the months of May and June. This represents an approximate 10% decrease in throughput that EIPLP was delivering prior to

the wildfires. The impact of reduced system deliveries on revenues negatively impacted EIPLP's earnings before interest and income taxes (EBIT), adjusted EBIT and available cash flow from operations (ACFFO) by approximately $36 million for the second quarter of 2016. Oil sands production substantially came back online by the end of June and throughput on EIPLP's mainline system and overall system utilization are expected to return to levels anticipated at the outset of the year, during the third quarter of 2016.

CONSOLIDATED EARNINGS

	Three months ended June 30,		Six months ended June 30,	
	2016	2015[1]	**2016**	2015[1]
(millions of Canadian dollars)				
Liquids Pipelines	**252**	641	**1,289**	70
Gas Pipelines	**47**	49	**108**	77
Green Power	**36**	36	**75**	82
Eliminations and Other	**13**	(11)	**(27)**	68
Earnings before interest and income taxes	**348**	715	**1,445**	297
Interest expense	**(88)**	(75)	**(184)**	(142)
Income taxes recovery/(expense)	**(10)**	(171)	**(231)**	13
Special interest rights distributions - TPDR[2]	**(66)**	-	**(130)**	-
Special interest rights distributions - IDR[3]	**(12)**	-	**(23)**	-
Earnings attributable to general and limited partners	**172**	469	**877**	168

1 *Earnings attributable to general and limited partners for the three and six months ended June 30, 2015 have been retrospectively adjusted to furnish comparative information related to the 2015 Transaction as prescribed by U.S. GAAP for common control transactions.*

2 *Temporary Performance Distribution Right (TPDR) distributes Class D units and refers to the paid-in-kind component of the Special Interest Rights (SIR) distributions (see* Liquidity and Capital Resources – Distributions*).*

3 *Incentive Distribution Right (IDR) refers to the cash component of the SIR distribution (see* Liquidity and Capital Resources – Distributions*).*

EARNINGS BEFORE INTEREST AND INCOME TAXES

EBIT was $348 million for the three months ended June 30, 2016 compared with $715 million for the three months ended June 30, 2015. The primary operational factors contributing to the quarter-over-quarter decrease were a lower average International Joint Tariff (IJT) Residual Benchmark Toll and the impact of the northeastern Alberta wildfires. For more information on the wildfires, refer to the *Impact of Wildfires in Northeastern Alberta* section.

For the six months ended June 30, 2016, EBIT was $1,445 million compared with $297 million in the same period of 2015. The Canadian Mainline contribution increased primarily due to higher throughput that resulted from strong oil sands production in western Canada combined with contributions from the new assets placed into service in 2015, offset by the factors discussed above for the discrete second quarter.

The comparability of EIPLP's results was impacted by a number of unusual, non-recurring or non-operating factors that are enumerated in the Non-GAAP Reconciliation tables and discussed in the results for each reporting segment, the most significant of which were changes in unrealized derivative fair value gains and losses. EIPLP has a comprehensive long-term economic hedging program to mitigate interest rate, foreign exchange and commodity price risks that create volatility in short-term earnings. Over the long term, EIPLP believes its hedging program supports reliable cash flows.

The majority of EIPLP's unrealized derivative fair value gains and losses are within its Liquids Pipelines segment, specifically within the Canadian Mainline, which was acquired as part of the 2015 Transaction. Financial derivative instruments are used to hedge exposure to fluctuations in foreign exchange rates, power costs and the price of allowance oil which are inherent in the Competitive Toll Settlement (CTS) which drives Canadian Mainline revenue. For the three months ended June 30, 2016 and 2015, Canadian Mainline recognized net unrealized derivative fair value loss of $12 million and gains of $256 million, respectively. The six months ended June 30, 2016 reflected a $556 million unrealized derivative fair value gain compared with $574 million of unrealized derivative fair value loss in the corresponding 2015 period.

Also impacting the comparability of period-over-period EBIT was a $21 million charge ($15 million after-tax) for costs incurred to bring pipelines and facilities back into service following the northeastern Alberta wildfires in the second quarter of 2016.

EARNINGS ATTRIBUTABLE TO GENERAL AND LIMITED PARTNERS

Earnings attributable to the general and limited partners of EIPLP was $172 million for the three months ended June 30, 2016 compared with $469 million for the three months ended June 30, 2015. For the six months ended June 30, 2016, earnings attributable to the general and limited partners of EIPLP was $877 million compared with $168 million for the six months ended June 30, 2015.

In addition to the factors discussed in EBIT above, the change in earnings attributable to general and limited partners period-over-period was also impacted by TPDR and IDR distributions on SIR issued as part of the 2015 Transaction, higher interest expense resulting from the incurrence of incremental debt to fund asset growth and decreased capitalized interest period-over-period as a result of projects coming into service. Additionally, income taxes increased in the first half of 2016 largely due to the increase in earnings before tax compared to the same period of 2015.

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 future plans and operations. This information may not be appropriate for other purposes. Forward-looking statements are typically identified by words such as "anticipate", "expect", "project", "estimate", "forecast", "plan", "intend", "target", "believe", "likely" and similar words suggesting future outcomes or statements regarding an outlook. Forward-looking information or statements included or incorporated by reference in this document include, but are not limited to, statements with respect to the following: expected EBIT or expected adjusted EBIT; expected earnings/(loss) or adjusted earnings/(loss); expected ACFFO; expected future cash flows; expectations regarding the impact of the wildfires in northeastern Alberta, including on adjusted EBIT and ACFFO; expected future distributions and policy; expected costs related to announced projects and projects under construction; expected in-service dates for announced projects and projects under construction; expected capital expenditures; expected future actions of regulators; expected costs related to leak remediation and potential insurance recoveries; expectations regarding commodity prices; and supply forecasts.

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: the expected supply of and demand for crude oil, natural gas, natural gas liquids (NGL) and renewable energy; prices of crude oil, natural gas, NGL and renewable energy; exchange rates; inflation; interest rates; availability and price of labour and construction materials; operational reliability; customer and regulatory approvals; maintenance of support and regulatory approvals for EIPLP's projects; anticipated in-service dates; weather; impact of the wildfires in northeastern Alberta; credit ratings; capital project funding; expected EBIT or expected adjusted EBIT; expected earnings/(loss) or adjusted earnings/(loss); expected future ACFFO; and expected future distributions. Assumptions regarding the expected supply of and demand for crude oil, natural gas, NGL and renewable energy, and the prices of these commodities, are material to and underlie all forward-looking statements. These factors are relevant to all forward-looking statements as they may impact current and future levels of demand for 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 expected EBIT, adjusted EBIT, earnings/(loss), adjusted earnings/(loss), ACFFO or estimated future 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: the availability and price of labour and construction materials; the effects of inflation and foreign exchange rates on labour and material costs; the effects of interest rates on borrowing costs; and the impact of weather and customer and regulatory approvals on construction and in-service schedules.

EIPLP's forward-looking statements are subject to risks and uncertainties pertaining to distribution policy, operating performance, regulatory parameters, project approval and support, weather, economic and competitive conditions, public opinion, changes in tax law and tax rate increases, exchange rates, interest rates, commodity prices and supply of and demand for commodities, including but not limited to those risks and uncertainties discussed in this MD&A. 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 EBIT, adjusted earnings and ACFFO. Adjusted EBIT represents EBIT adjusted for unusual, non-recurring or non-operating factors on both a consolidated and segmented basis. Adjusted earnings represents earnings adjusted for unusual, non-recurring or non-operating factors included in adjusted EBIT, 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.

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

The Manager believes the presentation of adjusted EBIT, adjusted earnings and ACFFO give useful information to partners and unitholders as they provide increased transparency and insight into the performance of EIPLP. The Manager uses adjusted EBIT, adjusted earnings and ACFFO to set targets and to assess the performance of EIPLP. Adjusted EBIT, adjusted earnings and ACFFO 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 summarize the reconciliation of the GAAP and non-GAAP measures.

NON-GAAP RECONCILIATION – EBIT TO ADJUSTED EBIT

	Three months ended June 30,		Six months ended June 30,	
	2016	2015	**2016**	2015
(millions of Canadian dollars)				
Earnings before interest and income taxes	**348**	715	**1,445**	297
Retrospective adjustments[1]:				
2015 Transaction - Liquids Pipelines	**-**	(565)	**-**	(1)
2015 Transaction - Green Power	**-**	(14)	**-**	(31)
2015 Transaction - Eliminations and Other	**-**	(1)	**-**	(9)
Adjusting items[2]:				
Changes in unrealized derivative fair value (gains)/loss[2]	**17**	(19)	**(597)**	41
Unrealized (gains)/loss on translation of United States dollar intercompany loan receivable	**(5)**	16	**55**	(55)
Make-up rights adjustments	**19**	-	**34**	-
Northeastern Alberta wildfires pipelines and facilities restart costs	**21**	-	**21**	-
Other	**6**	(9)	**1**	(10)
Gain on sale of non-core assets	**-**	(22)	**-**	(22)
Adjusted earnings before interest and income taxes	**406**	101	**959**	210

1 *The impact of the retrospective adjustments related to the 2015 Transaction has been removed from adjusted EBIT to reflect earnings generated under EIPLP's ownership prior to September 1, 2015. Retrospective adjustments also include the impacts of significant, unusual, non-recurring or non-operating factors included in the retrospectively adjusted amounts for U.S. GAAP purposes.*

2 *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.*

3 *The above table summarizes adjusting items by nature. For a detailed listing of adjusting items by segment, refer to individual segment discussions.*

NON-GAAP RECONCILIATION – ADJUSTED EBIT to ADJUSTED EARNINGS

	Three months ended June 30,		Six months ended June 30,	
	2016	2015	**2016**	2015
(millions of Canadian dollars)				
Liquids Pipelines	**316**	38	**763**	78
Gas Pipelines	**47**	37	**96**	77
Green Power	**35**	22	**72**	51
Eliminations and Other	**8**	4	**28**	4
Adjusted earnings before interest and income taxes	**406**	101	**959**	210
Interest expense[1]	**(88)**	(4)	**(184)**	(7)
Income taxes[1]	**(36)**	(14)	**(102)**	(33)
Special interest rights distributions - TPDR	**(66)**	-	**(130)**	-
Special interest rights distributions - IDR	**(12)**	-	**(23)**	-
Adjusted earnings attributable to general and limited partners	**204**	83	**520**	170

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

Adjusted EBIT

Adjusted EBIT increased significantly for the three and six months ended June 30, 2016 compared to the same period of 2015. The increase in adjusted EBIT is attributable to the substantial increase of EIPLP's asset base following the 2015 Transaction. The most notable assets contributing incremental adjusted EBIT were the Canadian Mainline and Regional Oil Sands System as further discussed in *Financial Results – Liquids Pipelines.*

Adjusted Earnings
Adjusted earnings attributable to general and limited partners, referred to as adjusted earnings, increased by $121 million and $350 million for the three and six months ended June 30, 2016, respectively, compared to the prior year periods. The increases reflected in the adjusted EBIT discussion above were partially offset by higher interest expense due to increased levels of debt and higher income taxes expense due to increased business activity, as well as TPDR and IDR distributions on the SIR to Enbridge.

