

April 23, 2021

**E-FILED**

Canada Energy Regulator  
Suite 210, 517 – 10<sup>th</sup> Avenue SW  
Calgary, AB  
T2R 0A8

**Attention: Mr. Jean-Denis Charlebois, Secretary of the Commission of the Canada Energy Regulator**

Dear Mr. Charlebois;

**Re: Land Matters Consultation Initiative – MH-001-2013 Reasons for Decision Enbridge Pipelines Inc., Enbridge Pipelines (NW) Inc., Southern Lights GP Inc. on behalf of Enbridge Southern Lights LP, Enbridge Bakken Pipeline Company Inc. on behalf of Enbridge Bakken Pipeline Limited Partnership, Express Pipeline Ltd., Niagara Gas Transmission Limited, 2193914 Canada Limited, and Vector Pipeline Limited on behalf of Vector Pipeline Limited Partnership (together, the “Enbridge Entities”)  
Audited Financial Statements and Appendix XV Reporting forms**

Pursuant to the National Energy Board (“NEB”) MH-001-2013 Reasons for Decision (“MH-001-2013”), please find enclosed for filing the 2020 audited financial statements for each of the following pipeline abandonment trusts:

- Enbridge Pipelines Inc. Abandonment Trust;
- Enbridge Pipelines (NW) Inc. Abandonment Trust;
- Enbridge Southern Lights LP Abandonment Trust;
- Enbridge Bakken Pipeline Limited Partnership Abandonment Trust;
- Express Pipeline Ltd. Abandonment Trust;
- Niagara Gas Transmission Limited Abandonment Trust;
- 2193914 Canada Limited Pipeline Abandonment Trust; and
- Vector Pipeline Limited Partnership Abandonment Trust.

In addition, pursuant to MH-001-2013 and the NEB letter dated March 31, 2021 please find enclosed for filing the following 2020 Appendix XV reporting forms:

- Enbridge Pipelines Inc. – The Canadian Mainline System (including Line 8);
- Enbridge Pipelines Inc. – Line 9;
- Enbridge Pipelines (NW) Inc.;
- Enbridge Southern Lights GP Inc. on behalf of Enbridge Southern Lights LP;
- Enbridge Bakken Pipeline Company Inc. on behalf of Enbridge Bakken Pipeline Limited Partnership;

- Express Pipeline Ltd.;
- Niagara Gas Transmission Limited;
- 2193914 Canada Limited; and
- Vector Pipeline Limited on behalf of Vector Pipeline Limited Partnership.

The Enbridge Entities will be making the financial information attached to this letter publicly available by posting the information to their websites by May 15, 2021. Interested parties and landowners will (if they have not already been) be advised of where to locate that information.

If you have any questions regarding this filing, please contact the writer at (780) 420-5353 or [michael.hrynchyshyn@enbridge.com](mailto:michael.hrynchyshyn@enbridge.com).

Sincerely,

*/Michael J. Hrynchyshyn/\**

Michael J. Hrynchyshyn  
Director Regulatory Strategy and Compliance

\* - Original signed letter on file with Enbridge

Attachments

# **Vector Pipelines Abandonment Trust**

Financial Statements

**December 31, 2020**

(in thousands of Canadian dollars)



## Independent auditor's report

To the Sponsor and Trustee of Vector Pipelines Abandonment Trust

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### Our opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the net assets of Vector Pipelines Abandonment Trust (the Trust) as at December 31, 2020 and 2019, and the results of its operations and changes in net assets for the years then ended in accordance with accounting principles generally accepted in the United States of America (US GAAP).

#### What we have audited

The Trust's financial statements comprise:

- the statements of net assets as at December 31, 2020 and 2019;
- the statements of operations and changes in net assets for the years then ended;
- the notes to the financial statements, which include significant accounting policies and other explanatory information.

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### Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report.

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

#### Independence

We are independent of the Trust in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

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### Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with US GAAP, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

PricewaterhouseCoopers LLP  
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In preparing the financial statements, management is responsible for assessing the Trust's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Trust or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Trust's financial reporting process.

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### **Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Trust's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Trust's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Trust to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.



