



**ENBRIDGE INCOME PARTNERS LP**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**September 30, 2018**

## GLOSSARY

Adjusted EBITDA	Adjusted earnings before interest, income taxes and depreciation and amortization
ASU	Accounting Standards Update
Canadian L3R Program	Canadian portion of the Line 3 Replacement Program
CTS	Competitive Toll Settlement
DCF	Distributable cash flow
EBITDA	Earnings before interest, income taxes and depreciation and amortization
ECT	Enbridge Commercial Trust
EEP	Enbridge Energy Partners, L.P.
EIPLP	Enbridge Income Partners LP
Enbridge	Enbridge Inc.
ENF	Enbridge Income Fund Holdings Inc.
EPI	Enbridge Pipelines Inc.
FERC	Federal Energy Regulatory Commission
IDR	Incentive Distribution Right
IJT	International Joint Tariff
MD&A	Management's Discussion and Analysis
MNPUC	Minnesota Public Utilities Commission
the Arrangement Agreement	The arrangement agreement, as amended, entered into between Enbridge and ENF in connection with the Proposed Arrangement
the Fund	Enbridge Income Fund
the Fund Group	The Fund, ECT, EIPLP and the subsidiaries and investees of EIPLP
the Manager or EMSI	Enbridge Management Services Inc.
the Proposed Arrangement	The proposed arrangement between Enbridge and ENF pursuant to the terms of the Arrangement Agreement, under which Enbridge will acquire all of ENF's outstanding common shares not currently owned by Enbridge
the Renewable Assets	Renewable assets held by Enbridge Canadian Renewable LP
U.S. L3R Program	United States portion of the Line 3 Replacement Program

# MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2018

This Management's Discussion and Analysis (MD&A) dated November 2, 2018 should be read in conjunction with the unaudited interim consolidated financial statements and notes thereto of Enbridge Income Partners LP as at and for the three and nine months ended September 30, 2018, prepared in accordance with generally accepted accounting principles in the United States of America (U.S. GAAP). It should also be read in conjunction with the audited consolidated financial statements and MD&A for the year ended December 31, 2017.

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

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

## OVERVIEW

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

EIPLP is a member of the Fund Group, which also includes Enbridge Commercial Trust (ECT) and the Fund. We hold all of the underlying operating entities of the Fund Group through our subsidiaries and investees. Enbridge Inc. (Enbridge), through its wholly-owned subsidiary, Enbridge Management Services Inc. (the Manager or EMSI), is responsible for the operations and day-to-day management of the Fund Group. The Manager also provides administrative and general support services to the Fund Group. The limited partners of EIPLP are ECT and Enbridge and certain of its subsidiaries.

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

### Liquids Pipelines

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

### Gas Pipelines

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

## **Green Power**

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

## **Eliminations and Other**

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

## **RECENT DEVELOPMENTS**

### **PROPOSED ARRANGEMENT**

The Fund Group is owned by Enbridge and Enbridge Income Fund Holdings Inc. (ENF), a public company listed on the Toronto Stock Exchange (TSX). On September 18, 2018, ENF announced its entry into an arrangement agreement (the Arrangement Agreement) with respect to an arrangement (the Proposed Arrangement), pursuant to which Enbridge will acquire all of ENF's outstanding common shares not currently owned by Enbridge. Under the terms of the Arrangement Agreement, each ENF common share will be exchanged for 0.7350 (the Agreed Exchange Ratio) of an Enbridge common share and cash of not less than \$0.45 per ENF common share (the Cash Component). The Agreed Exchange Ratio represents an increase of 9.8% relative to the unaffected ENF exchange ratio on May 16, 2018, and 11.3% inclusive of the Cash Component. The Proposed Arrangement is part of Enbridge's sponsored vehicle restructuring initiative to simplify its corporate structure.

The completion of the Proposed Arrangement is subject to certain customary closing conditions, including (i) the approval by 66 2/3% of the votes cast by ENF's shareholders present in person or by proxy at a special shareholders meeting called for November 6, 2018 to consider the Proposed Arrangement; and (ii) by a majority of the votes cast by ENF's shareholders, present in person or by proxy at the special shareholders meeting, after excluding the votes cast by Enbridge, its affiliates and certain other related parties.

As a result of the completion of the Proposed Arrangement, ENF's common shares will no longer be publicly traded. Subject to ENF shareholder approval, the approval of the Court of Queen's Bench of Alberta and other customary closing conditions, the Proposed Arrangement is targeted to close in the fourth quarter of 2018.

### **REVISED FERC POLICY ON TREATMENT OF INCOME TAXES**

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

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

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

#### **RENEWABLE ASSETS TRANSACTION**

On August 1, 2018, we sold a 49% interest in wind and solar facilities included within our Green Power segment (the Renewable Assets) to the Canada Pension Plan Investment Board (CPPIB) for total cash proceeds of approximately \$1.05 billion. We continue to own a 51% interest in the Renewable Assets, and Enbridge continues to manage, operate and provide administrative services for the Renewable Assets. The Fund Group utilized a portion of the proceeds to repay credit facility and commercial paper borrowings.

To facilitate the sale, on August 1, 2018, our wholly-owned subsidiaries transferred the Renewable Assets to a newly formed partnership, Enbridge Canadian Renewable LP (ECRLP). Subsequently, a 49% interest in ECRLP and the newly formed general partner, Enbridge Canadian Renewable GP was sold to CPPIB.

Following the Renewable Assets transaction, we maintain a controlling financial interest and therefore consolidate ECRLP. In addition, we recognize a noncontrolling interest to reflect the interest that we do not hold in the Renewable Assets. For further details on the Renewable Assets transaction, refer to EIPLP's third quarter interim consolidated financial statements.

#### **ALLIANCE PIPELINE NEW OPERATING MODEL**

On June 25, 2018, Alliance Pipeline completed the previously announced conversion of the operation and administration of Alliance Pipeline into an owner-operator model, with its functions being split between our Manager and Pembina Pipeline Corporation (Pembina). We hold a 50% interest in Alliance Pipeline, while Pembina holds the remaining 50% interest. The new operating model took effect on June 25, 2018 and will continue to safely and efficiently deliver more value to all stakeholders.

#### **MNPUC APPROVAL OF U.S. LINE 3 REPLACEMENT PROGRAM**

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

## CONSOLIDATED EARNINGS

	Three months ended		Nine months ended	
	September 30,		September 30,	
	2018	2017	2018	2017
<i>(millions of Canadian dollars)</i>				
Liquids Pipelines	1,018	890	1,848	2,321
Gas Pipelines	53	51	171	156
Green Power	53	49	185	188
Eliminations and Other	4	(12)	47	(17)
Earnings before interest, income taxes and depreciation and amortization	1,128	978	2,251	2,648
Depreciation and amortization	(180)	(167)	(535)	(490)
Interest expense	(110)	(107)	(341)	(308)
Income tax recovery/(expense)	(143)	(139)	84	(335)
Special interest rights distributions - TPDR <sup>1</sup>	(102)	(66)	(305)	(198)
Special interest rights distributions - IDR <sup>2</sup>	(32)	(12)	(95)	(36)
Earnings attributable to general and limited partners	561	487	1,059	1,281

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

<sup>2</sup> *Incentive Distribution Right (IDR) refers to the cash component of the SIR distribution (see Liquidity and Capital Resources – Sources and Uses of Cash – Distributions).*

### EARNINGS ATTRIBUTABLE TO GENERAL AND LIMITED PARTNERS

Earnings attributable to general and limited partners were \$561 million and \$1,059 million for the three and nine months ended September 30, 2018 compared with \$487 million and \$1,281 million in the corresponding 2017 periods, respectively.

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

- a non-cash, unrealized derivative gain for the Canadian Mainline of \$204 million and a loss of \$342 million (\$148 million gain and \$252 million loss after-tax) for the three and nine months ended September 30, 2018 compared with gains of \$326 million and \$747 million (\$238 million and \$545 million gains after-tax) in the same periods of 2017, respectively, reflecting net fair value gains and losses arising from changes in the mark-to-market value of derivative financial instruments used to manage foreign exchange rates, power costs and the price of allowance oil that are inherent in the Competitive Toll Settlement (CTS), which drives Canadian Mainline revenue.

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

On a year to date basis, significant unusual, non-recurring or non-operating factors impacting our earnings attributable to general and limited partners also include:

- a loss of \$22 million (\$16 million after-tax) attributable to us in the first quarter of 2018 from our equity investment in NRGreen Power Limited Partnership's (NRGreen) Chickadee Creek Waste Heat Recovery Facility (Chickadee Creek) located in Alberta;
- a loss of \$108 million related to Line 10, a component of the Canadian Mainline, resulting from its classification as an asset held for sale and the subsequent measurement at the lower of carrying value or fair value less costs to sell; and
- a \$267 million deferred income tax recovery during the nine months ended September 30, 2018, related to a change in assertion for our investment in renewable assets due to our sale of a 49% interest, which resulted in the recognition of previously unrecognized tax basis.

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

- stronger performance from the Canadian Mainline within our Liquids Pipelines segment in the third quarter and first nine months of 2018, primarily due to higher foreign exchange hedge rates used to record United States dollar denominated Canadian Mainline revenues, higher Canadian Mainline IJT Residual Benchmark Tolls and higher throughput driven by capacity optimization initiatives implemented in 2017;
- additional revenue generated from assets placed into service during 2017 within the Regional Oil Sands System; and
- stronger contributions from our Gas Pipelines segment and our Green Power segment; partially offset by
- an increase in interest expense due to lower capitalized interest and higher levels of debt outstanding throughout 2018;
- higher income tax expense after adjusting for the tax impacts of the unusual, non-recurring or non-operating factors discussed above, primarily reflecting the increase in adjusted earnings before income taxes in 2018; and
- greater SIR distributions in 2018, which increase as Fund Unit distributions increase.