NON-GAAP RECONCILIATION – ACFFO

	Three months ended June 30,		Six months ended June 30,	
	2016	2015	**2016**	2015
(millions of Canadian dollars)				
Adjusted earnings before interest and income taxes	**406**	101	**959**	210
Depreciation and amortization expense	**158**	34	**319**	69
Distributions from Southern Lights Class A units[1]	**4**	5	**9**	10
Cash distributions less than equity earnings	**(8)**	(8)	**(10)**	(16)
Maintenance capital expenditures[2]	**(8)**	(4)	**(33)**	(7)
Interest expense[3]	**(86)**	(3)	**(177)**	(6)
Current income taxes[3]	**(30)**	(13)	**(48)**	(20)
Special interest rights distributions - IDR	**(12)**	-	**(23)**	-
Other adjusting items	**13**	-	**10**	-
Available cash flow from operations (ACFFO)	**437**	112	**1,006**	240

1 *Prior to the close of the 2015 Transaction, EIPLP received distributions on Class A units from both Enbridge subsidiaries that indirectly own the Canadian and United States portions of the Southern Lights Pipeline (Southern Lights Class A units). Subsequent to the close of the 2015 Transaction, EIPLP received distributions on Class A units from the Enbridge subsidiary that indirectly owns the United States portion of the Southern Lights Pipeline only (Southern Lights US Class A units).*

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 ACFFO, 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 EIPLP's Liquids segment.*

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

Available Cash Flow from Operations
ACFFO was $437 million for the three months ended June 30, 2016 compared with $112 million for the three months ended June 30, 2015. For the six months ended June 30, 2016, EIPLP's ACFFO was $1,006 million compared with $240 million for the six months ended June 30, 2015. Similar to adjusted EBIT, the increase in ACFFO was driven by the significant increase of EIPLP's asset base following the 2015 Transaction. The respective increases were partially offset by higher maintenance capital expenditures, higher interest expense and higher adjusted income taxes expense in 2016, all resulting from increased business activity associated with the increased asset base. Maintenance capital expenditures are expected to further increase in the second half of 2016. The impact of the northeastern Alberta wildfires, previously discussed, also partially offset the increase in EIPLP's ACFFO by approximately $36 million for the second quarter of 2016.

GROWTH PROJECTS

The following table summarizes the current status of the commercially secured projects, organized by business segment. The estimated capital costs and the expenditures to date are inclusive of costs incurred prior to the closing of the 2015 Transaction.

	Estimated Capital Cost[1]	Expenditures to Date[2]	Expected In-Service Date	Status
(Canadian dollars)				
LIQUIDS PIPELINES				
1. JACOS Hangingstone Project	$0.2 billion	$0.1 billion	2017	Under construction
2. Regional Oil Sands Optimization Project	$2.6 billion	$1.9 billion	2017	Under construction
3. Norlite Pipeline System[3]	$1.3 billion	$0.5 billion	2017	Under construction
4. Canadian Line 3 Replacement Program	$4.9 billion	$1.3 billion	2019	Pre-construction

1 These amounts are estimates and are subject to upward or downward adjustment based on various factors. Where appropriate, the amounts reflect EIPLP's share of joint venture projects.

2 Expenditures to date reflect total cumulative expenditures incurred from inception of the project under Enbridge's ownership up to June 30, 2016.

3 EIPLP will construct and operate the Norlite Pipeline System (Norlite). Keyera Corp. will fund 30% of the project.

The description of each of the above projects is provided in EIPLP's 2015 annual MD&A. Any significant updates since February 19, 2016, the date of the filing of EIPLP's 2015 annual MD&A for the year ended December 31, 2015, are discussed below.

LIQUIDS PIPELINES

JACOS Hangingstone Project

EIPLP is undertaking the construction of facilities which will provide transportation services to the Japan Canada Oil Sands Limited (JACOS) Hangingstone Oil Sands Project (JACOS Hangingstone). The project, which will provide capacity of 40,000 bpd, has been delayed at the shippers' request and is now expected to enter service in the first quarter of 2017. The estimated cost of the project remains at approximately $0.2 billion, with expenditures to date of approximately $0.1 billion.

Norlite Pipeline System

EIPLP is undertaking the development of Norlite, a new industry diluent pipeline originating from Edmonton, Alberta to meet the needs of multiple producers in the Athabasca oil sands region. Based on current engineering design, the project is now expected to provide an initial capacity of approximately 218,000 bpd of diluent, with the potential to be further expanded to approximately 465,000 bpd of capacity.

Canadian Line 3 Replacement Program

In 2014, Enbridge and Enbridge Energy Partners, L.P. jointly announced that shipper support was received for investment in the Line 3 Replacement Program (L3R Program). The Canadian portion of the L3R Program (Canadian L3R Program) will complement existing integrity programs by replacing approximately 1,084 kilometres (673 miles) of the remaining line segments of the existing Line 3 pipeline between Hardisty, Alberta and Gretna, Manitoba.

Several months prior to the National Energy Board (NEB) hearing held in 2015, Enbridge reached a settlement agreement with landowner associations representing Line 3 landowners in Canada and as a result these parties withdrew from the hearing process and have expressed their support for the project. The general terms of the settlement agreements were applied to all landowners directly impacted by the project, resulting in the resolution of nearly all outstanding landowner concerns. The NEB found these agreements and the resolution of outstanding concerns with nearly all potentially impacted landowners to be a persuasive factor in favour of the reasonableness of Enbridge's decommissioning plan.

In April 2016, the NEB found that the Canadian L3R Program is in the Canadian public interest and issued final conditions and a recommendation to the Federal Cabinet (the Cabinet) to issue a Certificate of Public Convenience and Necessity (the Certificate) for the construction and operation of the pipeline and related facilities. A decision by the Cabinet was expected to be issued three months following the NEB recommendation per legislation. However, because of the Federal Government's January 27, 2016 announcement that, outside of the NEB process, it has directed Federal agencies to conduct an assessment of direct and upstream greenhouse gas (GHG) emissions and incremental consultation with affected communities and Indigenous peoples, the Minister of Natural Resources sought an extension of four months to the Government's legislated decision-making time limit (to seven months in total). As a result, Enbridge anticipates a decision from the Cabinet by the end of November 2016 and the issuance of the Certificate by the NEB in the days following the Cabinet decision.

Also in April 2016, Environment and Climate Change Canada published a draft review of related upstream GHG emissions estimates for the Canadian L3R Program and opened a 30 day public comment period on the draft, which closed in May 2016 with six parties providing comments on the draft report. The draft review estimates that the upstream GHG emissions in Canada associated with the production and processing of crude oil transported by the Canadian L3R Program, based on a capacity of 760,000 bpd, could be between 19 and 26 megatonnes of carbon dioxide equivalent per year. The draft also found that the estimated emissions are not necessarily incremental; the degree to which the estimated emissions would be incremental depends on the expected price of oil, the availability and costs of other transportation modes, such as crude by rail, and whether other pipeline projects are built. On May 25, 2016, the Federal consultation process on the Canadian L3R Program was expanded with Natural Resources Canada undertaking consultations with Indigenous peoples impacted by the Canadian L3R Program and posting an online questionnaire to solicit input from interested and/or impacted parties. The results of these two efforts will be combined with the results of the GHG study and are expected to be presented to the Cabinet for deliberation in the fall of 2016 prior to the Cabinet making its decision on whether to approve the project.

Subject to regulatory and other approvals, the Canadian L3R Program is targeted to be completed in early 2019 at an estimated capital cost of approximately $4.9 billion, with expenditures to date of approximately $1.3 billion. With a delay in construction arising from a longer than anticipated permitting process, the cost of this project is expected to increase. Enbridge continues to review the estimated cost of this project. Costs of the Canadian L3R Program will be recovered through a 15-year toll surcharge mechanism under the CTS.

FINANCIAL RESULTS

LIQUIDS PIPELINES

Earnings before Interest and Income Taxes

	Three months ended June 30,		Six months ended June 30,	
	2016	2015	**2016**	2015
(millions of Canadian dollars)				
Canadian Mainline	**177**	-	**486**	-
Regional Oil Sands System	**88**	-	**181**	-
Southern Lights Pipeline	**23**	17	**45**	36
Bakken System	**8**	4	**11**	8
Feeder Pipelines and Other	**20**	17	**40**	34
Adjusted earnings before interest and income taxes	**316**	38	**763**	78
Retrospective adjustment - 2015 Transaction[1]	**-**	565	**-**	1
Canadian Mainline - changes in unrealized derivative fair value gains/(loss)	**(12)**	-	**556**	-
Regional Oil Sands System - northeastern Alberta wildfires pipelines and facilities restart costs	**(21)**	-	**(21)**	-
Regional Oil Sands System - leak insurance recoveries	**-**	-	**5**	-
Regional Oil Sands System - make-up rights adjustment	**(20)**	-	**(34)**	-
Southern Lights Pipeline - changes in unrealized derivative fair value gains/(loss)	**(6)**	15	**26**	(33)
Bakken System - make-up rights adjustment	**1**	1	**-**	2
Feeder Pipelines and Other - derecognition of regulatory balances	**(6)**	-	**(6)**	-
Feeder Pipelines and Other - gain on sale of non-core assets	**-**	22	**-**	22
Earnings before interest and income taxes	**252**	641	**1,289**	70

1 *In accordance with U.S. GAAP, EBIT for the three and six months ended June 30, 2015 has been retrospectively adjusted to furnish comparative information related to the 2015 Transaction. The impact of the retrospective adjustments has been removed from adjusted EBIT to reflect earnings generated under EIPLP's ownership prior to September 1, 2015. Retrospective adjustments also include the impacts of significant, unusual, non-recurring or non-operating factors included in the retrospectively adjusted amounts for U.S. GAAP purposes.*

Additional details on items impacting Liquids Pipelines EBIT include:

- Canadian Mainline EBIT for each period reflected changes in unrealized fair value gains and losses on derivative financial instruments used to manage risk exposures inherent within the CTS, namely foreign exchange, power cost variability and allowance oil commodity prices.
- Regional Oil Sands System EBIT for the second quarter included pipelines and facilities restart costs incurred as a result of the northeastern Alberta wildfires.
- Regional Oil Sands System EBIT for the first half of 2016 included insurance recoveries associated with the Line 37 crude oil release, which occurred in June 2013.
- Regional Oil Sands System and Bakken System EBIT for each period included make-up rights adjustments to recognize revenue for certain long-term take-or-pay contracts rateably over the contract life. For the purposes of adjusted EBIT, EIPLP reflects contributions from these contracts rateably over the life of the contract, consistent with contractual cash payments under the contract.
- Southern Lights Pipeline EBIT for each period reflected changes in unrealized fair value gains and losses on derivative financial instruments used to manage foreign exchange risk exposure on United States dollar cash flows from Southern Lights US Class A units.
- Feeder Pipelines and Other EBIT for second quarter of 2016 included a loss due to the derecognition of regulatory assets following a toll settlement for non-core assets.