We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

**/s/PricewaterhouseCoopers LLP**

Chartered Professional Accountants

Calgary, Alberta

April 13, 2021

# Vector Pipelines Abandonment Trust

## Statements of Net Assets

As at December 31, 2020 and December 31, 2019

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(in thousands of Canadian dollars)

	<b>2020</b>	<b>2019</b>
	\$	\$
<b>Assets</b>		
<b>Cash</b>	69	4
<b>Contributions receivable</b>	-	24
<b>Interest receivable</b>	2	2
<b>Investments</b> – at fair value (cost was \$1,015 and \$836 as at December 31, 2020 and 2019, respectively) (note 5)	1,118	862
	<u>1,189</u>	<u>892</u>
<b>Liabilities</b>		
<b>Payables and accrued liabilities</b> (note 6)	35	30
<b>Income taxes payable</b> (note 8)	2	-
<b>Deferred income tax liabilities</b> (note 8)	11	2
	<u>48</u>	<u>32</u>
<b>Net Assets</b>	<u>1,141</u>	<u>860</u>

### On Behalf of the Trust

/s/ Jantina Oosterhuis

Trustee

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

**Vector Pipelines Abandonment Trust**  
**Statements of Operations and Changes in Net Assets**  
**For the years ended December 31, 2020 and December 31, 2019**

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(in thousands of Canadian dollars)

	<b>2020</b>	<b>2019</b>
	\$	\$
<b>Investment income</b>		
Interest income	25	22
Change in fair value of investments		
Realized gain	1	2
Unrealized gain	85	28
	<u>111</u>	<u>52</u>
<b>Administration expenses</b>		
Trustee and investment management	-	12
Audit and accounting	9	13
	<u>9</u>	<u>25</u>
<b>Earnings before income taxes</b>	102	27
<b>Income tax expense</b> (note 8)	<u>12</u>	<u>3</u>
<b>Earnings resulting from operations</b>	90	24
<b>Contributions</b>	<u>191</u>	<u>193</u>
<b>Changes in net assets during the year</b>	281	217
<b>Net assets – Beginning of year</b>	<u>860</u>	<u>643</u>
<b>Net assets – End of year</b>	<u>1,141</u>	<u>860</u>

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



# Vector Pipelines Abandonment Trust

## Notes to Financial Statements

December 31, 2020

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(in thousands of Canadian dollars)

### 1 Description of the Trust

Vector Pipelines Abandonment Trust (the Trust) is a Qualifying Environmental Trust established by Vector Pipeline Limited Partnership (Vector) (the Sponsor), also known as the Beneficiary, as per the Income Tax Act (Canada), to collect from shippers and set aside funds and invest such funds to cover estimated future pipeline abandonment costs. This is a requirement for all Canada Energy Regulator (CER) regulated Canadian pipelines. The Trust is set up in accordance with CER's regulatory order MH-001-2013 Reasons for Decision dated May 29, 2014. The Trust is governed by its Trust Indenture (Trust Agreement) dated January 20, 2015 and it commenced operations on January 1, 2015 with no specific term to continue until terminated with the approval of the CER.

The Trust assets are managed by investment managers in accordance with the Trust's Statement of Investment Policies and Procedures (SIPP).

The Canadian Imperial Bank of Commerce was the trustee and administrator of the Trust for 2019. On December 19, 2019, the CER approved the Sponsor's application to appoint The Bank of Nova Scotia Trust Company as the trustee for the Trust and The Bank of Nova Scotia Trust Company took custody of the Trust's assets in January 2020.

### 2 Summary of significant accounting policies

#### Basis of presentation

These financial statements are prepared in conformity with accounting principles generally accepted in the United States of America (US GAAP). The Trust is considered to be an investment company under US GAAP and follows the accounting and reporting guidance applicable to investment companies in the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 946, Financial Services – Investment Companies (ASC 946).

#### Investment transactions and related investment income

Investment transactions are accounted for on a trade date basis. Realized gains and losses and movements in unrealized gains and losses are recognized in the statement of operations and changes in net assets and determined on an average cost basis.

Interest income is recorded on the accrual basis.

#### Realized gains or losses on sale of investments

The realized gains or losses on sale of investments is the difference between the net proceeds received and the average cost of the investment sold.

# Vector Pipelines Abandonment Trust

## Notes to Financial Statements

December 31, 2020

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(in thousands of Canadian dollars)

### **Financial instruments measured at fair value**

The Trust's cash and investments are classified as financial instruments that are measured at fair value. Fair value is defined as the price that would be received to sell an asset or paid to settle a liability in a transaction between market participants at the measurement date. Transactions that have not been settled are reflected in the statement of net assets as receivables or payables and accrued liabilities. Changes in fair value are recognized in the Trust's statement of operations and changes in net assets.