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

## **FORWARD-LOOKING INFORMATION**

*Forward-looking information, or forward-looking statements, have been included in this MD&A to provide information about EIPLP and EIPLP's subsidiaries and affiliates, including management's assessment of EIPLP's plans and operations. This information may not be appropriate for other purposes. Forward-looking statements are typically identified by words such as "anticipate", "expect", "project", "estimate", "forecast", "plan", "intend", "target", "believe", "likely" and similar words suggesting future outcomes or statements regarding an outlook. Forward-looking information or statements included or incorporated by reference in this document include, but are not limited to, statements with respect to the following: earnings/(loss) or adjusted earnings/(loss); EBITDA or adjusted earnings before interest, income taxes and depreciation and amortization (adjusted EBITDA); effect of the increase or decrease of the Canadian Mainline IJT Residual Benchmark Toll on adjusted EBITDA; distributable cash flow (DCF); cash flows; distributions and policy; costs related to announced projects and projects under construction; in-service dates for announced projects and projects under construction; capital expenditures; recovery of the costs of the Canadian L3R Program through the use of surcharges; actions of regulators; commodity prices; supply forecasts; impact of hedging program; impact of the Canadian L3R Program on existing integrity programs; outcome of proceedings in respect of the Canadian L3R Program and the U.S. L3R Program; Alliance Pipeline operating model and expansion project; the Proposed Arrangement, including the consummation thereof; Enbridge's separate agreements to purchase the outstanding public equity of Spectra Energy Partners, LP, Enbridge Energy Partners, L.P. and Enbridge Energy Management, L.L.C., including the consummation thereof; the impact of the revised FERC policy announced March 15, 2018 and order issued on July 18, 2018; receipt of approvals required from state agencies for the construction of the U.S. L3R Program; impact of Accounting Standards Update (ASU) 2018-01; and sources of liquidity and sufficiency of financial resources.*

*Although EIPLP believes these forward-looking statements are reasonable based on the information available on the date such statements are made and processes used to prepare the information, such statements are not guarantees*

*of future performance and readers are cautioned against placing undue reliance on forward-looking statements. By their nature, these statements involve a variety of assumptions, known and unknown risks and uncertainties and other factors, which may cause actual results, levels of activity and achievements to differ materially from those expressed or implied by such statements. Material assumptions include assumptions about the following: supply of and demand for crude oil, natural gas, NGL and renewable energy; prices of crude oil, natural gas, NGL and renewable energy; exchange rates; inflation; Canadian pipeline export capacity; levels of competition; interest rates; availability and price of labor and construction materials; operational reliability; customer and regulatory approvals; maintenance of support and regulatory approvals for EIPLP's projects (including the Canadian and U.S. L3R Program); anticipated in-service dates; weather; credit ratings; capital project funding; anticipated refinancing of debt upon maturity; potential acquisitions, dispositions or other strategic transactions; earnings/(loss) or adjusted earnings/(loss); EBITDA or adjusted EBITDA; cash flows and DCF; distributions; and the satisfaction of all conditions to the Proposed Arrangement and receipt of all necessary approvals. Assumptions regarding the expected supply of and demand for crude oil, natural gas, NGL and renewable energy, and the prices of these commodities, are material to and underlie all forward-looking statements. These factors are relevant to all forward-looking statements as they may impact current and future levels of demand for EIPLP's services. Similarly, exchange rates, inflation and interest rates impact the economies and business environments in which EIPLP operates and may impact levels of demand for EIPLP's services and cost of inputs, and are therefore inherent in all forward-looking statements. Due to the interdependencies and correlation of these macroeconomic factors, the impact of any one assumption on a forward-looking statement cannot be determined with certainty, particularly with respect to earnings/(loss), adjusted earnings/(loss), EBITDA, adjusted EBITDA, DCF, cash flows and distributions. The most relevant assumptions associated with forward-looking statements on announced projects and projects under construction, including estimated completion dates and expected capital expenditures, include the following: availability and price of labor and construction materials; effects of inflation and foreign exchange rates on labor and material costs; effects of interest rates on borrowing costs; and impact of weather and customer, government and regulatory approvals on construction and in-service schedules and cost recovery regimes.*

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

## **NON-GAAP MEASURES**

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

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



The Manager believes the presentation of adjusted EBITDA, adjusted earnings and DCF give useful information to partners and unitholders as they provide increased transparency and insight into our performance. The Manager uses adjusted EBITDA, adjusted earnings and DCF to set targets and to assess our performance. Adjusted EBITDA, adjusted earnings and DCF are not measures that have standardized meaning prescribed by U.S. GAAP and are not U.S. GAAP measures. Therefore, these measures may not be comparable with similar measures presented by other issuers.

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

## NON-GAAP RECONCILIATIONS EBITDA to Adjusted EBITDA

	Three months ended		Nine months ended	
	September 30,		September 30,	
	2018	2017	2018	2017
<i>(millions of Canadian dollars)</i>				
Earnings before interest, income taxes and depreciation and amortization	1,128	978	2,251	2,648
Adjusting items <sup>1</sup> :				
Changes in unrealized derivative fair value (gain)/loss <sup>2</sup>	(215)	(346)	342	(791)
Asset write-down loss	—	—	108	—
Equity investment asset impairment	—	—	22	—
Unrealized (gain)/loss on translation of United States dollar intercompany loan receivable	10	25	(5)	51
Lease termination costs	—	—	23	—
Leak remediation costs	—	3	—	15
Leak insurance recoveries	—	(2)	—	(6)
Adjusted earnings before interest, income taxes and amortization and depreciation	923	658	2,741	1,917

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

2 Changes in unrealized derivative fair value gains and losses are presented net of amounts realized on the settlement of derivative contracts during the applicable period.

## Adjusted EBITDA to Adjusted Earnings

	Three months ended		Nine months ended	
	September 30,		September 30,	
	2018	2017	2018	2017
<i>(millions of Canadian dollars)</i>				
Liquids Pipelines	805	548	2,328	1,550
Gas Pipelines	52	49	169	149
Green Power	52	48	202	184
Eliminations and Other	14	13	42	34
Adjusted earnings before interest, income taxes and depreciation and amortization	923	658	2,741	1,917
Depreciation and amortization	(180)	(167)	(535)	(490)
Interest expense <sup>1</sup>	(112)	(108)	(343)	(312)
Income tax expense <sup>1</sup>	(94)	(50)	(286)	(132)
Special interest rights distributions - TPDR	(102)	(66)	(305)	(198)
Special interest rights distributions - IDR	(32)	(12)	(95)	(36)
Adjusted earnings attributable to general and limited partners	403	255	1,177	749

1 These balances are presented net of adjusting items.

### **Adjusted Earnings Attributable to General and Limited Partners**

Adjusted earnings attributable to general and limited partners were \$403 million and \$1,177 million for the third quarter and first nine months of 2018 compared with \$255 million and \$749 million in the corresponding 2017 periods, respectively. Significant business factors increasing our adjusted earnings attributable to general and limited partners for the three and nine months ended September 30, 2018 period-over-period include:

- higher foreign exchange hedge rates used to record United States dollar denominated Canadian Mainline revenues in the third quarter and first nine months of 2018. The IJT Benchmark Toll and its components are set in United States dollars, and the majority of our foreign exchange risk on Canadian Mainline revenues is hedged;
- higher Canadian Mainline revenues due to higher Canadian Mainline IJT Residual Benchmark Tolls of US\$1.92 and US\$1.82 for the third quarter and first nine months of 2018, respectively, compared to US\$1.64 and US\$1.58 for the corresponding periods of 2017, respectively;
- strengthened Canadian Mainline throughput in 2018 driven by capacity optimization initiatives implemented in 2017;
- additional revenue generated in 2018 on assets placed into service during 2017, primarily including the Wood Buffalo Extension;
- an increase in seasonal firm service revenue in 2018 at Alliance Pipeline within our Gas Pipelines segment; and
- stronger contributions from our Green Power segment due to stronger wind resources.

The positive factors above were partially offset by:

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

Adjusted earnings attributable to general and limited partners for the year-to-date period also benefited from the Norlite Pipeline System (Norlite) being placed into service in May 2017 within our Liquids Pipelines segment and a net gain of \$11 million within our Green Power segment in the first quarter of 2018 from an arbitration settlement related to our wind facilities located in Quebec.

## Cash Provided by Operating Activities to Distributable Cash Flow

	Three months ended September 30,		Nine months ended September 30,	
	2018	2017	2018	2017
<i>(unaudited; millions of Canadian dollars)</i>				
Cash provided by operating activities	879	516	2,455	1,697
Adjusted for changes in operating assets and liabilities	(117)	1	(188)	(139)
	762	517	2,267	1,558
Maintenance capital expenditures <sup>1</sup>	(18)	(13)	(55)	(42)
Significant adjusting items:				
Special interest rights distributions - IDR	(32)	(12)	(95)	(36)
Other receipts of cash not recognized in revenue <sup>2</sup>	14	18	48	45
Lease termination costs	—	—	23	—
Leak remediation costs	—	3	—	15
Leak insurance recoveries	—	(2)	—	(6)
Other adjusting items	41	29	50	32
<b>Distributable cash flow</b>	<b>767</b>	<b>540</b>	<b>2,238</b>	<b>1,566</b>

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

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

## Adjusted EBITDA to Distributable Cash Flow

	Three months ended September 30,		Nine months ended September 30,	
	2018	2017	2018	2017
<i>(millions of Canadian dollars)</i>				
Adjusted earnings before interest, income taxes and depreciation and amortization	923	658	2,741	1,917
Cash distributions in excess of equity earnings <sup>1</sup>	15	6	31	13
Maintenance capital expenditures <sup>2</sup>	(18)	(13)	(55)	(42)
Interest expense <sup>1</sup>	(108)	(101)	(326)	(294)
Current income taxes <sup>1</sup>	(31)	(19)	(117)	(49)
Special interest rights distributions - IDR	(32)	(12)	(95)	(36)
Other receipts of cash not recognized in revenue <sup>3</sup>	14	17	48	45
Other adjusting items	4	4	11	12
<b>Distributable cash flow</b>	<b>767</b>	<b>540</b>	<b>2,238</b>	<b>1,566</b>

<sup>1</sup> These balances are presented net of adjusting items.

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

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

## Distributable Cash Flow

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

Our DCF was \$767 million and \$2,238 million for the three and nine months ended September 30, 2018 compared with \$540 million and \$1,566 million for the same periods in 2017, respectively. Significant business factors impacting our DCF for the three and nine months ended September 30, 2018 period-over-period include:

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

## **GROWTH PROJECT – REGULATORY MATTERS**

### **Canadian Line 3 Replacement Program**

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

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

On June 28, 2018, the MNPUC approved the issuance of a Certificate and Route Permit that adopts EEP's preferred route, with minor modifications and subject to certain conditions. The MNPUC issued its Certificate order on September 5, 2018. The Route Permit was issued on October 26, 2018. Permits are also required from the United States Army Corps of Engineers, state agencies (including the Minnesota Department of Natural Resources and the Minnesota Pollution Control Agency) and local government authorities in Minnesota. EEP anticipates the receipt of all required permits in time to commence construction activities during the first quarter of 2019, and continues to anticipate an in-service date for the project in the second half of 2019.