Canadian Mainline

Canadian Mainline adjusted EBIT for the three and six months ended June 30, 2016 reflected earnings from the acquisition of the Canadian Mainline as part of the 2015 Transaction. Canadian Mainline EBIT is largely impacted by volume throughput achieved on the system. Positively impacting adjusted EBIT was higher throughput driven by strong oil sands production combined with contributions from new assets placed into service in 2015, the most significant being the expansion of the Canadian Mainline in the third quarter of 2015 and the reversal and expansion of Line 9B completed in the fourth quarter of 2015. Higher throughput on the Canadian Mainline also reflected increased downstream demand in the first half of 2016 from the completion of other projects operated by Enbridge. However, the impact of the wildfires in northeastern Alberta resulted in reduced system deliveries having a negative impact of approximately $30 million on EIPLP's adjusted EBIT for the second quarter of 2016. For further details on the wildfires, refer to *Impact of Wildfires in Northeastern Alberta.* The Canadian Mainline IJT Residual Benchmark Toll also decreased from US$1.63 to US$1.46 effective April 1, 2016.

Throughput Volume

	Q2 2016	Q1 2016
(thousands of bpd)		
Average throughput volume[1]	**2,242**	2,543

1 Throughput volume represents mainline deliveries ex-Gretna, Manitoba which is made up of United States and eastern Canada deliveries originating from western Canada. Throughput volumes are representative of EIPLP's ownership period of the Canadian Mainline.

Regional Oil Sands System

Regional Oil Sands System adjusted EBIT for the three and six months ended June 30, 2016 reflected earnings from the acquisition of the Regional Oil Sands System as part of the 2015 Transaction. The northeastern Alberta wildfires resulted in curtailment of production from oil sands facilities and certain of EIPLP's upstream pipelines and terminal facilities were temporarily shut down resulting in a disruption of service on EIPLP's Regional Oil Sands System having a negative impact of approximately $6 million for the second quarter of 2016.

GAS PIPELINES

Earnings before Interest and Income Taxes

	Three months ended June 30,		Six months ended June 30,	
	2016	2015	**2016**	2015
(millions of Canadian dollars)				
Gas Pipelines	**47**	37	**96**	77
Adjusted earnings before interest and income taxes	**47**	37	**96**	77
Gas Pipelines - changes in unrealized derivative fair value gains/(loss)	**-**	4	**12**	(8)
Gas Pipelines - derecognition of regulatory balances	**-**	8	**-**	8
Earnings before interest and income taxes	**47**	49	**108**	77

Gas Pipelines adjusted EBIT, which represents EBIT from EIPLP's 50% equity investment in Alliance Pipeline, increased for the three and six months ended June 30, 2016, compared with the corresponding 2015 periods, primarily due to higher revenues resulting from strong demand for seasonal firm service under Alliance Pipeline's new services framework that commenced in the fourth quarter of 2015 and lower operating costs. The increase in adjusted EBIT was partially offset by the absence of non-renewal fees for the United States portion of Alliance Pipeline (Alliance Pipeline US).

Throughput Volume

	Three months ended June 30,		Six months ended June 30,	
	2016	2015	**2016**	2015
(millions of cubic feet per day)				
Average throughput volume				
Alliance Pipeline Canada	**1,559**	1,500	**1,587**	1,567
Alliance Pipeline US	**1,698**	1,662	**1,724**	1,726

GREEN POWER
Earnings before Interest and Income Taxes

	Three months ended June 30,		Six months ended June 30,	
	2016	2015	**2016**	2015
(millions of Canadian dollars)				
Green Power	**35**	22	**72**	51
Adjusted earnings before interest and income taxes	**35**	22	**72**	51
Retrospective adjustment - 2015 Transaction[1]	**-**	14	**-**	31
Green Power - changes in unrealized derivative fair value gain	**1**	-	**3**	-
Earnings before interest and income taxes	**36**	36	**75**	82

1 *In accordance with U.S. GAAP, EBIT for the three and six months ended June 30, 2015 has been retrospectively adjusted to furnish comparative information related to the 2015 Transaction. The impact of the retrospective adjustments has been removed from adjusted EBIT to reflect earnings generated under EIPLP's ownership prior to September 1, 2015. Retrospective adjustments also include the impacts of significant, unusual, non-recurring or non-operating factors included in the retrospectively adjusted amounts for U.S. GAAP purposes.*

Green Power adjusted EBIT increased for the three and six months ended June 30, 2016 compared with the corresponding 2015 periods. The increase was due to the inclusion of adjusted EBIT from the Lac Alfred, Massif du Sud, Blackspring Ridge and Saint Robert Bellarmin wind projects following the close of the 2015 Transaction, which was partially offset by lower earnings as a result of weaker wind and solar resources at certain facilities, as well as disruptions at certain eastern Canadian wind facilities in the first quarter of 2016 due to weather conditions which caused icing of blades.

Production

	Three months ended June 30,		Six months ended June 30,	
	2016	2015	**2016**	2015
(thousands of megawatt hours produced)				
Wind Facilities	**587**	233	**1,307**	575
Solar Facilities	**53**	49	**80**	82
Waste Heat Facilities	**24**	15	**50**	35

ELIMINATIONS AND OTHER
Earnings before Interest and Income Taxes

	Three months ended June 30,		Six months ended June 30,	
	2016	2015	**2016**	2015
(millions of Canadian dollars)				
Dividend income from affiliate	**10**	-	**20**	-
Realized gains/(loss) on translation of United States dollar intercompany loan receivable	**(2)**	1	**7**	1
Other	**-**	3	**1**	3
Adjusted earnings before interest and income taxes	**8**	4	**28**	4
Retrospective adjustment - 2015 Transaction[1]	**-**	1	**-**	9
Unrealized gains/(loss) on translation of United States dollar intercompany loan receivable	**5**	(16)	**(55)**	55
Earnings/(loss) before interest and income taxes	**13**	(11)	**(27)**	68

1 *In accordance with U.S. GAAP, EBIT for the three and six months ended June 30, 2015 has been retrospectively adjusted to furnish comparative information related to the 2015 Transaction. The impact of the retrospective adjustments has been removed from adjusted EBIT to reflect earnings generated under EIPLP's ownership prior to September 1, 2015. Retrospective adjustments also include the impacts of significant unusual, non-recurring or non-operating factors included in the retrospectively adjusted amounts for U.S. GAAP purposes.*

In the first half of 2016, EIPLP received dividend income from its Enbridge Employee Services Canada Inc. Series A Preferred Shares investment acquired as part of the 2015 Transaction and recognized a realized foreign exchange gain generated from repayments received from its subsidiary on an intercompany loan receivable denominated in United States dollars.

LIQUIDITY AND CAPITAL RESOURCES

SOURCES AND USES OF CASH

EIPLP's primary uses of cash are distributions to its partners, administrative and operational expenses, maintenance and growth capital spending, as well as interest and principal repayments on its long-term debt. 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 capital market disruption, EIPLP maintains a level of committed bank credit facilities. In addition to ensuring adequate liquidity, EIPLP actively manages its bank funding sources to optimize pricing and other terms. All of the above noted debt, commercial paper and credit facilities are held through EIPLP's 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.

EIPLP's net available liquidity of $1,781 million as at June 30, 2016 was inclusive of $224 million of unrestricted cash and cash equivalents and net of bank indebtedness of $127 million. The 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.

Long-term Debt

Long-term debt primarily consists of committed credit facilities and medium-term notes at EPI. As at June 30, 2016, EIPLP had $3,005 million of committed credit facilities, of which $1,684 million was unutilized. 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, 2016, EPI was in compliance with all debt covenants.

Partners' Capital
During the quarter ended June, 30, 2016, EIPLP issued 25.4 million Class A units to ECT for gross proceeds of $718 million following Enbridge Income Fund Holdings Inc.'s (ENF) common share issuance. The proceeds will be used to fund EIPLP's secured growth capital programs.

Distributions
The following tables summarize the cash and non-cash distributions declared by EIPLP for the six months ended June 30, 2016 and 2015, and the quarters therein, as applicable.

Class A Units

	2016		2015	
	Distribution per Unit[1]	Total	Distribution per Unit[1]	Total
(millions of Canadian dollars, except distribution rate)				
Three months ended March 31,	**0.5585**	**199**	0.4938	121
Three months ended June 30,	**0.5667**	**217**	0.4938	121
Six months ended June 30,	**1.1252**	**416**	0.9876	242

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

Class C Units

	2016	
	Distribution per Unit[1]	Total
(millions of Canadian dollars, except distribution rate)		
Three months ended March 31,	**0.5376**	**237**
Three months ended June 30,	**0.5376**	**239**
Six months ended June 30,	**1.0752**	**476**

1 *Class C unit distributions are declared monthly and paid in cash in the following month. Class C units were first issued on September 1, 2015 pursuant to the 2015 Transaction.*

Class D Units

	2016	
	Distribution per Unit[1]	Total
(millions of Canadian dollars, except distribution rate)		
Three months ended March 31,	**0.5376**	**1**
Three months ended June 30,	**0.5376**	**3**
Six months ended June 30,	**1.0752**	**4**

1 *Class D unit distributions are declared monthly and paid-in-kind with the issuance of additional Class D units in the following month. Class D units were first issued in October 2015 pursuant to the first payment of TPDR distributions of the SIR.*

Special Interest Rights – TPDR

	2016
	Total[1]
(millions of Canadian dollars)	
Three months ended March 31,	**64**
Three months ended June 30,	**66**
Six months ended June 30,	**130**

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. SIR were first issued on September 1, 2015 pursuant to the 2015 Transaction.*

Special Interest Rights – IDR

	2016
	Total[1]
(millions of Canadian dollars)	
Three months ended March 31,	**11**
Three months ended June 30,	**12**
Six months ended June 30,	**23**

1 IDR distributions are declared monthly and paid in cash to holders of the SIR in the following month. SIR were first issued on September 1, 2015 pursuant to the 2015 Transaction.