### **Contributions receivable**

Contributions receivable are recorded to the extent that either services, on which abandonment charges are applied, have been rendered by the Sponsor or amounts are otherwise due and receivable from the Sponsor pursuant to the Trust Agreement.

### **Receivables and payables**

All of the Trust's receivables and payables and accrued liabilities are measured at cost and approximate their fair value due to the short period to maturity.

### **Withdrawal payments**

Distributions or payments from the Trust to a Beneficiary for the reclamation obligation are restricted to the CER's written approval.

### **Use of estimates**

The preparation of financial statements in accordance with US GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of income and expenses during the reporting period. Actual results could differ from those estimates.

### **Taxation**

The liability method of accounting for income tax is followed. Deferred income tax assets and liabilities are recorded based on temporary differences between the tax bases of the assets and liabilities and their carrying value for accounting purposes. Deferred income tax assets and liabilities are measured using the tax rate that is expected to apply when the temporary differences reverse. Any interest and or penalties incurred related to income tax is reflected in income tax. The Trust meets the requirements of a Qualifying Environmental Trust as defined in the Income Tax Act (Canada).

# Vector Pipelines Abandonment Trust

Notes to Financial Statements

December 31, 2020

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(in thousands of Canadian dollars)

## 3 Changes in accounting policies

### Disclosure effectiveness

Effective January 1, 2020, the Trust adopted Accounting Standards Update (ASU) 2018-13 on both a retrospective and prospective basis depending on the change. The new standard was issued to improve the disclosure requirements for fair value measurements by eliminating and modifying some disclosure requirements, while also adding new. The adoption of this ASU did not have a material impact on the Trust's financial statements.

### Accounting for credit losses

Effective January 1, 2020, the Trust adopted ASU 2016-13 on a modified retrospective basis. The accounting update adds a new impairment model, known as the current expected credit loss model, which is based on expected losses rather than incurred losses. Under the new guidance, an entity recognizes as an allowance its estimate of expected credit losses, which the FASB believes results in more timely recognition of such losses. The adoption of this ASU did not have a material impact on the Trust's financial statements.

## 4 Administration expenses

The Administrator is entitled to fees based on a percentage of the Trust's capital value or on a fixed basis depending on the type of service provided. The Administrator is also entitled to reimbursement of all out-of-pocket expenses incurred on behalf of the Trust.

## 5 Risk management and financial instruments

The Trust's investments are governed by the SIPP, which provides investment policies and a framework for risk management. The Trust assets are invested with a diversified asset mix and are largely held in fixed income securities, which provide liquidity and valuation transparency.

The Trust's net assets are subject to the following risks.

### Market price risk

The Trust's net assets are subject to market price risk as a result of movements in the valuation of securities contained in the Trust.

# Vector Pipelines Abandonment Trust

## Notes to Financial Statements

December 31, 2020

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(in thousands of Canadian dollars)

### Interest rate risk

Interest rate risk is the risk the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Interest rate risk is managed by investing in a long-term diversified asset mix that takes into consideration the economic and capital market outlook and expected volatility of returns. The fixed income securities in the Trust are directly exposed to interest rate risk.

	<b>2020</b>		<b>2019</b>	
	<b>Fair value</b>	<b>Average effective yield</b>	<b>Fair value</b>	<b>Average effective yield</b>
	<b>\$</b>		<b>\$</b>	
Canadian government bonds (maturing 5 to 10 years)	82	1.25%	37	1.25%
Canadian government bonds (maturing after 10 years)	1,036	3.74%	825	3.90%
	<u>1,118</u>		<u>862</u>	

### Credit risk

Credit risk arises from the possibility that counterparty will be unable to pay its contractual obligations. The SIPP prohibits the Trust from investing in securities other than debt issued by the Government of Canada and a minimum of 95% of the Trust's investments must be held in Government of Canada Bonds. Therefore, the risk of significant credit loss is considered remote.

### Liquidity risk

Liquidity risk is the risk the Trust may be unable to meet financial obligations in a timely manner at a reasonable cost. This risk is mitigated through asset mix and maintaining appropriate asset liquidity in anticipation of future obligations.