## FINANCIAL RESULTS

### LIQUIDS PIPELINES

#### Earnings Before Interest, Income Taxes and Depreciation and Amortization

	Three months ended September 30,		Nine months ended September 30,	
	2018	2017	2018	2017
<i>(millions of Canadian dollars)</i>				
Canadian Mainline	537	348	1,533	975
Regional Oil Sands System	214	152	642	418
Southern Lights Pipeline	28	30	81	90
Bakken Expansion Pipeline	8	4	19	21
Storage Facilities and Other	18	14	53	46
Adjusted earnings before interest, income taxes and depreciation and amortization	805	548	2,328	1,550
Canadian Mainline - changes in unrealized derivative fair value gain/(loss)	204	326	(342)	747
Canadian Mainline - asset write-down loss	—	—	(108)	—
Canadian Mainline - lease termination costs	—	—	(23)	—
Canadian Mainline - leak remediation costs	—	(3)	—	(15)
Regional Oil Sands System - leak insurance recoveries	—	2	—	6
Southern Lights Pipeline - changes in unrealized derivative fair value gain/(loss)	9	17	(7)	33
Earnings before interest, income taxes and depreciation and amortization	1,018	890	1,848	2,321

Additional details on items impacting Liquids Pipelines EBITDA include:

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

#### Canadian Mainline

Canadian Mainline adjusted EBITDA was \$537 million and \$1,533 million for the three and nine months ended September 30, 2018 compared with \$348 million and \$975 million for the same periods in 2017, respectively. Significant business factors increasing Canadian Mainline adjusted EBITDA for the three and nine months ended September 30, 2018 period-over-period include:

- higher average throughput in 2018 driven by capacity optimization initiatives implemented in 2017 and greater supply;

- higher average Canadian Mainline IJT Residual Benchmark Tolls of US\$1.92 and US\$1.82 for the third quarter and first nine months of 2018, respectively, compared to US\$1.64 and US\$1.58 for the corresponding periods of 2017, respectively; and
- a higher foreign exchange hedge rate used to record United States dollar denominated Canadian Mainline revenues of \$1.26 for each of the third quarter and first nine months of 2018 compared with \$1.07 and \$1.05 for the corresponding periods in 2017.

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

September 30, <i>(United States dollars per barrel)</i>	2018	2017
IJT Benchmark Toll <sup>1</sup>	<b>\$4.15</b>	\$4.07
Lakehead System Local Toll <sup>2</sup>	<b>\$2.23</b>	\$2.43
Canadian Mainline IJT Residual Benchmark Toll <sup>3</sup>	<b>\$1.92</b>	\$1.64

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

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

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

#### Throughput Volume<sup>1</sup>

	Three months ended		Nine months ended	
	September 30,		September 30,	
	2018	2017	2018	2017
<i>(thousands of barrels per day)</i>				
Average throughput volume <sup>1</sup>	<b>2,578</b>	2,492	<b>2,613</b>	2,511

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

#### Regional Oil Sands System

Regional Oil Sands System adjusted EBITDA was \$214 million and \$642 million for the three and nine months ended September 30, 2018 compared with \$152 million and \$418 million for the corresponding 2017 periods, respectively. Significant business factors impacting Regional Oil Sands System adjusted EBITDA for the three and nine months ended September 30, 2018 period-over-period include:

- additional EBITDA generated in 2018 as a result of new projects that went into service later in 2017, which primarily include the Wood Buffalo Extension in December 2017.

On a year-to-date basis, Regional Oil Sands System adjusted EBITDA also benefited from contributions from Norlite, which went into service in May 2017, and higher average throughput on Waupisoo Pipeline during the nine months ended September 30, 2018.

## GAS PIPELINES

### Earnings Before Interest, Income Taxes and Depreciation and Amortization

	Three months ended		Nine months ended	
	September 30,		September 30,	
	2018	2017	2018	2017
<i>(millions of Canadian dollars)</i>				
Gas Pipelines	52	49	169	149
Adjusted earnings before interest, income taxes and depreciation and amortization	52	49	169	149
Changes in unrealized derivative fair value gain	1	2	2	7
Earnings before interest, income taxes and depreciation and amortization	53	51	171	156

Additional details on items impacting Gas Pipelines EBITDA include:

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

Gas Pipelines adjusted EBITDA was \$52 million and \$169 million for the three and nine months ended September 30, 2018 compared with \$49 million and \$149 million for the same periods of 2017, respectively. Significant business factors impacting Gas Pipelines adjusted EBITDA for the nine months ended September 30, 2018 period-over-period include:

- higher revenues at Alliance Pipeline in 2018 due to strong demand for seasonal firm and interruptible service.

Partially offsetting the higher year-to-date revenues at Alliance Pipeline in 2018 were lower interruptible service rates in the third quarter of 2018.

### Throughput Volume

	Three months ended		Nine months ended	
	September 30,		September 30,	
	2018	2017	2018	2017
<i>(millions of cubic feet per day)</i>				
Average throughput volume				
Alliance Pipeline - Canada	1,545	1,530	1,589	1,559
Alliance Pipeline - US	1,708	1,643	1,721	1,663

## GREEN POWER

### Earnings Before Interest, Income Taxes and Depreciation and Amortization

	Three months ended September 30,		Nine months ended September 30,	
	2018	2017	2018	2017
<i>(millions of Canadian dollars)</i>				
Green Power	52	48	202	184
Adjusted earnings before interest, income taxes and depreciation and amortization	52	48	202	184
Changes in unrealized derivative fair value gain	1	1	5	4
Equity investment asset impairment	—	—	(22)	—
Earnings before interest, income taxes and depreciation and amortization	53	49	185	188

Additional details on items impacting Green Power EBITDA include:

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

Green Power adjusted EBITDA was \$52 million and \$202 million for the three and nine months ended September 30, 2018 compared with \$48 million and \$184 million for the corresponding 2017 periods, respectively. Significant business factors impacting Green Power adjusted EBITDA for the three and nine months ended September 30, 2018 period-over-period include:

- stronger wind resources, primarily relating to our wind facilities located in Ontario for the third quarter of 2018 and our wind facilities located in Quebec for the first half of 2018.

On a year-to-date basis, Green Power adjusted EBITDA also benefited from a net gain of \$11 million in the first quarter of 2018 from an arbitration settlement related to our wind facilities located in Quebec.

## Production

	Three months ended September 30,		Nine months ended September 30,	
	2018	2017	2018	2017
<i>(thousands of megawatt hours produced)</i>				
Wind Facilities	484	471	1,911	1,829
Solar Facilities	46	51	123	126
Waste Heat Facilities	23	22	75	72



## ELIMINATIONS AND OTHER

### Earnings Before Interest, Income Taxes and Depreciation and Amortization

	Three months ended		Nine months ended	
	September 30,		September 30,	
	2018	2017	2018	2017
<i>(millions of Canadian dollars)</i>				
Dividend income from affiliate	10	10	28	29
Other	4	3	14	5
Adjusted earnings before interest, income taxes and depreciation and amortization	14	13	42	34
Unrealized gain/(loss) on translation of United States dollar intercompany loan receivable	(10)	(25)	5	(51)
Earnings/(loss) before interest, income taxes and depreciation and amortization	4	(12)	47	(17)

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

## LIQUIDITY AND CAPITAL RESOURCES

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

### BANK CREDIT AND LIQUIDITY

Long-term debt primarily consists of a committed credit facility and medium-term notes. As at September 30, 2018, EIPLP's subsidiary, EPI, had a \$3,000 million (December 31, 2017 - \$3,005 million) committed credit facility, of which \$1,786 million (December 31, 2017 - \$1,567 million) was unutilized. In addition to this committed credit facility, EPI had access to Enbridge's demand letter of credit facilities at September 30, 2018 totaling \$550 million (December 31, 2017 - \$500 million) of which \$344 million (December 31, 2017 - \$299 million) were unutilized. As at September 30, 2018, \$41 million (December 31, 2017 - \$19 million) letters of credit were issued by EPI.

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

Our net available liquidity of \$1,826 million, as at September 30, 2018, was inclusive of \$40 million of unrestricted cash and cash equivalents. Our net available liquidity, together with cash from operations, intercompany funding and proceeds of debt capital market transactions, is expected to be sufficient to finance capital expenditures requirements, fund liabilities as they become due, fund debt retirements and pay distributions.

## SOURCES AND USES OF CASH

	Three months ended		Nine months ended	
	September 30,		September 30,	
	2018	2017	2018	2017
<i>(millions of Canadian dollars)</i>				
Operating activities	879	516	2,455	1,697
Investing activities	(589)	(238)	(1,173)	(1,048)
Financing activities	(280)	(60)	(1,260)	(441)
Effect of translation of foreign denominated cash and cash equivalents	—	(2)	1	(3)
Increase in cash and cash equivalents	10	216	23	205

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

### Operating Activities

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

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

### Investing Activities

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

- net advances of \$195 million on loans to affiliates in both the third quarter and first nine months of 2018 compared with no such advances in the same periods of 2017, respectively; and
- an increase in capital expenditures to \$416 million in the three months ended September 30, 2018 from \$253 million in the same period of 2017, due to higher spending on the Canadian L3R Program.

On a year-to-date basis, the increase in cash used in investing activities was partially offset by a decrease in capital expenditures due to the completion of several growth projects in 2017.

### Financing Activities

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

- net repayments of \$53 million and \$356 million on loans from affiliates in the third quarter and first nine months of 2018 compared with net advances of \$9 million and \$491 million in the corresponding 2017 periods, respectively;
- an increase in credit facility repayments in 2018
- an increase in distributions to partners due to higher distribution rates for our Class A and C units commencing in January 2018 as well as additional Class A units outstanding following our December 2017 issuance; and

- an increase in IDR cash distributions paid in 2018, which increase as Fund Unit distributions increase; partially offset by
- proceeds of \$1.05 billion received from our sale of a 49% interest in the Renewable Assets to the CPPIB on August 1, 2018.

## Distributions

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

### Class A Units

	2018		2017	
	Distribution per Unit <sup>1</sup>	Total	Distribution per Unit <sup>1</sup>	Total
<i>(millions of Canadian dollars, except distribution rate)</i>				
Three months ended March 31,	<b>0.6555</b>	<b>268</b>	0.5760	220
Three months ended June 30,	<b>0.6555</b>	<b>267</b>	0.5760	220
Three months ended September 30,	<b>0.6555</b>	<b>268</b>	0.5760	220
Nine months ended September 30,	<b>1.9665</b>	<b>803</b>	1.7280	660

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

### Class C Units

	2018		2017	
	Distribution per Unit <sup>1</sup>	Total	Distribution per Unit <sup>1</sup>	Total
<i>(millions of Canadian dollars, except distribution rate)</i>				
Three months ended March 31,	<b>0.6402</b>	<b>284</b>	0.5376	238
Three months ended June 30,	<b>0.6402</b>	<b>283</b>	0.5376	238
Three months ended September 30,	<b>0.6402</b>	<b>284</b>	0.5376	238
Nine months ended September 30,	<b>1.9206</b>	<b>851</b>	1.6128	714

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

### Class D Units

	2018		2017	
	Distribution per Unit <sup>1</sup>	Total	Distribution per Unit <sup>1</sup>	Total
<i>(millions of Canadian dollars, except distribution rate)</i>				
Three months ended March 31,	<b>0.6402</b>	<b>14</b>	0.5376	6
Three months ended June 30,	<b>0.6402</b>	<b>16</b>	0.5376	7
Three months ended September 30,	<b>0.6402</b>	<b>19</b>	0.5376	9
Nine months ended September 30,	<b>1.9206</b>	<b>49</b>	1.6128	22

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

### Special Interest Rights – TPDR

	2018	2017
	Total <sup>1</sup>	Total <sup>1</sup>
<i>(millions of Canadian dollars)</i>		
Three months ended March 31,	<b>101</b>	66
Three months ended June 30,	<b>102</b>	66
Three months ended September 30,	<b>102</b>	66
Nine months ended September 30,	<b>305</b>	198

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

## Special Interest Rights – IDR

	2018	2017
	Total <sup>1</sup>	Total <sup>1</sup>
<i>(millions of Canadian dollars)</i>		
Three months ended March 31,	32	12
Three months ended June 30,	31	12
Three months ended September 30,	32	12
Nine months ended September 30,	95	36

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

## CAPITAL EXPENDITURE COMMITMENTS

We have signed contracts for the purchase of services, pipe and other materials totaling \$1,406 million, which are expected to be paid over the next five years.