CAPITAL EXPENDITURE COMMITMENTS

EIPLP has signed contracts for the purchase of services, pipe and other materials totalling $1,279 million, which are expected to be paid over the next five years.

RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

Maintaining a reliable and low risk business model is central to EIPLP's objective of paying out a predictable cash flow to unitholders. The Fund Group actively manages both financial and non-financial risk exposures. 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 ACFFO of the Fund Group.

EIPLP's earnings, cash flows and other comprehensive income (OCI) are subject to movements in foreign exchange rates, interest rates and commodity prices. EIPLP uses a combination of qualifying and non-qualifying derivative instruments to manage these risks. Refer to EIPLP's 2015 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 derivative instruments on EIPLP's consolidated earnings and consolidated comprehensive income.

	Three months ended June 30,		Six months ended June 30,	
	2016	2015	**2016**	2015
(millions of Canadian dollars)				
Amount of unrealized gains/(loss) recognized in OCI				
Cash flow hedges				
Foreign exchange contracts	**1**	(1)	**-**	-
Interest rate contracts	**(99)**	59	**(247)**	(46)
Commodity contracts	**(15)**	(19)	**(3)**	(7)
	(113)	39	**(250)**	(53)
Amount of (gains)/loss reclassified from Accumulated other comprehensive income (AOCI) to earnings *(effective portion)*				
Interest rate contracts[1]	**3**	1	**6**	2
Commodity contracts[2]	**(2)**	(1)	**(5)**	(3)
	1	-	**1**	(1)
Amount of gains reclassified from AOCI to earnings *(ineffective portion and amount excluded from effectiveness testing)*				
Interest rate contracts[1]	**-**	(3)	**-**	(1)
	-	(3)	**-**	(1)
Amount of unrealized gains/(loss) from non-qualifying derivatives included in earnings				
Foreign exchange contracts[3]	**(33)**	243	**608**	(609)
Commodity contracts[2]	**7**	32	**(7)**	(3)
	(26)	275	**601**	(612)

1 *Reported within Interest income/(expense) in the Consolidated Statements of Earnings.*
2 *Reported within Electricity sales revenues, Transportation and other services revenues, Other income/(expense) and Operating and administrative 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 that EIPLP will not be able to meet its financial obligations, including commitments and guarantees, as they become due. In order to mitigate this risk, EIPLP forecasts cash requirements over a 12 month rolling time period to determine whether sufficient funds will be available. EIPLP maintains a level of committed bank credit facilities and 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 financial instruments may result in exposure to credit risk from the possibility that a counterparty will default on its contractual obligations. Credit risk also arises from trade and other long-term receivables. These risks are mitigated through credit exposure limits and contractual requirements, netting arrangements and ongoing monitoring of counterparty credit exposure using external credit rating services and other analytical tools. Refer to EIPLP's 2015 Annual MD&A for further details on EIPLP credit risk management.

CHANGES IN ACCOUNTING POLICIES

ADOPTION OF NEW STANDARDS

Classification of Deferred Taxes on the Statements of Financial Position

Effective January 1, 2016, EIPLP elected to early adopt Accounting Standards Update (ASU) 2015-17 and applied the standard on a prospective basis. The amendments require that deferred tax liabilities and assets be classified as noncurrent in the Consolidated Statements of Financial Position. The adoption of the pronouncement did not have a material impact on EIPLP's consolidated financial statements.

Simplifying the Accounting for Measurement-Period Adjustments in Business Combinations

Effective January 1, 2016, EIPLP adopted ASU 2015-16 on a prospective basis. The new standard requires that an acquirer must recognize adjustments to provisional amounts that are identified during the measurement period in the reporting period in which the adjustment amounts are determined. The adoption of the pronouncement did not have a material impact on EIPLP's consolidated financial statements.

Simplifying the Presentation of Debt Issuance Costs

Effective January 1, 2016, EIPLP adopted ASU 2015-03 on a retrospective basis which, as at December 31, 2015, resulted in a decrease in Deferred amounts and other assets of $16 million and a corresponding decrease in Long-term debt of $16 million. The new standard requires debt issuance costs related to a recognized debt liability to be presented in the Consolidated Statements of Financial Position as a direct deduction from the carrying amount of that debt liability, consistent with the presentation of debt discounts or premiums. Further, effective January 1, 2016, EIPLP adopted ASU 2015-15 which clarifies that debt issuance costs associated with line-of-credit arrangements may be deferred as an asset and subsequently amortized over the term of the arrangement. The adoption of ASU 2015-15 did not have a material impact on EIPLP's consolidated financial statements.

Amendments to the Consolidation Analysis

ASU 2015-02, issued in February 2015, revises the current consolidation guidance which results in a change in the determination of whether an entity consolidates certain types of legal entities. The new standard is effective for annual and interim reporting periods beginning after December 15, 2015 and may be applied on a full or modified retrospective basis. Effective January 1, 2016, EIPLP adopted ASU 2015-02 on a modified retrospective basis, which amended and clarified the guidance on variable interest entities (VIEs). There was a significant change in the assessment of limited partnerships and other similar legal entities as VIEs, including the removal of the presumption that the general partner should consolidate a limited partnership. As a result, EIPLP has determined that a majority of the limited partnerships that are currently consolidated or equity accounted for are VIEs. The amended guidance did not impact EIPLP's accounting treatment of such entities, however, material disclosures for VIEs have been provided, as necessary.

Hybrid Financial Instruments Issued in the Form of a Share

Effective January 1, 2016, EIPLP adopted ASU 2014-16 on a modified retrospective basis. The revised criteria eliminate the use of different methods in practice in the accounting for hybrid financial instruments issued in the form of a share. The new standard also clarifies the evaluation of the economic characteristics and risks of a host contract in these hybrid financial instruments. The adoption of the pronouncement did not have a material impact on EIPLP's consolidated financial statements.

Development Stage Entities

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

FUTURE ACCOUNTING POLICY CHANGES

Accounting for Credit Losses

ASU 2016-13 was issued in June 2016 with the intent of providing financial statement users with more useful information about the expected credit losses on financial instruments and other commitments to extend credit held by a reporting entity at each reporting date. Current treatment uses the incurred loss methodology for recognizing credit losses that delays the recognition until it is probable a loss has been incurred. The amendment adds a new impairment model, known as the current expected credit loss model that is based on expected losses rather than incurred losses. Under the new guidance, an entity recognizes as an allowance its estimate of expected credit losses, which the Financial Accounting Standards Board believes will result in more timely recognition of such losses. EIPLP is currently assessing the impact of the new standard on its consolidated financial statements. The accounting update is effective for annual and interim periods beginning on or after December 15, 2019.

Simplifying the Equity Method of Accounting

ASU 2016-07 was issued in March 2016 with the intent of simplifying the equity method of accounting by eliminating the requirement to retrospectively apply the equity method to an investment that subsequently qualifies for such accounting as a result of an increase in the level of ownership interest or degree of influence. Consequently, the equity method of accounting will be applied prospectively from the date significant influence is obtained. The cost of acquiring an additional interest in the investee, if any, will be added to the current basis of the previously held interest. For available-for-sale securities that become eligible for the equity method of accounting, any unrealized gain or loss recorded within AOCI will be recognized in earnings on the date the investment initially qualifies for the use of the equity method. EIPLP is currently assessing the impact of the new standard on its consolidated financial statements. The accounting update is effective for annual and interim periods beginning on or after December 15, 2016 and is to be applied prospectively.

Derivative Contract Novations on Existing Hedge Accounting Relationships

ASU 2016-05 was issued in March 2016 with the intent of clarifying that a change in one of the counterparties to the derivative instrument does not require de-designation of that hedge accounting relationship provided that all other hedge accounting criteria continue to be met. EIPLP is currently assessing the impact of the new standard on its consolidated financial statements. The accounting update is effective for annual and interim periods beginning on or after December 15, 2016 and may be applied on a prospective or modified retrospective basis.

Recognition of Leases

ASU 2016-02 was issued in February 2016 with the intent to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the Consolidated Statements of Financial Position and disclosing additional key information about leasing arrangements. EIPLP is currently assessing the impact of the new standard on its consolidated financial statements. The accounting update is effective for annual and interim periods beginning on or after December 15, 2018 and is to be applied using a modified retrospective approach.

QUARTERLY FINANCIAL INFORMATION[1,2]

	2016		2015				2014	
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
(millions of Canadian dollars)								
Revenues	**742**	1,540	747	180	1,007	(60)	408	358
Earnings/(loss) attributable to general and limited partners	**172**	705	228	(274)	469	(301)	45	14

1 *Quarterly financial information has been retrospectively adjusted to reflect the 2015 Transaction prior to September 1, 2015 and EIPLP's acquisition of a 50% equity interest in Alliance Pipeline US and the purchase of the Southern Lights Class A units prior to November 7, 2014 as prescribed by U.S. GAAP for common control transactions.*

2 *Revenues and Earnings/(loss) attributable to general and limited partners are impacted by changes in unrealized derivative fair value gains and losses on derivatives.*

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

EIPLP actively manages its exposure to market risks including, but not limited to, 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.

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

- Included in the second quarter of 2016 were after-tax costs of $15 million incurred in relation to the restart of certain of EIPLP's pipelines and facilities following the northeastern Alberta wildfires.
- EIPLP issued 25.4 million Class A units to ECT in April 2016. The proceeds will be used to fund EIPLP's secured growth capital programs.
- Beginning in the third quarter of 2015, EIPLP began making TPDR distributions to the holders of its SIR. EIPLP also began making IDR distributions to the holders of its SIR during the first quarter of 2016.
- EIPLP's 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.
- As part of the 2015 Transaction, the commercially secured growth programs embedded within EPI and Enbridge Pipelines (Athabasca) Inc. (EPAI) were transferred to EIPLP. Prior to the close of the 2015 Transaction, both EPI and EPAI undertook substantial capital growth over the past recent years. The timing of construction and completion of growth projects may impact the comparability of EIPLP's quarterly results. EIPLP's capital expansion initiatives, including construction commencement and in-service dates, are described in *Growth Projects*.