### COVID-19 pandemic risk

The spread of the COVID-19 pandemic has caused significant volatility in Canada, the US and international markets. Given the ongoing dynamic nature of the circumstances surrounding COVID-19, the impact of this pandemic on the investments in the Trust remains uncertain.

### Fair value of financial instruments

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

# Vector Pipelines Abandonment Trust

## Notes to Financial Statements

December 31, 2020

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(in thousands of Canadian dollars)

A fair value hierarchy of inputs is used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs are those that market participants would use in pricing the asset or liability based on market data obtained from sources independent of the Trust. Unobservable inputs reflect the Trust's assumptions about the inputs market participants would use in pricing the asset or liability developed based on the best information available in the circumstances. The fair value hierarchy is categorized into three levels based on the inputs as follows:

- Level 1

Level 1 includes assets and liabilities 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 an asset or liability is considered to be a market where transactions occur with sufficient frequency and volume to provide pricing information on an ongoing basis. The Trust's Level 1 instruments consist of cash.

- Level 2

Level 2 includes assets and liabilities whose valuations are determined using directly or indirectly observable inputs other than quoted prices included within Level 1. Financial instruments in this category are valued using models or other industry standard valuation techniques derived from observable market data. Such valuation techniques include inputs such as quoted forward prices, volatility factors and broker quotes that can be observed or corroborated in the market. The Trust's Level 2 instruments consist of Government of Canada bonds.

- Level 3

Level 3 includes assets and liabilities valued based on inputs which are less observable, unavailable or where the observable data does not support a significant portion of the instruments' fair value. Generally, Level 3 valuations are longer dated transactions, occur in less active markets, occur at locations where pricing information is not available or have no binding broker quote to support Level 2 classification. The Trust does not have any instruments valued using Level 3 inputs.

# Vector Pipelines Abandonment Trust

## Notes to Financial Statements

December 31, 2020

(in thousands of Canadian dollars)

The Trust uses the most observable inputs available to estimate the fair value of its financial instruments. When possible, the estimated fair value is based on quoted market prices and, if not available, estimates from third party brokers. The following table summarizes the Trust's financial instruments at fair value.

	2020		2019	
	Cost \$	Fair value \$	Cost \$	Fair value \$
<b>Level 1</b>				
Cash	69	69	4	4
<b>Level 2</b>				
Canadian government bonds				
SER H722 2.000% (Maturity 01 Dec 2051)	73	87	72	76
SER D358 2.750% (Maturity 01 Dec 2048)	125	148	125	132
SER C939 2.750% (Maturity 01 Dec 2064)	161	165	38	41
SER ZS68 3.500% (Maturity 01 Dec 2045)	144	166	144	149
SER YQ12 4.000% (Maturity 01 Jun 2041)	163	185	163	167
SER XW98 5.000% (Maturity 01 Jun 2037)	143	154	131	130
SER XG49 5.750% (Maturity 01 Jun 2033)	125	131	133	130
SER K379 1.250% (Maturity 01 Jun 2030)	81	82	30	37
<b>Total investment in securities</b>	1,015	1,118	836	862
<b>Total cash and fixed income investments</b>	1,084	1,187	840	866

## 6 Payables and accrued liabilities

	2020 \$	2019 \$
Audit and accounting fees payable	30	23
Trustee and investment management fees payable	5	7
	35	30

# Vector Pipelines Abandonment Trust

## Notes to Financial Statements

December 31, 2020

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(in thousands of Canadian dollars)

### 7 Financial highlights

	<b>2020</b>	<b>2019</b>
	%	%
Total return	9.0	3.2
Ratio of expenses to average net assets	1.1	3.3
Ratio of investment income to average net assets	11.1	7.0

### 8 Income taxes

#### Income tax rate reconciliation

	<b>2020</b>	<b>2019</b>
	\$	\$
Earnings before income taxes	102	27
Canadian federal statutory income tax rate	15%	15%
Expected federal tax at statutory rate	15	4
Increase (decrease) resulting from:		
Provincial income tax	9	1
Non-taxable items	(11)	(2)
Other	(1)	-
Income tax expense	<u>12</u>	<u>3</u>
Effective income tax rate	<u>11.8%</u>	<u>11.1%</u>

#### Components of pre-tax earnings resulting from operations and income taxes

For 2020 and 2019, the Trust's earnings resulting from operations before income taxes are exclusively from Canadian operations. The Trust is subject to taxation in Canada only.