## LITIGATION

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

## QUARTERLY FINANCIAL INFORMATION

	2018			2017			2016	
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
<i>(millions of Canadian dollars)</i>								
Revenues	1,401	892	808	1,047	1,223	1,104	1,021	787
Earnings attributable to general and limited partners	561	456	42	332	487	431	363	890

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

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

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

In addition to the impacts of changes in unrealized gains and losses outlined above, significant items that have impacted our financial results are as follows:

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

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

## **RISK MANAGEMENT AND FINANCIAL INSTRUMENTS**

Maintaining a reliable and low risk business model is central to our objective of paying out a predictable cash flow to partners. The Fund Group actively manages both financial and non-financial risks that we are exposed to. The Fund Group performs an annual corporate risk assessment to identify all potential risks. Risks are ranked based on severity and likelihood both before and after mitigating actions. In addition, the Fund Group has adopted a Cash Flow at Risk (CFAR) policy to manage exposure to movements in interest rates, foreign exchange rates and commodity prices. CFAR is a statistically derived measurement that quantifies the maximum adverse impact on cash flows over a specified period of time within a pre-defined level of statistical confidence. The Fund Group's CFAR limit has been set at 2.5% of forward annual DCF of the Fund Group.

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

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

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

	Three months ended September 30,		Nine months ended September 30,	
	2018	2017	2018	2017
<i>(millions of Canadian dollars)</i>				
Amount of unrealized gain/(loss) recognized in OCI				
Cash flow hedges				
Foreign exchange contracts	—	(1)	(1)	(1)
Interest rate contracts	46	36	58	39
Commodity contracts	4	4	1	16
	<b>50</b>	<b>39</b>	<b>58</b>	<b>54</b>
Amount of (gain)/loss reclassified from Accumulated other comprehensive income (AOCI) to earnings <i>(effective portion)</i>				
Interest rate contracts <sup>1</sup>	5	7	16	19
Commodity contracts <sup>2</sup>	—	(2)	(1)	(6)
	<b>5</b>	<b>5</b>	<b>15</b>	<b>13</b>
Amount of gain reclassified from AOCI to earnings <i>(ineffective portion and amount excluded from effectiveness testing)</i>				
Interest rate contracts <sup>1</sup>	(2)	(2)	(2)	(2)
	<b>(2)</b>	<b>(2)</b>	<b>(2)</b>	<b>(2)</b>
Amount of gain/(loss) from non-qualifying derivatives included in earnings				
Foreign exchange contracts <sup>3</sup>	219	357	(350)	771
Commodity contracts <sup>2</sup>	(3)	4	11	27
	<b>216</b>	<b>361</b>	<b>(339)</b>	<b>798</b>

<sup>1</sup> Reported within Interest expense in the Consolidated Statements of Earnings.

<sup>2</sup> Reported within Transportation and other services revenues, Electricity sales revenues, Operating and administrative expense and Other income/(expense) in the Consolidated Statements of Earnings.

<sup>3</sup> Reported within Transportation and other services revenues and Other income/(expense) in the Consolidated Statements of Earnings.

## LIQUIDITY RISK

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

## CREDIT RISK

Entering into derivative instruments may result in exposure to credit risk. Credit risk arises from the possibility that a counterparty will default on its contractual obligations. In order to mitigate this risk, we enter into risk management transactions primarily with institutions that possess investment grade credit ratings. Credit risk relating to derivative counterparties is mitigated by credit exposure limits and contractual requirements, netting arrangements and ongoing monitoring of counterparty credit exposure using external credit rating services and other analytical tools.

## **GENERAL BUSINESS RISKS**

### **Proposed Arrangement**

EIPLP is a member of the Fund Group, which is owned by Enbridge and ENF, a public company listed on the TSX. As discussed in *Recent Developments*, on September 18, 2018, ENF announced its entry into the Arrangement Agreement with respect to the Proposed Arrangement, pursuant to which Enbridge will acquire all of ENF's outstanding common shares not currently owned by Enbridge. Under the terms of the Arrangement Agreement, each ENF common share will be exchanged for 0.7350 of an Enbridge common share and a cash payment of not less than \$0.45 per ENF common share.

The completion of the Proposed Arrangement is subject to certain customary closing conditions, including (i) the approval by 66 2/3% of the votes cast by ENF's shareholders present in person or by proxy at a special shareholders meeting called for November 6, 2018 to consider the Proposed Arrangement; and (ii) by a majority of the votes cast by ENF's shareholders, present in person or by proxy at the special shareholders meeting, after excluding the votes cast by Enbridge, its affiliates and certain other related parties.

There can be no certainty that all conditions precedent to the Proposed Arrangement will be satisfied or waived, nor can there be any certainty of the timing of their satisfaction or waiver or that the Arrangement Agreement will not be terminated by ENF or Enbridge prior to completion of the Proposed Arrangement.

Failure to complete the Proposed Arrangement, or significant delays in completing the Proposed Arrangement, could negatively affect ENF's business and financial results and the trading prices of ENF's common shares.

## **CHANGES IN ACCOUNTING POLICIES**

### **ADOPTION OF NEW STANDARDS**

#### **Clarifying Guidance on Derecognition and Partial Sales of Nonfinancial Assets**

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

#### **Simplifying Cash Flow Classification**

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

#### **Recognition and Measurement of Financial Assets and Liabilities**

Effective January 1, 2018, we adopted ASU 2016-01 on a prospective basis. The new standard addresses certain aspects of recognition, measurement, presentation and disclosure of financial assets and liabilities. Investments in equity securities, excluding equity method and consolidated investments, are no longer classified as trading or available-for-sale securities. All investments in equity securities with readily determinable fair values are classified as investments at fair value through net income. Investments in equity securities without readily determinable fair values are measured using the fair value measurement alternative and are recorded at cost minus impairment, if any, plus or minus changes resulting from observable price changes in orderly transactions for an identical or similar investment of the same issuer. Investments in equity securities measured using the fair value measurement alternative are reviewed for indicators of impairment each reporting period. Fair value of financial assets and liabilities is

measured using the exit price notion, which is the price that would be received to sell an asset or transfer a liability in an orderly transaction between market participants at the measurement date. The adoption of this accounting update did not have a material impact on our consolidated financial statements.

### Revenue from Contracts with Customers

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

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

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

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

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

- a. A reduction in contract assets, included within deferred amounts and other assets, of \$188 million at January 1, 2018;
- b. An increase in accounts payable and other (current deferred revenue) of \$58 million at January 1, 2018;
- c. A reduction in deferred income tax liability of \$66 million at January 1, 2018; and
- d. A reduction in partners' capital of \$179 million at January 1, 2018 to record the effect of the above items.

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

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



## **FUTURE ACCOUNTING POLICY CHANGES**

### **Amended Guidance on Cloud Computing Arrangements**

In August 2018, ASU 2018-15 was issued to provide guidance on the accounting for implementation costs incurred in a cloud computing arrangement (CCA) that is a service contract. The amendment aligns the accounting for costs incurred to implement a CCA that is a service arrangement with the guidance on capitalizing costs associated with developing or obtaining internal-use software. Additionally ASU 2018-15 specifies that an entity would apply ASC 350-40 to determine which implementation costs related to a hosting arrangement that is a service contract should be capitalized and which should be expensed. Furthermore, the amendments in the update require capitalized costs be amortized on a straight-line basis generally over the term of the arrangement and presented in the same income statement line as fees paid for the hosting service. The new standard also requires that the balance sheet presentation of capitalized implementation costs to be the same as that of the prepayment of fees related to the hosting arrangement, as well as similar consistency in classifications from a cash flow statement perspective. ASU 2018-15 is effective January 1, 2020 and early adoption is permitted. We are currently assessing the impact of the new standard on our consolidated financial statements.

### **Disclosure Effectiveness**

In August 2018, the Financial Accounting Standards Board issued amendments as a part of its disclosure framework project aimed to improve the effectiveness of disclosures in the notes to financial statements.

ASU 2018-13 was issued to modify the disclosure requirements in ASC 820, Fair Value Measurement. The amendments in ASU 2018-13 eliminate and modify some disclosures, while also adding new disclosures for fair value measurements. This update is effective January 1, 2020, however entities are permitted to early adopt the eliminated or modified disclosures. We are currently assessing the impact of the new standard on our consolidated financial statements.

### **Recognition of Leases**

ASU 2016-02 was issued in February 2016 with the intent to increase transparency and comparability among organizations. It requires lessees of operating lease arrangements to recognize lease assets and lease liabilities on the statement of financial position and disclose additional key information about lease agreements. The accounting update also replaces the current definition of a lease and requires that an arrangement be recognized as a lease when a customer has the right to obtain substantially all of the economic benefits from the use of an asset, as well as the right to direct the use of the asset. We will adopt the new standard on January 1, 2019 and we intend to apply the transition practical expedients offered in connection with this update. The election to apply the package of practical expedients allows an entity to not apply the new lease standard to the prior year comparative periods in the year of adoption. Application of the package of practical expedients also permits entities not to reassess a) whether any expired or existing contracts contain leases in accordance with the new guidance, b) lease classifications, and c) whether initial direct costs capitalized under ASC 840 continue to meet the definition of initial direct costs under the new guidance.

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

We are in the process of identifying existing lease contracts and performing detailed evaluations of our leases under the new accounting requirements. We believe the most significant change to our financial statements will be the recognition of lease liabilities and right-of-use assets in our consolidated statement of financial position for operating leases. We continue to assess the necessary changes to accounting and business processes in order to implement the recognition and disclosure requirements of the new lease standard.

## EIPLP OWNERSHIP

The following presents the partners' ownership of EIPLP:

As at October 19, 2018

*(number of units outstanding)*

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**Class A units**

Held by Enbridge Income Partners GP Inc. 40,471

Held by Enbridge Commercial Trust 408,045,956

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408,086,427

**Class C units<sup>1</sup>**

Held by Enbridge Inc. 442,923,363

**Class D units<sup>2</sup>**

Held by Enbridge Inc. 31,814,931

**Class E unit**

Held by Enbridge Inc. 1

**Special Interest Rights - SIR**

Held by Enbridge Inc. 1,000

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<sup>1</sup> Class C units may, at the option of the holder, be exchanged in whole or in part for preferred units of ECT, ordinary trust units of the Fund or ENF common shares.