EIPLP OWNERSHIP

The following presents the partners' ownership of EIPLP:

	As at July 29, 2016
(number of units outstanding)	
Class A units	
Held by Enbridge Income Partners GP Inc.	38,226
Held by Enbridge Commercial Trust	382,225,941
	382,264,167
Class C units[1]	
Held by Enbridge Inc.	442,923,363
Class D units[2]	
Held by Enbridge Inc.	6,467,166
Class E unit	
Held by Enbridge Inc.	1
Special Interest Rights - SIR	
Held by Enbridge Inc.	1,000

1 *The Class C units may, at the option of the holder, be exchanged directly or indirectly, in whole or in part for ECT Preferred Units, ordinary trust units of the Fund 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, 2016

CONSOLIDATED STATEMENTS OF EARNINGS

	Three months ended June 30,		Six months ended June 30,	
	2016	2015[1]	**2016**	2015[1]
(unaudited; millions of Canadian dollars)				
Revenues				
Transportation and other services	**660**	919	**2,122**	767
Electricity sales	**67**	73	**133**	152
Revenues - affiliates	**15**	15	**27**	28
	742	1,007	**2,282**	947
Expenses				
Operating and administrative	**199**	241	**402**	578
Operating and administrative, net - affiliates	**99**	(22)	**238**	(55)
Depreciation and amortization	**158**	151	**319**	295
Environmental costs, net of recoveries	**-**	7	**(5)**	(5)
	456	377	**954**	813
	286	630	**1,328**	134
Income from equity investments	**48**	46	**100**	86
Other income/(expense)	**(11)**	23	**(34)**	40
Other income - affiliates	**25**	16	**51**	37
Interest income/(expense)	**(23)**	6	**(54)**	15
Interest expense - affiliates	**(65)**	(81)	**(130)**	(157)
	260	640	**1,261**	155
Income taxes recovery/(expense) *(Note 11)*	**(10)**	(171)	**(231)**	13
Earnings	**250**	469	**1,030**	168
Special interest rights distributions				
Temporary performance distribution rights	**(66)**	-	**(130)**	-
Incentive distribution rights	**(12)**	-	**(23)**	-
Earnings attributable to general and limited partners	**172**	469	**877**	168
Earnings attributable to general partner interest	**-**	-	**-**	-
Earnings attributable to limited partners' interests	**172**	469	**877**	168
	172	469	**877**	168

See accompanying notes to the unaudited interim consolidated financial statements.

1 *Retrospectively adjusted to furnish comparative information related to the 2015 Transaction* (Note 1).

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Three months ended June 30,		Six months ended June 30,	
	2016	2015[1]	**2016**	2015[1]
(unaudited; millions of Canadian dollars)				
Earnings	**250**	469	**1,030**	168
Other comprehensive income/(loss), net of tax				
Change in unrealized gains/(loss) on cash flow hedges	**(79)**	29	**(179)**	(38)
Reclassification to earnings of realized cash flow hedges	**-**	(1)	**-**	(1)
Reclassification to earnings of unrealized cash flow hedges	**-**	1	**-**	-
Change in foreign currency translation adjustment	**1**	(7)	**(33)**	29
Other comprehensive income/(loss), net of tax	**(78)**	22	**(212)**	(10)
Comprehensive income attributable to general and limited partners	**172**	491	**818**	158

See accompanying notes to the unaudited interim consolidated financial statements.

1 *Retrospectively adjusted to furnish comparative information related to the 2015 Transaction* (Note 1).

CONSOLIDATED STATEMENTS OF CHANGES IN PARTNERS' CAPITAL

	Six months ended June 30,	
	2016	2015[1]
(unaudited; millions of Canadian dollars)		
General partner interest		
Balance at beginning of period	**(6,420)**	-
Allocation from limited partners	**(1,107)**	-
Balance at end of period	**(7,527)**	-
Limited partners' interests - Enbridge Commercial Trust		
Balance at beginning of period - limited partners' interests	**-**	3,165
Balance at beginning of period - Purchased Entities[2]	**-**	3,989
Units issued	**718**	-
Excess purchase price over historical carrying value acquired allocation *(Note 5)*	**(6)**	-
Equity of former owners of Purchased Entities allocation	**-**	(516)
Redemption value adjustment attributable to Class C and D units	**(1,806)**	-
Earnings allocation	**403**	168
Distributions	**(416)**	(242)
	(1,107)	6,564
Allocation to general partner	**1,107**	-
Balance at end of period	**-**	6,564
Special interest rights		
Balance at beginning and end of period	**2,565**	-
Accumulated other comprehensive loss *(Note 9)*		
Balance at beginning of period	**(84)**	(73)
Other comprehensive loss, net of tax	**(212)**	(10)
Balance at end of period	**(296)**	(83)
Total partners' capital/(deficit)	**(5,258)**	6,481

See accompanying notes to the unaudited interim consolidated financial statements.

1 *Retrospectively adjusted to furnish comparative information related to the 2015 Transaction* (Note 1).
2 *Refer to Note 1 for the description of Purchased Entities.*

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Three months ended June 30,		Six months ended June 30,	
	2016	2015[1]	**2016**	2015[1]
(unaudited; millions of Canadian dollars)				
Operating activities				
Earnings	**250**	469	**1,030**	168
Depreciation and amortization	**158**	151	**319**	295
Deferred income taxes (recovery)/expense	**(18)**	133	**184**	(89)
Changes in unrealized (gains)/loss on derivative instruments, net *(Note 10)*	**26**	(272)	**(601)**	615
Cash distributions less than equity earnings	**(8)**	(9)	**(10)**	(17)
Hedge ineffectiveness	**-**	4	**-**	-
Unrealized (gains)/loss on translation of United States dollar intercompany loan receivable	**(4)**	16	**55**	(55)
Gain on disposition	**-**	(22)	**-**	(22)
Other	**16**	-	**19**	-
Changes in operating assets and liabilities	**77**	72	**101**	55
	497	542	**1,097**	950
Investing activities				
Additions to property, plant and equipment	**(694)**	(970)	**(1,401)**	(1,659)
Joint venture financing	**5**	-	**(5)**	-
Restricted long-term investments	**(15)**	(10)	**(26)**	(20)
Investment in affiliated company	**-**	160	**-**	160
Additions to intangible assets	**-**	(4)	**(1)**	(8)
Long-term receivable from affiliate *(Note 10)*	**4**	(6)	**9**	(2)
Affiliate loans, net	**-**	(3)	**-**	322
Acquisition of Purchased Entities *(Note 5)*	**-**	-	**(13)**	-
Proceeds from disposition	**-**	26	**-**	26
Change in restricted cash	**(2)**	-	**(3)**	-
	(702)	(807)	**(1,440)**	(1,181)
Financing activities				
Affiliate loans, net	**525**	670	**547**	868
Net change in bank indebtedness	**(166)**	(26)	**94**	(101)
Net change in commercial paper and credit facility draws	**(602)**	4	**(27)**	136
Debenture and term note repayments	**(6)**	(6)	**(6)**	(6)
Contributions received and shares issued by Purchased Entities	**-**	16	**-**	16
Class A units issued	**718**	-	**718**	-
Distributions and dividends paid by Purchased Entities	**-**	(273)	**-**	(542)
Distributions to partners	**(462)**	(121)	**(887)**	(242)
	7	264	**439**	129
Effect of translation of foreign denominated cash and cash equivalents	**-**	-	**(1)**	-
Increase/(decrease) in cash and cash equivalents	**(198)**	(1)	**95**	(102)
Cash and cash equivalents at beginning of period	**422**	61	**129**	162
Cash and cash equivalents at end of period	**224**	60	**224**	60

See accompanying notes to the unaudited interim consolidated financial statements.

1 *Retrospectively adjusted to furnish comparative information related to the 2015 Transaction* (Note 1).

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	June 30, 2016	December 31, 2015
(unaudited; millions of Canadian dollars)		
Assets		
Current assets		
Cash and cash equivalents	**224**	129
Restricted cash	**3**	-
Accounts receivable and other	**544**	615
Accounts receivable from affiliates	**62**	47
Loans to affiliates	**3**	3
	836	794
Property, plant and equipment, net	**21,995**	21,064
Long-term receivable from affiliate *(Note 10)*	**767**	826
Investment in affiliated company *(Note 10)*	**514**	514
Long-term investments	**484**	490
Restricted long-term investments	**71**	45
Deferred amounts and other assets	**1,645**	1,516
Intangible assets, net	**106**	110
Goodwill	**29**	29
Deferred income taxes	**215**	246
	26,662	25,634
Liabilities and partners' capital		
Current liabilities		
Bank indebtedness	**127**	33
Accounts payable and other	**934**	1,126
Accounts payable to affiliates	**513**	472
Distributions payable to affiliates	**179**	143
Interest payable	**45**	45
Loans from affiliates	**642**	95
Current maturities of long-term debt	**15**	14
	2,455	1,928
Long-term debt	**5,543**	5,575
Other long-term liabilities	**2,030**	2,292
Loans from affiliates	**5,801**	5,801
Deferred income taxes	**1,470**	1,275
	17,299	16,871
Contingencies *(Note 12)*		
Class C units *(Note 8)*	**13,965**	12,189
Class D units *(Note 8)*	**181**	38
Class E unit	**475**	475
	14,621	12,702
Partners' capital		
General partner's deficit	**(7,527)**	(6,420)
Limited partners' capital	**-**	-
Special interest rights	**2,565**	2,565
Accumulated other comprehensive loss *(Note 9)*	**(296)**	(84)
	(5,258)	(3,939)
	26,662	25,634

Variable Interest Entities (Note 6)

See accompanying notes to the unaudited interim consolidated 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. Accordingly, they do not include all of the information and footnotes required by U.S. GAAP for complete consolidated financial statements and should be read in conjunction with EIPLP's audited consolidated financial statements and notes thereto for the year ended December 31, 2015. In the opinion of management, the interim consolidated financial statements contain all adjustments, consisting only of normal recurring adjustments, which EIPLP considers necessary to present fairly its financial position as at June 30, 2016 and results of operations and cash flows for the three and six months ended June 30, 2016 and 2015. These interim consolidated financial statements follow the same significant accounting policies as those included in EIPLP's consolidated financial statements as at and for the year ended December 31, 2015, except for the adoption of new standards *(Note 2)*. Amounts are stated in Canadian dollars unless otherwise noted.

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.

THE 2015 TRANSACTION

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

The interests acquired in the 2015 Transaction were accounted for as a transaction among entities under common control, similar to a pooling of interests, whereby the assets and liabilities acquired were recorded at Enbridge's historic carrying values. Earnings for the three and six months ended June 30, 2015 report the results of operations of the Purchased Entities as though the acquisition occurred at the beginning of the earliest period presented in these financial statements. Similarly, comparative information for prior periods has been retrospectively adjusted to present the results of operations for EIPLP and the Purchased Entities on a combined basis. See Note 5 for additional disclosure regarding the acquisition of the Purchased Entities.