	<b>2020</b>	<b>2019</b>
	\$	\$
Current income tax	3	-
Deferred income tax	<u>9</u>	<u>3</u>
Income tax expense on earnings resulting from operations	<u>12</u>	<u>3</u>

#### Components of deferred income tax

Deferred tax assets and liabilities are recognized for the future tax consequences of differences between carrying amounts of assets and liabilities and their respective tax bases. Major components of deferred income tax assets and liabilities are as follows:

# Vector Pipelines Abandonment Trust

## Notes to Financial Statements

December 31, 2020

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(in thousands of Canadian dollars)

	<b>2020</b>	<b>2019</b>
	\$	\$
Deferred income tax liabilities		
Investments	11	2
	<hr/>	<hr/>
Total deferred income tax liabilities	11	2
	<hr/>	<hr/>

The material jurisdictions in which the Trust is subject to potential examinations within Canada are federal and Alberta. The Trust is open to examination by Canadian tax authorities for the 2016 to 2020 tax years.

### **Unrecognized tax benefits**

The Trust has no unrecognized tax benefits related to uncertain tax positions as at December 31, 2020 and 2019 and no accrued interest or penalties thereon.

## **9 Capital disclosures**

The Trust defines capital as all investments including cash and cash equivalents. The Trust's objective is to accumulate assets in a consistent and rational manner over the useful life of the pipeline so that funds are available to meet the pipeline's future pipeline abandonment obligations. The trustee is responsible for ensuring that the assets of the Trust are managed in accordance with the SIPP.





**Appendix XV Reporting Form – Companies using Trusts for Set-aside mechanism -  
as amended March 2021**

Table I.1 Update on Abandonment Funding for Pipeline with Trust			
Regulatory Instrument Holder (entity which holds certificate/order)	Vector Pipeline Limited on behalf of Vector Pipeline Limited Partnership		
Filed by (company name) if different from regulatory instrument holder	Vector Pipeline Limited		
Pipeline System Name (for each, fill-in separate form)	Vector Pipeline		
For Group 2 companies, associated order numbers or certificates	GH-5-98 (Original Reasons for Decision in March 1999) MO-082-2014 (Set-aside & collection mechanism Order No.)		
Update on Abandonment Funds			
Year open date	1/1/2020	Planned	Actual
Year open balance	thousands	\$826	\$860
Directed by the CER to set aside	thousands	\$289	\$289 *
Collected from Shippers	thousands	\$289	\$191
Contributed by Pipeline Owners	thousands	\$289	\$191
Other	thousands	\$ -	\$ -
Earnings within Trust	thousands	\$35	\$111
Taxes paid on earnings within Trust	thousands	\$9	\$12
Disbursements (and CER orders authorizing the disbursements)	thousands	\$1	\$9 **
Year Close Balance	thousands	\$1,140	\$1,141
Year close date	12/31/2020		
Calculate the percentage difference between the planned and actual year close balances. If that difference is more than 10%, explain the difference and provide a plan to resolve the difference.	No material difference.		
Any Other relevant information	Attach (e.g. include explanation where actual varies materially from planned)		
Compliance Confirmation			
The Investment Policy (or Statement of Investment Policy and Practices) filed with the CER still current and in use?	Agree	If not, file new one	
All investment decisions and actions the year complied with this Investment Policy throughout the year?	Agree	If not, file explanation	
Changes in cost estimates, or other components that could prompt material changes in funding plan	No changes	If changes, file explanation	
Pipeline is still in operation	Agree	If not, explain	
Filed by (Officer of the Pipeline System Certificate holder) <i>Print name of individual</i>	Peter Cianci President, Vector Pipeline Limited		
Signature			
Dated	4/19/21		

\* Excludes 1.34% of ACS Charge revenues retained by Vector for payment of corporate taxes by its partners.

\*\* Disbursements are comprised solely of trustee administrative fees including audit fees pursuant to MH-001-2013.

**Material Variance Explanations:**

Collected from Shippers and Contributed by Pipeline Owners was less than the Planned Case due to lower volumes in 2020.

Earnings within Trust was higher than Planned Case due to declining interest rates during 2020.