<sup>2</sup> 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)*

**September 30, 2018**

## ENBRIDGE INCOME PARTNERS LP CONSOLIDATED STATEMENTS OF EARNINGS

	Three months ended		Nine months ended	
	September 30,		September 30,	
	<b>2018</b>	2017	<b>2018</b>	2017
<i>(unaudited; millions of Canadian dollars)</i>				
Operating revenues				
Transportation and other services	1,312	1,149	2,794	3,080
Electricity sales	68	66	241	234
Revenues - affiliates	21	8	66	34
<b>Total operating revenues</b>	<b>1,401</b>	1,223	<b>3,101</b>	3,348
Operating expenses				
Operating and administrative	255	223	700	625
Operating and administrative, net - affiliates	89	88	268	281
Depreciation and amortization	180	167	535	490
Environmental costs, net of recoveries	—	(2)	(10)	(6)
Asset impairment <i>(Note 5)</i>	—	—	108	—
<b>Total operating expenses</b>	<b>524</b>	476	<b>1,601</b>	1,390
Operating income	877	747	1,500	1,958
Income from equity investments	53	48	152	152
Other income/(expense)				
Interest income - affiliates	9	14	28	45
Dividend income from affiliated company	10	10	28	29
Other	(1)	(8)	8	(26)
Interest expense	(43)	(37)	(140)	(105)
Interest expense - affiliates	(67)	(70)	(201)	(203)
Earnings before income tax	838	704	1,375	1,850
Income tax recovery/(expense)	(143)	(139)	84	(335)
Earnings	695	565	1,459	1,515
Special interest rights distributions				
Temporary performance distribution rights	(102)	(66)	(305)	(198)
Incentive distribution rights	(32)	(12)	(95)	(36)
<b>Earnings attributable to general and limited partners</b>	<b>561</b>	487	<b>1,059</b>	1,281
Earnings attributable to general partner's interest	—	—	—	—
Earnings attributable to limited partners' interests	561	487	1,059	1,281
	<b>561</b>	487	<b>1,059</b>	1,281

See accompanying notes to the interim financial statements.

## ENBRIDGE INCOME PARTNERS LP

### CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Three months ended		Nine months ended	
	September 30,		September 30,	
	<b>2018</b>	2017	<b>2018</b>	2017
<i>(unaudited; millions of Canadian dollars)</i>				
Earnings	<b>695</b>	565	<b>1,459</b>	1,515
Other comprehensive income/(loss), net of tax				
Change in unrealized gain on cash flow hedges	<b>37</b>	28	<b>44</b>	40
Reclassification to earnings of loss on cash flow hedges	<b>1</b>	2	<b>8</b>	6
Foreign currency translation adjustments	<b>(11)</b>	(22)	<b>18</b>	(42)
Other	<b>(11)</b>	—	<b>(11)</b>	—
Other comprehensive income, net of tax	<b>16</b>	8	<b>59</b>	4
<b>Comprehensive income</b>	<b>711</b>	573	<b>1,518</b>	1,519

See accompanying notes to the interim financial statements.

## ENBRIDGE INCOME PARTNERS LP CONSOLIDATED STATEMENTS OF PARTNERS' CAPITAL

	General partner's capital deficit	Limited partners' capital - Enbridge Commercial Trust	Special interest rights	Accumulated other comprehensive loss	Noncontrolling interests	Total
<i>(unaudited; millions of Canadian dollars)</i>						
December 31, 2017	<b>(8,758)</b>	<b>2,697</b>	<b>2,565</b>	<b>(197)</b>	—	<b>(3,693)</b>
Retrospective adoption of accounting standard <i>(Note 2)</i>	—	<b>(143)</b>	—	—	—	<b>(143)</b>
Earnings allocation	—	<b>502</b>	—	—	—	<b>502</b>
Other comprehensive income, net of tax	—	—	—	<b>59</b>	—	<b>59</b>
Redemption value adjustment attributable to Class C and D units	—	<b>(979)</b>	—	—	—	<b>(979)</b>
Distributions	—	<b>(803)</b>	—	—	—	<b>(803)</b>
Sale of noncontrolling interest in subsidiary <i>(Note 6)</i>	—	<b>62</b>	—	—	<b>965</b>	<b>1,027</b>
Other	—	<b>11</b>	—	—	—	<b>11</b>
September 30, 2018	<b>(8,758)</b>	<b>1,347</b>	<b>2,565</b>	<b>(138)</b>	<b>965</b>	<b>(4,019)</b>

	General partner's capital deficit	Limited partners' capital - Enbridge Commercial Trust	Special interest rights	Accumulated other comprehensive loss	Noncontrolling interests	Total
<i>(unaudited; millions of Canadian dollars)</i>						
December 31, 2016	<b>(8,758)</b>	—	<b>2,565</b>	<b>(196)</b>	—	<b>(6,389)</b>
Earnings allocation	—	<b>608</b>	—	—	—	<b>608</b>
Other comprehensive income, net of tax	—	—	—	<b>4</b>	—	<b>4</b>
Redemption value adjustment attributable to Class C and D units	—	<b>1,127</b>	—	—	—	<b>1,127</b>
Distributions	—	<b>(661)</b>	—	—	—	<b>(661)</b>
September 30, 2017	<b>(8,758)</b>	<b>1,074</b>	<b>2,565</b>	<b>(192)</b>	—	<b>(5,311)</b>

See accompanying notes to the interim financial statements.

## ENBRIDGE INCOME PARTNERS LP CONSOLIDATED STATEMENTS OF CASH FLOWS

	Three months ended		Nine months ended	
	September 30,		September 30,	
	2018	2017	2018	2017
<i>(unaudited; millions of Canadian dollars)</i>				
<b>Operating activities</b>				
Earnings	695	565	1,459	1,515
Adjustments to reconcile earnings to net cash provided by operating activities:				
Depreciation and amortization	180	167	535	490
Deferred income tax (recovery)/expense	112	120	(201)	286
Changes in unrealized (gain)/loss on derivative instruments, net (Note 13)	(216)	(361)	339	(798)
Cash distributions in excess of/(less than) equity earnings	(15)	6	23	13
Asset impairment (Note 5)	—	—	108	—
Hedge ineffectiveness	(2)	(2)	(2)	(2)
Unrealized (gain)/loss on foreign intercompany loan	10	24	(5)	50
Other	(2)	(2)	11	4
Changes in operating assets and liabilities	117	(1)	188	139
<b>Net cash provided by operating activities</b>	<b>879</b>	<b>516</b>	<b>2,455</b>	<b>1,697</b>
<b>Investing activities</b>				
Capital expenditures	(416)	(253)	(970)	(998)
Joint venture financing	6	25	(7)	(16)
Long-term investments	29	—	29	1
Restricted long-term investments	(15)	(11)	(42)	(42)
Additions to intangible assets	—	—	—	(3)
Long-term receivable from affiliate	(10)	1	—	10
Affiliate loans, net	(195)	—	(195)	—
Other	12	—	12	—
<b>Net cash used in investing activities</b>	<b>(589)</b>	<b>(238)</b>	<b>(1,173)</b>	<b>(1,048)</b>
<b>Financing activities</b>				
Affiliate loans, net	(53)	9	(356)	491
Net change in commercial paper and credit facility draws	(685)	402	(220)	484
Debenture and term note repayments	(8)	—	(17)	(7)
Distributions to partners	(584)	(471)	(1,717)	(1,409)
Sale of noncontrolling interest in subsidiary (Note 6)	1,050	—	1,050	—
<b>Net cash used in financing activities</b>	<b>(280)</b>	<b>(60)</b>	<b>(1,260)</b>	<b>(441)</b>
Effect of translation of foreign denominated cash and cash equivalents	—	(2)	1	(3)
<b>Net increase in cash and cash equivalents</b>	<b>10</b>	<b>216</b>	<b>23</b>	<b>205</b>
Cash and cash equivalents at beginning of period	30	111	17	122
<b>Cash and cash equivalents at end of period</b>	<b>40</b>	<b>327</b>	<b>40</b>	<b>327</b>

See accompanying notes to the interim financial statements.

# ENBRIDGE INCOME PARTNERS LP

## CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	September 30, 2018	December 31, 2017
<i>(unaudited; millions of Canadian dollars)</i>		
<b>Assets</b>		
Current assets		
Cash and cash equivalents	40	17
Accounts receivable and other	543	525
Accounts receivable from affiliates	117	141
Loans to affiliates <i>(Note 15)</i>	212	3
	912	686
Property, plant and equipment, net	24,145	23,622
Long-term receivable from affiliate	717	710
Investment in affiliated company	514	514
Long-term investments	386	431
Restricted long-term investments	177	135
Deferred amounts and other assets	1,999	1,988
Intangible assets, net	101	107
Goodwill	29	29
Deferred income taxes	104	109
Asset held for sale <i>(Note 5)</i>	99	—
<b>Total assets</b>	<b>29,183</b>	<b>28,331</b>
<b>Liabilities and partners' capital</b>		
Current liabilities		
Accounts payable and other	1,289	914
Accounts payable to affiliates	336	314
Distributions payable to affiliates	235	188
Interest payable	75	62
Loans from affiliates <i>(Note 15)</i>	199	555
Current portion of long-term debt	319	327
	2,453	2,360
Long-term debt	5,900	6,132
Other long-term liabilities	1,804	1,425
Loans from affiliates <i>(Note 15)</i>	5,801	5,801
Deferred income taxes	2,290	2,327
	18,248	18,045
Contingencies		
Class C units <i>(Note 10)</i>	13,545	12,947
Class D units <i>(Note 10)</i>	934	557
Class E unit	475	475
	14,954	13,979
Partners' capital		
General partner's capital deficit	(8,758)	(8,758)
Limited partners' capital	1,347	2,697
Special interest rights	2,565	2,565
Accumulated other comprehensive loss <i>(Note 12)</i>	(138)	(197)
Total partners' capital	(4,984)	(3,693)
Noncontrolling interests	965	—
	(4,019)	(3,693)
<b>Total liabilities and partners' capital</b>	<b>29,183</b>	<b>28,331</b>

See accompanying notes to the interim financial statements.



# NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

*(unaudited)*

## 1. BASIS OF PRESENTATION

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

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

EIPLP is a member of the Fund Group, which also includes Enbridge Commercial Trust (ECT) and Enbridge Income Fund. The Fund Group is owned by Enbridge Inc. (Enbridge) and Enbridge Income Fund Holdings Inc. (ENF), a public company listed on the Toronto Stock Exchange. On September 18, 2018, ENF announced its entry into an arrangement agreement (the Arrangement Agreement) with respect to an arrangement (the Proposed Arrangement), pursuant to which Enbridge will acquire all of ENF's outstanding common shares not currently owned by Enbridge. Under the terms of the Arrangement Agreement, each ENF common share will be exchanged for 0.7350 (the Agreed Exchange Ratio) of an Enbridge common share and cash of not less than \$0.45 per ENF common share (the Cash Component). The Agreed Exchange Ratio represents an increase of 9.8% relative to the unaffected ENF exchange ratio on May 16, 2018, and 11.3% inclusive of the Cash Component. The Proposed Arrangement is part of Enbridge's sponsored vehicle restructuring initiative to simplify its corporate structure.