2. CHANGES IN ACCOUNTING POLICIES

ADOPTION OF NEW STANDARDS

Classification of Deferred Taxes on the Statements of Financial Position

Effective January 1, 2016, EIPLP elected to early adopt Accounting Standards Update (ASU) 2015-17 and applied the standard on a prospective basis. The amendments require that deferred tax liabilities and assets be classified as noncurrent in the Consolidated Statements of Financial Position. The adoption of the pronouncement did not have a material impact on EIPLP's consolidated financial statements.

Simplifying the Accounting for Measurement-Period Adjustments in Business Combinations

Effective January 1, 2016, EIPLP adopted ASU 2015-16 on a prospective basis. The new standard requires that an acquirer must recognize adjustments to provisional amounts that are identified during the measurement period in the reporting period in which the adjustment amounts are determined. The adoption of the pronouncement did not have a material impact on EIPLP's consolidated financial statements.

Simplifying the Presentation of Debt Issuance Costs

Effective January 1, 2016, EIPLP adopted ASU 2015-03 on a retrospective basis which, as at December 31, 2015, resulted in a decrease in Deferred amounts and other assets of $16 million and a corresponding decrease in Long-term debt of $16 million. The new standard requires debt issuance costs related to a recognized debt liability to be presented in the Consolidated Statements of Financial Position as a direct deduction from the carrying amount of that debt liability, consistent with the presentation of debt discounts or premiums. Further, effective January 1, 2016, EIPLP adopted ASU 2015-15 which clarifies that debt issuance costs associated with line-of-credit arrangements may be deferred as an asset and subsequently amortized over the term of the arrangement. The adoption of ASU 2015-15 did not have a material impact on EIPLP's consolidated financial statements.

Amendments to the Consolidation Analysis

ASU 2015-02, issued in February 2015, revises the current consolidation guidance which results in a change in the determination of whether an entity consolidates certain types of legal entities. The new standard is effective for annual and interim reporting periods beginning after December 15, 2015 and may be applied on a full or modified retrospective basis. Effective January 1, 2016, EIPLP adopted ASU 2015-02 on a modified retrospective basis, which amended and clarified the guidance on variable interest entities (VIEs). There was a significant change in the assessment of limited partnerships and other similar legal entities as VIEs, including the removal of the presumption that the general partner should consolidate a limited partnership. As a result, EIPLP has determined that a majority of the limited partnerships that are currently consolidated or equity accounted for are VIEs. The amended guidance did not impact EIPLP's accounting treatment of such entities, however, material disclosures for VIEs have been provided, as necessary.

Hybrid Financial Instruments Issued in the Form of a Share

Effective January 1, 2016, EIPLP adopted ASU 2014-16 on a modified retrospective basis. The revised criteria eliminate the use of different methods in practice in the accounting for hybrid financial instruments issued in the form of a share. The new standard also clarifies the evaluation of the economic characteristics and risks of a host contract in these hybrid financial instruments. The adoption of the pronouncement did not have a material impact on EIPLP's consolidated financial statements.

Development Stage Entities

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

FUTURE ACCOUNTING POLICY CHANGES

Accounting for Credit Losses

ASU 2016-13 was issued in June 2016 with the intent of providing financial statement users with more useful information about the expected credit losses on financial instruments and other commitments to extend credit held by a reporting entity at each reporting date. Current treatment uses the incurred loss methodology for recognizing credit losses that delays the recognition until it is probable a loss has been incurred. The amendment adds a new impairment model, known as the current expected credit loss model that is based on expected losses rather than incurred losses. Under the new guidance, an entity recognizes as an allowance its estimate of expected credit losses, which the Financial Accounting Standards Board believes will result in more timely recognition of such losses. EIPLP is currently assessing the impact of the new standard on its consolidated financial statements. The accounting update is effective for annual and interim periods beginning on or after December 15, 2019.

Simplifying the Equity Method of Accounting
ASU 2016-07 was issued in March 2016 with the intent of simplifying the equity method of accounting by eliminating the requirement to retrospectively apply the equity method to an investment that subsequently qualifies for such accounting as a result of an increase in the level of ownership interest or degree of influence. Consequently, the equity method of accounting will be applied prospectively from the date significant influence is obtained. The cost of acquiring an additional interest in the investee, if any, will be added to the current basis of the previously held interest. For available-for-sale securities that become eligible for the equity method of accounting, any unrealized gain or loss recorded within accumulated other comprehensive income/(loss) (AOCI) will be recognized in earnings on the date the investment initially qualifies for the use of the equity method. EIPLP is currently assessing the impact of the new standard on its consolidated financial statements. The accounting update is effective for annual and interim periods beginning on or after December 15, 2016 and is to be applied prospectively.

Derivative Contract Novations on Existing Hedge Accounting Relationships
ASU 2016-05 was issued in March 2016 with the intent of clarifying that a change in one of the counterparties to the derivative instrument does not require de-designation of that hedge accounting relationship provided that all other hedge accounting criteria continue to be met. EIPLP is currently assessing the impact of the new standard on its consolidated financial statements. The accounting update is effective for annual and interim periods beginning on or after December 15, 2016 and may be applied on a prospective or modified retrospective basis.

Recognition of Leases
ASU 2016-02 was issued in February 2016 with the intent to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the Consolidated Statements of Financial Position and disclosing additional key information about leasing arrangements. EIPLP is currently assessing the impact of the new standard on its consolidated financial statements. The accounting update is effective for annual and interim periods beginning on or after December 15, 2018 and is to be applied using a modified retrospective approach.

3. SEGMENTED INFORMATION

Three months ended June 30, 2016	Liquids Pipelines	Gas Pipelines	Green Power	Eliminations and Other	Consolidated
(millions of Canadian dollars)					
Revenues	**664**	**-**	**78**	**-**	**742**
Operating and administrative	**(282)**	**-**	**(14)**	**(2)**	**(298)**
Depreciation and amortization	**(131)**	**-**	**(27)**	**-**	**(158)**
	251	**-**	**37**	**(2)**	**286**
Income from equity investments	**-**	**48**	**-**	**-**	**48**
Other income/(expense)	**1**	**(1)**	**(1)**	**15**	**14**
Earnings before interest and income taxes	**252**	**47**	**36**	**13**	**348**
Interest expense					**(88)**
Income taxes					**(10)**
Special interest rights distributions					**(78)**
Earnings attributable to general and limited partners					**172**
Additions to property, plant and equipment	**693**	**-**	**1**	**-**	**694**

Three months ended June 30, 2015	Liquids Pipelines	Gas Pipelines	Green Power	Eliminations and Other	Consolidated
(millions of Canadian dollars)					
Revenues	928	-	79	-	1,007
Operating and administrative	(204)	-	(15)	-	(219)
Depreciation and amortization	(124)	-	(27)	-	(151)
Environmental costs, net of recoveries	(7)	-	-	-	(7)
	593	-	37	-	630
Income/(loss) from equity investments	-	47	(1)	-	46
Other income/(expense)	48	2	-	(11)	39
Earnings/(loss) before interest and income taxes	641	49	36	(11)	715
Interest expense					(75)
Income taxes					(171)
Earnings attributable to general and limited partners					469
Additions to property, plant and equipment	968	-	2	-	970

Six months ended June 30, 2016	Liquids Pipelines	Gas Pipelines	Green Power	Eliminations and Other	Consolidated
(millions of Canadian dollars)					
Revenues	**2,123**	**-**	**159**	**-**	**2,282**
Operating and administrative	**(608)**	**-**	**(30)**	**(2)**	**(640)**
Depreciation and amortization	**(265)**	**-**	**(54)**	**-**	**(319)**
Environmental costs, net of recoveries	**5**	**-**	**-**	**-**	**5**
	1,255	**-**	**75**	**(2)**	**1,328**
Income from equity investments	**-**	**100**	**-**	**-**	**100**
Other income/(expense)	**34**	**8**	**-**	**(25)**	**17**
Earnings/(loss) before interest and income taxes	**1,289**	**108**	**75**	**(27)**	**1,445**
Interest expense					**(184)**
Income taxes					**(231)**
Special interest rights distributions					**(153)**
Earnings attributable to general and limited partners					**877**
Additions to property, plant and equipment	**1,400**	**-**	**1**	**-**	**1,401**

Six months ended June 30, 2015	Liquids Pipelines	Gas Pipelines	Green Power	Eliminations and Other	Consolidated
(millions of Canadian dollars)					
Revenues	782	-	165	-	947
Operating and administrative	(496)	-	(27)	-	(523)
Depreciation and amortization	(240)	-	(55)	-	(295)
Environmental costs, net of recoveries	5	-	-	-	5
	51	-	83	-	134
Income/(loss) from equity investments	-	87	(1)	-	86
Other income/(expense)	19	(10)	-	68	77
Earnings before interest and income taxes	70	77	82	68	297
Interest expense					(142)
Income taxes recovery					13
Earnings attributable to general and limited partners					168
Additions to property, plant and equipment	1,652	-	7	-	1,659

TOTAL ASSETS

	June 30, 2016	December 31, 2015
(millions of Canadian dollars)		
Liquids Pipelines	**23,065**	22,003
Gas Pipelines	**434**	438
Green Power	**2,304**	2,363
Eliminations and Other	**859**	830
	26,662	25,634

4. FINANCIAL STATEMENT EFFECTS OF RATE REGULATION

In May 2016, EIPLP reached a Settlement Agreement (the Settlement) with a group of shippers that revised the tolling methodology on one of the feeder pipelines within the Liquids Pipelines segment. The regulatory governance of the Settlement changed and as such, all of the criteria required for the continued application of rate-regulated accounting treatment were no longer met and derecognition of regulatory balances as at May 1, 2016 was required.

Accordingly, EIPLP recognized a one-time, non-cash loss of $6 million (net of income taxes recovery of $2 million, which was reported within Income taxes recovery/(expense)) due to the derecognition of regulatory assets reported within Other Income/(expense) on the Consolidated Statements of Earnings. Further, EIPLP recorded a one-time, non-cash gain of $9 million within Income taxes recovery/(expense) on the Consolidated Statements of Earnings related to the regulatory liability that EIPLP had previously recorded in respect of deferred tax.

5. ACQUISITION

On September 1, 2015, EIPLP acquired 100% interests in the Purchased Entities from Enbridge and certain subsidiaries of Enbridge. Consideration was $33.2 billion, inclusive of working capital adjustments.

The components of the consideration for this acquisition were as follows:

September 1,	2015
(millions of Canadian dollars, except for unit amounts)	
Cash[1]	2,725
Class C units (442,923,363 units at $35.44 per unit)	15,697
Class E unit	475
Special interest rights (1,000 units)	2,565
Long-term debt assumed	11,707
	33,169

1 Includes a final working capital adjustment of $13 million recognized on March 30, 2016.

The acquisition of the Purchased Entities was accounted for as a transaction between entities under common control, similar to a pooling of interests, whereby the assets and liabilities of the Purchased Entities were recorded at Enbridge's historic carrying values, with any difference from consideration paid charged to partners' capital.