The completion of the Proposed Arrangement is subject to certain customary closing conditions, including (i) the approval by 66 2/3% of the votes cast by ENF's shareholders present in person or by proxy at a special shareholders meeting called for November 6, 2018 to consider the Proposed Arrangement; and (ii) by a majority of the votes cast by ENF's shareholders, present in person or by proxy at the special shareholders meeting, after excluding the votes cast by Enbridge, its affiliates and certain other related parties.

## **2. CHANGES IN ACCOUNTING POLICIES**

### **ADOPTION OF NEW STANDARDS**

#### **Clarifying Guidance on Derecognition and Partial Sales of Nonfinancial Assets**

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

#### **Simplifying Cash Flow Classification**

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

#### **Recognition and Measurement of Financial Assets and Liabilities**

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

#### **Revenue from Contracts with Customers**

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

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

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

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

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

- a. A reduction in contract assets, included within deferred amounts and other assets, of \$188 million at January 1, 2018;
- b. An increase in accounts payable and other (current deferred revenue) of \$58 million at January 1, 2018;
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- d. A reduction in partners' capital of \$179 million at January 1, 2018 to record the effect of the above items.

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

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

## **FUTURE ACCOUNTING POLICY CHANGES**

### **Amended Guidance on Cloud Computing Arrangements**

In August 2018, ASU 2018-15 was issued to provide guidance on the accounting for implementation costs incurred in a cloud computing arrangement (CCA) that is a service contract. The amendment aligns the accounting for costs incurred to implement a CCA that is a service arrangement with the guidance on capitalizing costs associated with developing or obtaining internal-use software. Additionally ASU 2018-15 specifies that an entity would apply ASC 350-40 to determine which implementation costs related to a hosting arrangement that is a service contract should be capitalized and which should be expensed. Furthermore, the amendments in the update require capitalized costs be amortized on a straight-line basis generally over the term of the arrangement and presented in the same income statement line as fees paid for the hosting service. The new standard also requires that the balance sheet presentation of capitalized implementation costs to be the same as that of the prepayment of fees related to the hosting arrangement, as well as similar consistency in classifications from a cash flow statement perspective. ASU 2018-15 is effective January 1, 2020 and early adoption is permitted. EIPLP is currently assessing the impact of the new standard on its consolidated financial statements.

### **Disclosure Effectiveness**

In August 2018, the Financial Accounting Standards Board issued amendments as a part of its disclosure framework project aimed to improve the effectiveness of disclosures in the notes to financial statements.

ASU 2018-13 was issued to modify the disclosure requirements in ASC 820, Fair Value Measurement. The amendments in ASU 2018-13 eliminate and modify some disclosures, while also adding new disclosures for fair value measurements. This update is effective January 1, 2020, however entities are permitted to early adopt the eliminated or modified disclosures. EIPLP is currently assessing the impact of the new standard on its consolidated financial statements.

## **Recognition of Leases**

ASU 2016-02 was issued in February 2016 with the intent to increase transparency and comparability among organizations. It requires lessees of operating lease arrangements to recognize lease assets and lease liabilities on the statement of financial position and disclose additional key information about lease agreements. The accounting update also replaces the current definition of a lease and requires that an arrangement be recognized as a lease when a customer has the right to obtain substantially all of the economic benefits from the use of an asset, as well as the right to direct the use of the asset. EIPLP will adopt the new standard on January 1, 2019 and EIPLP intends to apply the transition practical expedients offered in connection with this update. The election to apply the package of practical expedients allows an entity to not apply the new lease standard to the prior year comparative periods in the year of adoption. Application of the package of practical expedients also permits entities not to reassess a) whether any expired or existing contracts contain leases in accordance with the new guidance, b) lease classifications, and c) whether initial direct costs capitalized under ASC 840 continue to meet the definition of initial direct costs under the new guidance.

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

In July 2018, ASU 2018-11 was issued to address additional stakeholder concerns regarding the unanticipated costs and complexities associated with the modified retrospective transition method as well as the requirement for lessors to separate components of a contract. Under the new guidance, entities are provided with an additional transition method which allows entities to apply the new standard at the date of adoption and to elect not to recast comparative periods presented. This amendment also provides a practical expedient which allows lessors to combine associated lease and nonlease components within a contract when certain conditions are met. EIPLP intends to adopt the new transition option in connection with the adoption of the new lease requirements; however EIPLP continues to evaluate the lessor practical expedient to combine lease and nonlease components.

EIPLP is in the process of identifying existing lease contracts and performing detailed evaluations of its leases under the new accounting requirements. EIPLP believes the most significant change to its financial statements will be the recognition of lease liabilities and right-of-use assets in its consolidated statement of financial position for operating leases. EIPLP continues to assess the necessary changes to accounting and business processes in order to implement the recognition and disclosure requirements of the new lease standard.

### 3. REVENUES

#### REVENUE FROM CONTRACTS WITH CUSTOMERS

##### Major products and services

Three months ended September 30, 2018	Liquids Pipelines	Green Power	Consolidated
<i>(millions of Canadian dollars)</i>			
Transportation revenue <sup>1</sup>	1,087	—	1,087
Storage and other revenue <sup>2</sup>	25	—	25
Electricity sales <sup>3</sup>	—	66	66
Total revenue from contracts with customers <sup>4</sup>	1,112	66	1,178
Other revenue <sup>5</sup>	221	2	223
Total revenue	1,333	68	1,401

Nine months ended September 30, 2018	Liquids Pipelines	Green Power	Consolidated
<i>(millions of Canadian dollars)</i>			
Transportation revenue <sup>1</sup>	3,094	—	3,094
Storage and other revenue <sup>2</sup>	73	—	73
Electricity sales <sup>3</sup>	—	234	234
Total revenue from contracts with customers <sup>4</sup>	3,167	234	3,401
Other revenue <sup>5</sup>	(307)	7	(300)
Total revenue	2,860	241	3,101

<sup>1</sup> Performance obligation includes the transportation of crude oil.

<sup>2</sup> Performance obligation includes the storage of crude oil.

<sup>3</sup> Performance obligation includes the delivery of electricity from renewable energy generation facilities.

<sup>4</sup> Revenue from products and services transferred over time.

<sup>5</sup> Includes mark-to-market gain/(loss) from EIPLP's hedging program.

#### Contract balances

	Accounts Receivable	Contract Assets	Contract Liabilities
<i>(millions of Canadian dollars)</i>			
Balance at January 1, 2018	449	255	371
Balance at September 30, 2018	476	257	456

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

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

Contract liabilities primarily relate to make-up rights and deferred revenues. Revenue recognized during the three and nine months ended September 30, 2018 relating to make-up rights and deferred revenues that existed at December 31, 2017 was \$16 million and \$40 million, respectively. Increases in contract liabilities from cash received, net of amounts recognized as revenue during the three and nine months ended September 30, 2018 were \$39 million and \$125 million, respectively.

### **Revenue to be recognized from unfulfilled performance obligations**

The total revenue from performance obligations expected to be fulfilled in future periods is \$15.8 billion, of which \$0.3 billion and \$1.1 billion is expected to be recognized during the remaining three months of the year ending December 31, 2018 and the year ending December 31, 2019, respectively.

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

### **SIGNIFICANT JUDGMENTS MADE IN RECOGNIZING REVENUE**

#### **Long-term transportation agreements**

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

#### **Estimates of variable consideration**

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

#### **Recognition and measurement of revenue**

##### **Performance obligations satisfied over time**

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

##### **Determination of tolls**

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

## 4. SEGMENTED INFORMATION

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

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

<b>Three months ended September 30, 2018</b>	Liquids Pipelines	Gas Pipelines	Green Power	Eliminations and Other	Consolidated
<i>(millions of Canadian dollars)</i>					
Revenues	1,333	—	68	—	1,401
Operating and administrative	(328)	—	(16)	—	(344)
	1,005	—	52	—	1,057
Income from equity investments	—	53	—	—	53
Other income	13	—	1	4	18
Earnings before interest and income taxes and depreciation and amortization	1,018	53	53	4	1,128
Depreciation and amortization					(180)
Interest expense					(110)
Income tax expense					(143)
Special interest rights distributions					(134)
Earnings attributable to general and limited partners					561
Capital expenditures	416	—	—	—	416
<b>Three months ended September 30, 2017</b>					
<i>(millions of Canadian dollars)</i>					
Revenues	1,157	—	66	—	1,223
Operating and administrative	(293)	—	(17)	(1)	(311)
Environmental costs, net of recoveries	2	—	—	—	2
	866	—	49	(1)	914
Income/(loss) from equity investments	—	49	(1)	—	48
Other income/(loss)	24	2	1	(11)	16
Earnings before interest and income taxes and depreciation and amortization	890	51	49	(12)	978
Depreciation and amortization					(167)
Interest expense					(107)
Income tax expense					(139)
Special interest rights distributions					(78)
Earnings attributable to general and limited partners					487
Capital expenditures	251	—	2	—	253
<b>Nine months ended September 30, 2018</b>					
<i>(millions of Canadian dollars)</i>					
Revenues	2,860	—	241	—	3,101
Operating and administrative	(931)	—	(37)	—	(968)
Environmental costs, net of recoveries	10	—	—	—	10
Asset impairment	(108)	—	—	—	(108)
	1,831	—	204	—	2,035
Income/(loss) from equity investments	—	172	(20)	—	152
Other income/(loss)	17	(1)	1	47	64
Earnings before interest and income taxes and depreciation and amortization	1,848	171	185	47	2,251
Depreciation and amortization					(535)
Interest expense					(341)
Income tax recovery					84
Special interest rights distributions					(400)
Earnings attributable to general and limited partners					1,059
Capital expenditures	966	—	4	—	970

Nine months ended September 30, 2017 <i>(millions of Canadian dollars)</i>	Liquids Pipelines	Gas Pipelines	Green Power	Eliminations and Other	Consolidated
Revenues	3,114	—	234	—	3,348
Operating and administrative	(854)	—	(47)	(5)	(906)
Environmental costs, net of recoveries	6	—	—	—	6
	2,266	—	187	(5)	2,448
Income from equity investments	—	152	—	—	152
Other income/(expense)	55	4	1	(12)	48
Earnings/(loss) before interest and income taxes and depreciation and amortization	2,321	156	188	(17)	2,648
Depreciation and amortization					(490)
Interest expense					(308)
Income tax expense					(335)
Special interest rights distributions					(234)
Earnings attributable to general and limited partners					1,281
Capital expenditures	993	—	5	—	998

## TOTAL ASSETS

<i>(millions of Canadian dollars)</i>	September 30, 2018	December 31, 2017
Liquids Pipelines	25,800	25,061
Gas Pipelines	364	386
Green Power	2,072	2,156
Eliminations and Other	947	728
	29,183	28,331

## 5. ASSET HELD FOR SALE

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

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

## 6. DISPOSITION

On August 1, 2018, EIPLP sold a 49% interest in wind and solar facilities included within its Green Power segment (the Renewable Assets) to the Canada Pension Plan Investment Board (CPPIB) for cash consideration of approximately \$1,050 million and retained a 51% interest.

To facilitate the sale, on August 1, 2018, EIPLP's wholly-owned subsidiaries transferred the Renewable Assets to the newly formed partnership, Enbridge Canadian Renewable LP (ECRLP). Subsequently, a 49% interest in ECRLP and the newly formed general partner, Enbridge Canadian Renewable GP (ECRGP), was sold to CPPIB. During the nine months ended September 30, 2018, a deferred income tax recovery of \$267 million was recorded as a result of the sale (*Note 14*).



Following the Renewable Assets transaction, EIPLP maintains a controlling interest and therefore consolidates ECRLP and recognizes a noncontrolling interest to reflect the interest not held by EIPLP. As control was maintained, the gain of \$62 million was recorded directly to Limited partners' capital within the Consolidated Statements of Partners' Capital.

## 7. LONG-TERM INVESTMENTS

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

## 8. VARIABLE INTEREST ENTITY

### Enbridge Canadian Renewable LP

ECRLP is a subsidiary owned 46.18% by Enbridge Pipelines Inc. (EPI), 4.81% by Enbridge Income Partners Holdings Inc. (EIPHI), 49% by CPPIB and 0.01% by ECRGP. ECRLP operates 14 renewable assets; 11 wind and three solar facilities. The majority of this renewable asset portfolio is underpinned by unit contingent and fixed profile power purchase agreements. Enbridge manages, operates and provides administrative services for the renewable assets. ECRLP is considered a variable interest entity (VIE) as its limited partners lack substantive kick-out rights and participating rights. EIPLP consolidates the VIE because it holds a controlling financial interest in EPI, the primary beneficiary of the VIE.

As at September 30, 2018, the carrying amounts of total assets and total liabilities of ECRLP on EIPLP's Consolidated Statements of Financial Position were \$2,058 million and \$84 million, respectively. The creditors of ECRLP do not have recourse to EIPLP's general credit, other than through nominal assets of the holding company with the general partnership interest. EIPLP did not provide any additional financial support to ECRLP during the nine months ended September 30, 2018.

## 9. DEBT

### CREDIT FACILITY

	Maturity	September 30, 2018		
		Total Facility	Draws <sup>1</sup>	Available
<i>(millions of Canadian dollars)</i> Enbridge Pipelines Inc.	2020	3,000	1,214	1,786

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

The credit facility serves as a back-stop to the commercial paper program and EIPLP's subsidiary, EPI, has the option to extend the facility, which is currently set to mature in 2020.

As at September 30, 2018, commercial paper and credit facility draws of \$1,214 million (December 31, 2017 - \$1,438 million) were supported by the availability of a long-term committed credit facility and therefore have been classified as long-term debt.

### DEBT COVENANTS

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

## 10. PARTNERS' CAPITAL

### EXCHANGEABLE UNITS

#### Class C Units

	2018		2017	
	Number of Units	Amount	Number of Units	Amount
Nine months ended September 30, <i>(millions of Canadian dollars; number of units in millions)</i>				
Balance at beginning of period	443	12,947	443	15,104
Earnings allocation	—	521	—	649
Class C unit distribution	—	(851)	—	(714)
	443	12,617	443	15,039
Fair market value adjustment	—	928	—	(1,087)
Balance at end of period	443	13,545	443	13,952

#### Class D Units

	2018		2017	
	Number of Units	Amount	Number of Units	Amount
Nine months ended September 30, <i>(millions of Canadian dollars; number of units in millions)</i>				
Balance at beginning of period	19	557	10	341
Class D units issued <sup>1</sup>	10	339	6	219
Earnings allocation	—	36	—	24
Class D unit distribution	2	(49)	1	(22)
	31	883	17	562
Fair market value adjustment	—	51	—	(40)
Balance at end of period	31	934	17	522

<sup>1</sup> Class D units issued on payment of Temporary Performance Distribution Right distributions.

## 11. NONCONTROLLING INTERESTS

On August 1, 2018, EIPLP sold a 49% interest in its Renewable Assets to CPPIB for cash consideration of approximately \$1,050 million. EIPLP maintains a controlling interest and therefore consolidates the Renewable Assets and recognizes a noncontrolling interest to reflect the interest that EIPLP does not hold. For the three months ended September 30, 2018, CPPIB's distributions and allocation of earnings were not proportionate to its ownership.

## 12. COMPONENTS OF ACCUMULATED OTHER COMPREHENSIVE LOSS

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

	Cash Flow Hedges	Cumulative Translation Adjustment	Other	Total
<i>(millions of Canadian dollars)</i>				
Balance at January 1, 2018	(230)	33	—	(197)
Other comprehensive income retained in AOCI	58	18	(11)	65
Other comprehensive (income)/loss reclassified to earnings				
Interest rate contracts <sup>1</sup>	15	—	—	15
Commodity contracts <sup>2</sup>	(1)	—	—	(1)
Foreign exchange contracts <sup>3</sup>	(1)	—	—	(1)
	71	18	(11)	78
Tax impact				
Income tax on amounts retained in AOCI	(14)	—	—	(14)
Income tax on amounts reclassified to earnings	(5)	—	—	(5)
	(19)	—	—	(19)
Balance at September 30, 2018	(178)	51	(11)	(138)

	Cash Flow Hedges	Cumulative Translation Adjustment	Total	
<i>(millions of Canadian dollars)</i>				
Balance at January 1, 2017		(269)	73	(196)
Other comprehensive income/(loss) retained in AOCI		56	(42)	14
Other comprehensive (income)/loss reclassified to earnings				
Interest rate contracts <sup>1</sup>		15	—	15
Commodity contracts <sup>2</sup>		(6)	—	(6)
		65	(42)	23
Tax impact				
Income tax on amounts retained in AOCI		(16)	—	(16)
Income tax on amounts reclassified to earnings		(3)	—	(3)
		(19)	—	(19)
Balance at September 30, 2017		(223)	31	(192)

<sup>1</sup> Reported within Interest expense in the Consolidated Statements of Earnings.

<sup>2</sup> Reported within Electricity sales in the Consolidated Statements of Earnings.

<sup>3</sup> Reported within Other income/(expense) in the Consolidated Statements of Earnings.

## 13. RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

### MARKET RISK

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

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

### Foreign Exchange Risk

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

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

### **Interest Rate Risk**

EIPLP's earnings, cash flows and OCI are exposed to short-term interest rate variability due to the regular repricing of its variable rate debt, primarily commercial paper. Pay fixed-receive floating interest rate swaps are used to hedge against the effect of future interest rate movements. EIPLP has implemented a program to significantly mitigate the volatility of short-term interest rates on interest expense via execution of floating to fixed rate interest rate swaps with an average swap rate of 2.9%.

EIPLP's earnings, cash flows and OCI are also exposed to variability in longer term interest rates ahead of anticipated fixed rate debt issuances. Forward starting interest rate swaps are used to hedge against the effect of future interest rate movements. EIPLP has implemented a program to significantly mitigate its exposure to long-term interest rate variability on select forecast term debt issuances via execution of floating to fixed rate interest rate swaps with an average swap rate of 3.0%.

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

### **Commodity Price Risk**

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

### **TOTAL DERIVATIVE INSTRUMENTS**

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

EIPLP generally has a policy of entering into individual International Swaps and Derivatives Association, Inc. agreements, or other similar derivative agreements, with the majority of its financial derivative counterparties. These agreements provide for the net settlement of derivative instruments outstanding with specific counterparties in the event of bankruptcy or other significant credit event, and would reduce EIPLP's credit risk exposure on financial derivative asset positions outstanding with the counterparties in these particular circumstances. The following table also summarizes the maximum potential settlement in the event of these specific circumstances. All amounts are presented gross in the Consolidated Statements of Financial Position.

<b>September 30, 2018</b>	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
<i>(millions of Canadian dollars)</i>					
Accounts receivable and other					
Foreign exchange contracts	—	25	25	(19)	6
Interest rate contracts	4	—	4	(4)	—
Commodity contracts	1	—	1	(1)	—
	5	25	30 <sup>1</sup>	(24)	6
Deferred amounts and other assets					
Foreign exchange contracts	—	10	10	—	10
Interest rate contracts	10	—	10	(1)	9
Commodity contracts	19	—	19	(19)	—
	29	10	39	(20)	19
Accounts payable and other					
Foreign exchange contracts	—	(193)	(193)	19	(174)
Interest rate contracts	(48)	—	(48)	4	(44)
Commodity contracts	—	(39)	(39)	1	(38)
	(48)	(232)	(280) <sup>2</sup>	24	(256)
Other long-term liabilities					
Foreign exchange contracts	—	(1,108)	(1,108)	—	(1,108)
Interest rate contracts	(6)	—	(6)	1	(5)
Commodity contracts	—	(105)	(105)	19	(86)
	(6)	(1,213)	(1,219)	20	(1,199)
Total net derivative asset/(liability)					
Foreign exchange contracts	—	(1,266)	(1,266)	—	(1,266)
Interest rate contracts	(40)	—	(40)	—	(40)
Commodity contracts	20	(144)	(124)	—	(124)
	(20)	(1,410)	(1,430)	—	(1,430)

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

<sup>1</sup> Reported within Accounts receivable and other (2018 - \$6 million; December 31, 2017 - \$7 million) and Accounts receivable from affiliates (2018 - \$24 million; December 31, 2017 - \$78 million) on the Consolidated Statements of Financial Position.

<sup>2</sup> Reported within Accounts payable and other (2018 - \$38 million; December 31, 2017 - \$41 million) and Accounts payable to affiliates (2018 - \$242 million; December 31, 2017 - \$221 million) on the Consolidated Statements of Financial Position.

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

September 30, 2018	2018	2019	2020	2021	2022	Thereafter
Interest rate contracts - short-term borrowings ( <i>millions of Canadian dollars</i> )	318	561	334	38	25	166
Interest rate contracts - long-term debt ( <i>millions of Canadian dollars</i> )	1,170	400	125	—	—	—
Foreign exchange contracts - United States dollar forwards - sell ( <i>millions of United States dollars</i> )	856	1,807	2,060	1,687	1,675	3,489
Foreign exchange contracts - United States dollar forwards - purchase ( <i>millions of United States dollars</i> )	372	2	1	—	—	—
Commodity contracts - crude oil ( <i>millions of barrels</i> )	—	(1)	—	—	—	—
Commodity contracts - power ( <i>megawatt hours (MW/H)</i> ) <sup>1</sup>	25	31	35	(3)	(43)	(43)

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

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

## The Effect of Derivative Instruments on the Statements of Earnings and Comprehensive Income

The following table presents the effect of cash flow hedges on EIPLP's consolidated earnings and consolidated comprehensive income, before the effect of income taxes:

	Three months ended		Nine months ended	
	September 30,		September 30,	
	2018	2017	2018	2017
<i>(millions of Canadian dollars)</i>				
Amount of unrealized gain/(loss) recognized in OCI				
Cash flow hedges				
Foreign exchange contracts	—	(1)	(1)	(1)
Interest rate contracts	46	36	58	39
Commodity contracts	4	4	1	16
	50	39	58	54
Amount of (gain)/loss reclassified from AOCI to earnings				
<i>(effective portion)</i>				
Interest rate contracts <sup>1</sup>	5	7	16	19
Commodity contracts <sup>2</sup>	—	(2)	(1)	(6)
	5	5	15	13
Amount of gain reclassified from AOCI to earnings				
<i>(ineffective portion and amount excluded from effectiveness testing)</i>				
Interest rate contracts <sup>1</sup>	(2)	(2)	(2)	(2)
	(2)	(2)	(2)	(2)

<sup>1</sup> Reported within Interest expense in the Consolidated Statements of Earnings.