The final purchase price was recorded as follows:

September 1,	2015
(millions of Canadian dollars)	
Cash	37
Accounts receivable and other	426
Accounts receivable from affiliates	13
Property, plant and equipment, net	18,192
Investment in affiliated company	514
Long-term investments	22
Deferred amounts and other assets	1,410
Intangible assets, net	136
Accounts payable and other	(912)
Accounts payable to affiliates	(311)
Interest payable	(42)
Other long-term liabilities	(1,970)
Loans from affiliates	(239)
Deferred income taxes	(892)
	16,384
Excess purchase price over book value of net assets acquired[1]	16,785
Total consideration	33,169

1 Includes a final working capital adjustment of $13 million recognized on March 30, 2016.

6. VARIABLE INTEREST ENTITIES

On January 1, 2016, EIPLP adopted ASU 2015-02 using the modified retrospective transition approach, which amended and clarified the guidance on VIEs. While the new guidance did not impact EIPLP's accounting treatment conclusion on various entities, additional disclosure regarding these VIEs are necessary. These disclosures are included below.

EIPLP is required to consolidate a VIE in which it is the primary beneficiary. The primary beneficiary has both the power to direct the activities of the VIE that most significantly impact the entity's economic performance and the obligation to absorb losses or the right to receive benefits from the VIE entity that could potentially be significant to the VIE.

EIPLP assesses all variable interests in the entity and uses its judgment when determining if EIPLP is the primary beneficiary. Other qualitative factors that are considered include decision-making responsibilities, the VIE capital structure, risk and rewards sharing, contractual agreements with the VIE, voting rights and level of involvement of other parties. A reconsideration of whether an entity is a VIE occurs when there are certain changes in the facts and circumstances related to a VIE. EIPLP assesses the primary beneficiary determination for a VIE on an ongoing basis.

CONSOLIDATED VARIABLE INTEREST ENTITIES

Enbridge SL Holdings LP

Enbridge SL Holdings LP (SL Holdings LP) is a Canadian limited partnership which holds the Canadian portion of Southern Lights Pipeline. SL Holdings LP is considered a VIE as it does not have sufficient equity at risk to finance its activities without additional subordinated financial support. As the partnership is 100% owned and directed by EIPLP and/or its subsidiaries with no third parties having the ability to direct any of the significant activities, EIPLP is considered the primary beneficiary. At June 30, 2016, the total carrying amounts of current liabilities and long-term liabilities of SL Holdings LP on the Consolidated Statements of Financial Position were $43 million and $318 million, respectively. The creditors of SL Holdings LP do not have recourse to EIPLP's general credit, other than through nominal assets of the holding company with the general partnership interest.

Other Limited Partnerships

By virtue of a lack of substantive kick-out rights and participating rights, substantially all limited partnerships wholly-owned by EIPLP and/or its subsidiaries are considered VIEs. As these entities are 100% owned and directed by EIPLP with no third parties having the ability to direct any of the significant activities, EIPLP is considered the primary beneficiary.

At June 30, 2016, the total carrying amounts of current liabilities and long-term liabilities for these limited partnerships on the Consolidated Statements of Financial Position were $24 million and $79 million, respectively. The creditors of these VIEs do not have recourse to EIPLP's general credit, other than through nominal assets of the holding company with the general partnership interest.

UNCONSOLIDATED VARIABLE INTEREST ENTITY

EIPLP currently holds a long-term receivable in Southern Lights Holdings, L.L.C. (SL Holdings LLC), an indirect wholly-owned subsidiary of Enbridge, which holds the United States portion of Southern Lights Pipeline (Southern Lights US). The long-term receivable consists of EIPLP's ownership of Class A Units of SL Holdings LLC (Southern Lights Class A Units) and provides EIPLP with a defined cash flow stream from Southern Lights US. SL Holdings LLC is considered a VIE as it does not have sufficient equity at risk to finance its activities without additional subordinated financial support. As the units owned by EIPLP do not allow for it to vote on any significant matters or share in any decision making with respect to the VIE's operations, EIPLP is not considered the primary beneficiary of the VIE. EIPLP's maximum exposure to loss equates to the carrying amount of EIPLP's long-term receivable in the VIE, a value of which declines to nil over the life of the investment. The carrying value of long-term receivable in SL Holdings LLC is $785 million as at June 30, 2016 (December 31, 2015 - $844 million) included in Accounts receivable from affiliates and Long-term receivable from affiliate on the Consolidated Statements of Financial Position.

7. ASSET RETIREMENT OBLIGATIONS

During the six months ended June 30, 2016, EIPLP recognized asset retirement obligations (ARO) in the amount of $43 million relating to the Canadian portion of the Line 3 Replacement Program.

EIPLP records ARO at fair value in the period in which they can be reasonably determined. Fair value is determined based on expected future cash flows and estimated retirement periods, as well as discount and inflation rates. As at June 30, 2016, ARO of $89 million (December 31, 2015 - $46 million) was classified within Other long-term liabilities, with an offset to Property, plant and equipment on the Consolidated Statements of Financial Position.

8. PARTNERS' INTERESTS

EXCHANGEABLE UNITS
Class C Units

	Six months ended June 30, 2016	
	Number of units	Amount
(millions of Canadian dollars; number of units in millions)		
Balance at beginning of period	**443**	**12,189**
Excess purchase price over historical carrying value acquired allocation *(Note 4)*	**-**	**(7)**
Earnings allocation	**-**	**468**
Class C unit distribution	**-**	**(476)**
	443	**12,174**
Fair market value adjustment	**-**	**1,791**
Balance at end of period	**443**	**13,965**

Class D Units

	Six months ended June 30, 2016	
	Number of units	Amount
(millions of Canadian dollars; number of units in millions)		
Balance at beginning of period	**1**	**38**
Class D units issued[1]	**5**	**126**
Earnings allocation	**-**	**6**
Class D unit distribution[2]	**-**	**(4)**
	6	**166**
Fair market value adjustment	**-**	**15**
Balance at end of period	**6**	**181**

1 *Class D units issued on payment of Temporary performance distribution right distributions.*
2 *0.1 million Class D units issued on payment of Class D unit distributions.*

9. COMPONENTS OF ACCUMULATED OTHER COMPREHENSIVE LOSS

Changes in AOCI for the six months ended June 30, 2016 and 2015 are as follows:

(millions of Canadian dollars)	Cash Flow Hedges	Cumulative Translation Adjustment	Total
Balance at January 1, 2016	**(172)**	**88**	**(84)**
Other comprehensive loss retained in AOCI	**(244)**	**(33)**	**(277)**
Other comprehensive (income)/loss reclassified to earnings			
Interest rate contracts[1]	**6**	**-**	**6**
Commodity contracts[2]	**(5)**	**-**	**(5)**
	(243)	**(33)**	**(276)**
Tax impact			
Income tax on amounts retained in AOCI	**65**	**-**	**65**
Income tax on amounts reclassified to earnings	**(1)**	**-**	**(1)**
	64	**-**	**64**
Balance at June 30, 2016	**(351)**	**55**	**(296)**

(millions of Canadian dollars)	Cash Flow Hedges	Cumulative Translation Adjustment	Total
Balance at January 1, 2015	(81)	8	(73)
Other comprehensive income/(loss) retained in AOCI	(53)	29	(24)
Other comprehensive (income)/loss reclassified to earnings			
Interest rate contracts[1]	1	-	1
Commodity contracts[2]	(3)	-	(3)
	(55)	29	(26)
Tax impact			
Income tax on amounts retained in AOCI	15	-	15
Income tax on amounts reclassified to earnings	1	-	1
	16	-	16
Balance at June 30, 2015	(120)	37	(83)

1 Reported within Interest income/(expense) in the Consolidated Statements of Earnings.

2 Reported within Electricity sales revenues and Other income/(expense) in the Consolidated Statements of Earnings.

10. 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 price 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.

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 with the execution of floating to fixed rate interest rate swaps with an average swap rate of 1.6%.

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 with the execution of floating to fixed rate interest rate swaps with an average swap rate of 3.1%.

EIPLP's portfolio mix of fixed and variable rate debt instruments is managed at the Fund Group level, which is comprised of Enbridge Income Fund, Enbridge Commercial Trust, EIPLP and its subsidiaries and investees.

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.

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 outstanding fair value hedges as at June 30, 2016 or December 31, 2015.

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 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 derivative asset positions outstanding with the counterparties in these particular circumstances. The following table also summarizes the maximum potential settlement amount in the event of these specific circumstances. All amounts are presented gross in the Consolidated Statements of Financial Position.

June 30, 2016	Derivative Instruments Used as Cash Flow Hedges	Non-Qualifying Derivative Instruments	Total Gross Derivative Instruments as Presented	Amounts Available for Offset	Total Net Derivative Instruments
(millions of Canadian dollars)					
Accounts receivable and other					
Foreign exchange contracts	**1**	**7**	**8**	**(2)**	**6**
Interest rate contracts	**2**	**-**	**2**	**(2)**	**-**
Commodity contracts	**7**	**3**	**10**	**(6)**	**4**
	10	**10**	**20**[1]	**(10)**	**10**
Deferred amounts and other assets					
Foreign exchange contracts	**2**	**1**	**3**	**(1)**	**2**
	2	**1**	**3**	**(1)**	**2**
Accounts payable and other					
Foreign exchange contracts	**-**	**(333)**	**(333)**	**2**	**(331)**
Interest rate contracts	**(184)**	**-**	**(184)**	**2**	**(182)**
Commodity contracts	**-**	**(31)**	**(31)**	**6**	**(25)**
	(184)	**(364)**	**(548)**[2]	**10**	**(538)**
Other long-term liabilities					
Foreign exchange contracts	**-**	**(1,356)**	**(1,356)**	**1**	**(1,355)**
Interest rate contracts	**(221)**	**-**	**(221)**	**-**	**(221)**
Commodity contracts	**(2)**	**(157)**	**(159)**	**-**	**(159)**
	(223)	**(1,513)**	**(1,736)**	**1**	**(1,735)**
Total net derivative asset/(liability)					
Foreign exchange contracts	**3**	**(1,681)**	**(1,678)**	**-**	**(1,678)**
Interest rate contracts	**(403)**	**-**	**(403)**	**-**	**(403)**
Commodity contracts	**5**	**(185)**	**(180)**	**-**	**(180)**
	(395)	**(1,866)**	**(2,261)**	**-**	**(2,261)**