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

EIPLP estimates that nil of AOCI related to cash flow hedges will be reclassified to earnings in the next 12 months. Actual amounts reclassified to earnings depend on the foreign exchange rates, interest rates and commodity prices in effect when derivative contracts that are currently outstanding mature. For all forecasted transactions, the maximum term over which EIPLP is hedging exposures to the variability of cash flows is 27 months at September 30, 2018.

## Non-Qualifying Derivatives

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

	Three months ended		Nine months ended	
	September 30,		September 30,	
	2018	2017	2018	2017
<i>(millions of Canadian dollars)</i>				
Foreign exchange contracts <sup>1</sup>	219	357	(350)	771
Commodity contracts <sup>2</sup>	(3)	4	11	27
Total unrealized derivative fair value gain/(loss)	216	361	(339)	798

<sup>1</sup> For the respective nine months ended period, reported within Transportation and other services revenues (2018 - \$349 million loss; 2017 - \$725 million gain) and Other income/(expense) (2018 - \$1 million loss; 2017 - \$46 million gain) in the Consolidated Statements of Earnings.

<sup>2</sup> For the respective nine months ended period, reported within Transportation and other services revenues (2018 - \$9 million loss; 2017 - \$1 million gain), Electricity sales revenues (2018 - \$5 million gain; 2017 - \$4 million gain) and Operating and administrative expense (2018 - \$15 million gain; 2017 - \$22 million gain) in the Consolidated Statements of Earnings.

## LIQUIDITY RISK

Liquidity risk is the risk EIPLP will not be able to meet its financial obligations, including commitments and guarantees, as they become due. In order to manage this risk, EIPLP forecasts cash requirements over the near and long term to determine whether sufficient funds will be available when required. EIPLP generates cash from operations, commercial paper issuances and credit facility draws, through the

periodic issuance of public term debt and issuance of units to its partners. Additionally, to ensure ongoing liquidity and to mitigate the risk of market disruption, EIPLP maintains a committed bank credit facility. EIPLP actively manages its bank funding sources to optimize pricing and other terms. Additional liquidity, if necessary, is expected to be available through intercompany transactions with Enbridge or other related entities.

## CREDIT RISK

Entering into derivative instruments may result in exposure to credit risk. Credit risk arises from the possibility that a counterparty will default on its contractual obligations. In order to mitigate this risk, EIPLP enters into risk management transactions primarily with institutions that possess investment grade credit ratings. Credit risk relating to derivative counterparties is mitigated by credit exposure limits and contractual requirements, netting arrangements and ongoing monitoring of counterparty credit exposure using external credit rating services and other analytical tools.

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

	September 30, 2018	December 31, 2017
<i>(millions of Canadian dollars)</i>		
Canadian financial institutions	5	8
United States financial institutions	8	—
European financial institutions	10	17
Other <sup>1</sup>	5	9
	<b>28</b>	<b>34</b>

<sup>1</sup> Other is comprised of primarily Enbridge and its affiliates.

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

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

## FAIR VALUE MEASUREMENTS

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

## FAIR VALUE OF FINANCIAL INSTRUMENTS

EIPLP categorizes its derivative instruments measured at fair value into one of three different levels depending on the observability of the inputs employed in the measurement.

### Level 1

Level 1 includes derivatives measured at fair value based on unadjusted quoted prices for identical assets and liabilities in active markets that are accessible at the measurement date. An active market for a derivative is considered to be a market where transactions occur with sufficient frequency and volume to provide pricing information on an ongoing basis. EIPLP does not have any financial instruments valued using Level 1 inputs.



**Level 2**

Level 2 includes derivative valuations determined using directly or indirectly observable inputs other than quoted prices included within Level 1. Derivatives in this category are valued using models or other industry standard valuation techniques derived from observable market data. Such valuation techniques include inputs such as quoted forward prices, time value, volatility factors and broker quotes that can be observed or corroborated in the market for the entire duration of the derivative. Derivatives valued using Level 2 inputs include non-exchange traded derivatives such as over-the-counter foreign exchange forward contracts and interest rate swaps for which observable inputs can be obtained.

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

**Level 3**

Level 3 includes derivative valuations based on inputs which are less observable, unavailable or where the observable data does not support a significant portion of the derivatives' fair value. Generally, Level 3 derivatives are longer dated transactions, occur in less active markets, occur at locations where pricing information is not available or have no binding broker quote to support Level 2 classification. EIPLP has developed methodologies, benchmarked against industry standards, to determine fair value for these derivatives based on extrapolation of observable future prices and rates. Derivatives valued using Level 3 inputs include long-dated derivative power contracts, basis swaps, commodity swaps, power and energy swaps and options.

EIPLP uses the most observable inputs available to estimate the fair value of its derivatives. When possible, EIPLP estimates the fair value of its derivatives based on quoted market prices. If quoted market prices are not available, EIPLP uses estimates from third party brokers. For non-exchange traded derivatives classified in Levels 2 and 3, EIPLP uses standard valuation techniques to calculate the estimated fair value. These methods include discounted cash flows for forwards and swaps and Black-Scholes-Merton pricing models for options. Depending on the type of derivative and nature of the underlying risk, EIPLP uses observable market prices 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:

<b>September 30, 2018</b>	Level 1	Level 2	Level 3	Total Gross Derivative Instruments
<i>(millions of Canadian dollars)</i>				
<b>Financial assets</b>				
Current derivative assets				
Foreign exchange contracts	—	25	—	25
Interest rate contracts	—	4	—	4
Commodity contracts	—	—	1	1
	—	29	1	30
Long-term derivative assets				
Foreign exchange contracts	—	10	—	10
Interest rate contracts	—	10	—	10
Commodity contracts	—	—	19	19
	—	20	19	39
<b>Financial liabilities</b>				
Current derivative liabilities				
Foreign exchange contracts	—	(193)	—	(193)
Interest rate contracts	—	(48)	—	(48)
Commodity contracts	—	(12)	(27)	(39)
	—	(253)	(27)	(280)
Long-term derivative liabilities				
Foreign exchange contracts	—	(1,108)	—	(1,108)
Interest rate contracts	—	(6)	—	(6)
Commodity contracts	—	(3)	(102)	(105)
	—	(1,117)	(102)	(1,219)
<b>Total net financial liability</b>				
Foreign exchange contracts	—	(1,266)	—	(1,266)
Interest rate contracts	—	(40)	—	(40)
Commodity contracts	—	(15)	(109)	(124)
	—	(1,321)	(109)	(1,430)

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

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

<b>September 30, 2018</b>	Fair Value	Unobservable Input	Minimum Price	Maximum Price	Weighted Average Price	Unit of Measurement
<i>(fair value in millions of Canadian dollars)</i>						
Commodity contracts - financial <sup>1</sup>						
Power	(109)	Forward power price	36.39	64.00	50.37	\$/MW/H

<sup>1</sup> Financial forward commodity contracts are valued using a market approach valuation technique.

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

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

	Nine months ended September 30,	
	2018	2017
<i>(millions of Canadian dollars)</i>		
Level 3 net derivative liability at beginning of period	(130)	(181)
Total gain/(loss), unrealized		
Included in earnings <sup>1</sup>	21	26
Included in OCI	—	10
<b>Level 3 net derivative liability at end of period</b>	<b>(109)</b>	<b>(145)</b>

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

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

#### **Fair Value of Other Financial Instruments**

EIPLP had Restricted long-term investments held in trust totaling \$177 million as at September 30, 2018 (December 31, 2017 - \$135 million) which are recognized at fair value.

At September 30, 2018, EIPLP's long-term debt had a carrying value of \$6,236 million (December 31, 2017 - \$6,476 million) before debt issuance costs and a fair value of \$6,486 million (December 31, 2017 - \$6,942 million).

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

EIPLP holds Class A units of certain Enbridge subsidiaries which provide defined, scheduled and fixed distributions that represent the equity cash flows derived from the core rate base of the United States portion of Southern Lights Pipeline until June 30, 2040. At September 30, 2018, EIPLP's investment had a carrying value of \$738 million (December 31, 2017 - \$729 million) included in Long-term receivable from affiliate on the Consolidated Statements of Financial Position and a fair value of \$668 million (December 31, 2017 - \$658 million).

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

## **14. INCOME TAXES**

The effective income tax rates for the three and nine months ended September 30, 2018 were an expense of 17.1% and a recovery of 6.1%, respectively (2017 - expense of 19.7% and 18.1%, respectively). The period-over-period decrease in the effective income tax rate for the three months ended September 30, 2018 is primarily due to the effects of rate-regulated accounting for income taxes and other permanent items relative to the increase in earnings. The period-over-period decrease in the effective income tax rate for the nine months ended September 30, 2018 is substantially related to a recovery related to a change in assertion for the investment in renewable energy generation assets due to the sale which resulted in the recognition of previously unrecognized tax basis (*Note 6*).

## 15. RELATED PARTY TRANSACTIONS

### LOANS TO AFFILIATES

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

	Maturity	September 30, 2018		December 31, 2017	
		Weighted Average Interest Rate	Amount	Weighted Average Interest Rate	Amount
<i>(in millions of Canadian dollars)</i>					
ECT	Current	2.9%	209	—	—
Affiliate	Current	6.0%	3	6.0%	3
			212		3

### LOANS FROM AFFILIATES

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

	Maturity	September 30, 2018		December 31, 2017	
		Weighted Average Interest Rate	Amount	Weighted Average Interest Rate	Amount
<i>(in millions of Canadian dollars)</i>					
Enbridge	2020-2064	4.5%	4,191	4.5%	4,191
Enbridge	2025	4.0%	124	4.0%	124
Enbridge	Current	—	58	—	57
ENF	Current	4.3%	141	4.3%	72
ECT	Current	—	—	2.4%	426
ECT	2020	7.1%	100	7.1%	100
Enbridge	2045	4.0%	734	4.0%	734
Enbridge	2045	4.0%	652	4.0%	652
			6,000		6,356
Current portion of loans from affiliates			(199)		(555)
			5,801		5,801

## 16. CONTINGENCIES

### LITIGATION

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