December 31, 2015	Derivative Instruments Used as Cash Flow Hedges	Non-Qualifying Derivative Instruments	Total Gross Derivative Instruments as Presented	Amounts Available for Offset	Total Net Derivative Instruments
(millions of Canadian dollars)					
Accounts receivable and other					
Foreign exchange contracts	1	1	2	-	2
Interest rate contracts	1	-	1	(1)	-
Commodity contracts	7	9	16	(5)	11
	9	10	19[1]	(6)	13
Deferred amounts and other assets					
Foreign exchange contracts	2	-	2	-	2
Commodity contracts	6	1	7	(6)	1
	8	1	9	(6)	3
Accounts payable and other					
Foreign exchange contracts	-	(430)	(430)	-	(430)
Interest rate contracts	(86)	-	(86)	1	(85)
Commodity contracts	-	(29)	(29)	5	(24)
	(86)	(459)	(545)[2]	6	(539)
Other long-term liabilities					
Foreign exchange contracts	-	(1,860)	(1,860)	-	(1,860)
Interest rate contracts	(77)	-	(77)	-	(77)
Commodity contracts	-	(159)	(159)	6	(153)
	(77)	(2,019)	(2,096)	6	(2,090)
Total net derivative asset/(liability)					
Foreign exchange contracts	3	(2,289)	(2,286)	-	(2,286)
Interest rate contracts	(162)	-	(162)	-	(162)
Commodity contracts	13	(178)	(165)	-	(165)
	(146)	(2,467)	(2,613)	-	(2,613)

1 *Reported within Accounts receivable and other (2016 - $12 million; 2015 - $7 million) and Accounts receivable from affiliates (2016 - $8 million; 2015 - $12 million) on the Consolidated Statements of Financial Position.*

2 *Reported within Accounts payable and other (2016 - $123 million; 2015 - $87 million) and Accounts payable to affiliates (2016 - $425 million; 2015 - $458 million) on the Consolidated Statements of Financial Position.*

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

June 30, 2016	2016	2017	2018	2019	2020	Thereafter
Interest rate contracts - short-term borrowings *(millions of Canadian dollars)*	**840**	**1,498**	**511**	**36**	**25**	**216**
Interest rate contracts - long-term debt *(millions of Canadian dollars)*	**780**	**560**	**610**	**200**	**-**	**-**
Foreign exchange contracts - United States dollar forwards - sell *(millions of United States dollars)*	**953**	**1,577**	**1,612**	**1,807**	**1,826**	**787**
Foreign exchange contracts - United States dollar forwards - purchase *(millions of United States dollars)*	**248**	**2**	**2**	**2**	**2**	**-**
Commodity contracts - power *(megawatt hours (MWH))*	**42**	**40**	**30**	**31**	**35**	**(35)**

December 31, 2015	2016	2017	2018	2019	2020	Thereafter
Interest rate contracts - short-term borrowings *(millions of Canadian dollars)*	1,507	1,498	511	36	25	216
Interest rate contracts - long-term debt *(millions of Canadian dollars)*	780	560	610	200	-	-
Foreign exchange contracts - United States dollar forwards - sell *(millions of United States dollars)*	1,568	1,564	2,008	1,807	1,424	787
Foreign exchange contracts - United States dollar forwards - purchase *(millions of United States dollars)*	119	2	2	2	2	-
Commodity contracts - power *(MWH)*	40	40	30	31	35	(35)

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,	
	2016	2015	**2016**	2015
(millions of Canadian dollars)				
Amount of unrealized gains/(loss) recognized in OCI				
Cash flow hedges				
Foreign exchange contracts	**1**	(1)	**-**	-
Interest rate contracts	**(99)**	59	**(247)**	(46)
Commodity contracts	**(15)**	(19)	**(3)**	(7)
	(113)	39	**(250)**	(53)
Amount of (gains)/loss reclassified from AOCI to earnings *(effective portion)*				
Interest rate contracts[1]	**3**	1	**6**	2
Commodity contracts[2]	**(2)**	(1)	**(5)**	(3)
	1	-	**1**	(1)
Amount of gains reclassified from AOCI to earnings *(ineffective portion and amount excluded from effectiveness testing)*				
Interest rate contracts[1]	**-**	(3)	**-**	(1)
	-	(3)	**-**	(1)

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

EIPLP estimates that $3 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 interest rates, foreign exchange 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 42 months at June 30, 2016.

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,	
	2016	2015	**2016**	2015
(millions of Canadian dollars)				
Foreign exchange contracts[1]	**(33)**	243	**608**	(609)
Commodity contracts[2]	**7**	32	**(7)**	(3)
Total unrealized derivative fair value gains/(loss)	**(26)**	275	**601**	(612)

1 *Reported within Transportation and other services revenues (2016 - $566 million gain; 2015 - $568 million loss) and Other income/(expense) (2016 - $42 million gain; 2015 - $41 million loss) in the Consolidated Statements of Earnings.*

2 *Reported within Transportation and other services revenues (2016 - $4 million loss; 2015 - $10 million loss) and Operating and administrative expense (2016 - $3 million loss; 2015 - $7 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 level of committed bank credit facilities. 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 financial 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 had group credit concentrations and maximum credit exposure, with respect to derivative instruments, in the following counterparty segments:

	June 30, 2016	December 31, 2015
(millions of Canadian dollars)		
Canadian financial institutions	**2**	1
European financial institutions	**4**	1
Other[1]	**10**	15
	16	17

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 financial 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, options and long-dated commodity derivative contracts.

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, 2016	Level 1	Level 2	Level 3	Total Gross Derivative Instruments
(millions of Canadian dollars)				
Financial assets				
Current derivative assets				
Foreign exchange contracts	**-**	**8**	**-**	**8**
Interest rate contracts	**-**	**2**	**-**	**2**
Commodity contracts	**-**	**3**	**7**	**10**
	-	**13**	**7**	**20**
Long-term derivative assets				
Foreign exchange contracts	**-**	**3**	**-**	**3**
	-	**3**	**-**	**3**
Financial liabilities				
Current derivative liabilities				
Foreign exchange contracts	**-**	**(333)**	**-**	**(333)**
Interest rate contracts	**-**	**(184)**	**-**	**(184)**
Commodity contracts	**-**	**(1)**	**(30)**	**(31)**
	-	**(518)**	**(30)**	**(548)**
Long-term derivative liabilities				
Foreign exchange contracts	**-**	**(1,356)**	**-**	**(1,356)**
Interest rate contracts	**-**	**(221)**	**-**	**(221)**
Commodity contracts	**-**	**-**	**(159)**	**(159)**
	-	**(1,577)**	**(159)**	**(1,736)**
Total net financial asset/(liability)				
Foreign exchange contracts	**-**	**(1,678)**	**-**	**(1,678)**
Interest rate contracts	**-**	**(403)**	**-**	**(403)**
Commodity contracts	**-**	**2**	**(182)**	**(180)**
	-	**(2,079)**	**(182)**	**(2,261)**

December 31, 2015	Level 1	Level 2	Level 3	Total Gross Derivative Instruments
(millions of Canadian dollars)				
Financial assets				
Current derivative assets				
Foreign exchange contracts	-	2	-	2
Interest rate contracts	-	1	-	1
Commodity contracts	-	8	8	16
	-	11	8	19
Long-term derivative assets				
Foreign exchange contracts	-	2	-	2
Commodity contracts	-	-	7	7
	-	2	7	9
Financial liabilities				
Current derivative liabilities				
Foreign exchange contracts	-	(430)	-	(430)
Interest rate contracts	-	(86)	-	(86)
Commodity contracts	-	-	(29)	(29)
	-	(516)	(29)	(545)
Long-term derivative liabilities				
Foreign exchange contracts	-	(1,860)	-	(1,860)
Interest rate contracts	-	(77)	-	(77)
Commodity contracts	-	-	(159)	(159)
	-	(1,937)	(159)	(2,096)
Total net financial asset/(liability)				
Foreign exchange contracts	-	(2,286)	-	(2,286)
Interest rate contracts	-	(162)	-	(162)
Commodity contracts	-	8	(173)	(165)
	-	(2,440)	(173)	(2,613)

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

June 30, 2016	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	(182)	Forward power price	27.25	76.42	53.36	$/MWH

1 *Financial and physical 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 speaking, 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,	
	2016	2015
(millions of Canadian dollars)		
Level 3 net derivative liability at beginning of period	**(173)**	(175)
Total gains/(loss), unrealized		
Included in earnings[1]	**-**	12
Included in OCI	**(9)**	(15)
Settlements	**-**	-
Level 3 net derivative liability at end of period	**(182)**	(178)

1 *Reported within Transportation and other services revenues, Commodity costs 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, 2016 or 2015.

Fair Value of Other Financial Instruments

At June 30, 2016, EIPLP's long-term debt had a carrying value of $5,574 million (December 31, 2015 - $5,605 million) before debt issuance costs and a fair value of $6,036 million (December 31, 2015 - $5,833 million).

At June 30, 2016, Enbridge Pipelines Inc., a subsidiary of EIPLP, had an investment of $514 million (December 31, 2015 - $514 million) in non-voting, redeemable Series A Preferred Shares in Enbridge Employee Services Canada Inc., a subsidiary of Enbridge. 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, 2016, the fair value of this investment approximates its cost and redemption value.

EIPLP holds Southern Lights Class A Units, providing defined, scheduled and fixed distributions that represent the equity cash flows derived from the core rate base of Southern Lights US until June 30, 2040. At June 30, 2016, EIPLP's investment had a carrying value of $785 million (December 31, 2015 - $844 million) included in Accounts receivable from affiliates and Long-term receivable from affiliate on the Consolidated Statements of Financial Position and a fair value of $753 million (December 31, 2015 - $820 million).

11. INCOME TAXES

The effective income tax rate for the three and six months ended June 30, 2016 was 3.8% and 18.3%, respectively (2015 - 26.7% and a recovery of 8.4%, respectively). The period-over-period increase in the effective tax rate for the six months ended June 30 is primarily attributable to the effects of rate-regulated accounting and other permanent items relative to lower earnings in the first six months of 2015 as compared with 2016, offset by the impact of the 2% increase in the Alberta corporate tax rate enacted on June 29, 2015, and the discontinuance of rate-regulated accounting for the majority of Alliance Pipelines' operations in 2015 and for the Saskatchewan Gathering System in 2016.

The three months ended June 30 period-over-period decrease in the effective tax rate is primarily due to the effects of rate-regulated accounting and other permanent items relative to lower earnings in 2016.

12. CONTINGENCIES

OTHER LITIGATION

EIPLP and its subsidiaries and investees are subject to various other 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, EIPLP believes that the resolution of such actions and proceedings will not have a material impact on its consolidated financial position or results of operations.