Translation of Excerpts from R-3773-2012 B-0010 GM-1, Doc 6

[pp. 6-7]

The following table shows the different stages of the calculation of PTPC ((NOTE: passif au titre de prestations constituées = accrued benefit liabilities) to be recorded as liabilities in the balance sheet under Canadian GAAP:

	Ref	2009-Actual (In M $)	2010-Actual (In M $)	2011-Actual (In M $)
Asset deficiency on OTPC* on June 30, 2009 - 2010/30 Sept for 2011	**a)**			
Actuarial variances	**c)**			
Past service costs	**b)**			
Unamortized net transition asset	**d)**			
PTCP on June 30 2009-2010 / until Sept 30 for 2011	**e) = a) + b) + c) + d)**			
Employer contributions (from June 30 to September 30 for 2009-2010)	**f)**			
PTPC on Sept 30	**g) = e) + f)**			
Liabilities recorded in a deferral account	**h) = g) – i)**			
Liability recognized, including to providers and fees incurred and other liabilities	**i)**			

Total				

*NOTE: OTPC = l'obligation au titre des prestations constituées = accrued benefit obligations

NOTE: see numbers on p. 7 in table.

[pp 18-22]

5. Rate Impacts

5.1. Estimate of the impact on the cost of service

The impact on the cost of service has been simulated and is presented in Appendices A and B. This simulation considers the establishment of the annual expense relative to post-employment benefits according to the actuarial method recognized under GAAP in the United States. In addition, as proposed by Gaz Métro, the inclusion in a deferral account of the subsequent actuarial gains and losses was considered in the rate base and depreciation of this deferral account was established according to the corridor method as of October 1, 2012.

Forecasts of actuarial expenses under US GAAP, including depreciation of actuarial gains and losses according to the corridor method were obtained from the actuary for the years from 2013 to 2019.

The analysis shows (Appendices A and B) that the use of the actuarial method would reduce the average estimated actuarial costs by $ 10.2 million compared to the expense obtained by the current method [7]. The downward impact on the cost of service for the same period is estimated at $ 4.6 million on average. It should be noted that this impact takes into account the effect of the depreciation of the two deferral accounts related to subsequent actuarial gains and losses, the effect of depreciation of the different deferral accounts, as well as the effect of the return on the rate base and the effect taxation.

It should be noted that these costs even with the current method, would have been included in rates upon payment of contributions to the pension fund. Therefore, the decrease of the expense is only due to the difference (NOTE: or lag) between annual accumulation of rights to benefits by employees who have rendered services to Gaz Métro and the payment of contributions to the fund. As mentioned previously, ultimately, at the end of life a retired employee's life or that of a surviving spouse, the same amount would have been recovered in rates with the exception of return on the rate base.

5.2. Estimated impact on the date of transition

As mentioned in Section 3.2, the PTDP (NOTE: passif au titre de prestations définies = defined benefit liabilities) should be reevaluated and different deferral accounts and carryover credits should be created at the time of transition to U.S. GAAP. The proposals relative to PTPD well as the various deferral accounts of deferred charges and carryover credits have been considered in the rate impact in Annex A, as evidenced in Table 17 below.

Deferral accounts carryover credits related to the opening balance sheet and the restatement of the comparative year	Balance included in rate base on October 2012	Method and period of depreciation adopted
Actuarial variances	$ 107.2 million	Corridor method
Past service costs	$ 5.9 million	Linear deprecation on the average remaining service period of active employees (3 years)
Unamortized net transition asset	(13.0) million	Straight-line over 5 years
Variance between current method and actuarial method *(account already exists under Canadian GAAP, but outside rate base)*	$ 32.3 million	Straight-line over 5 years
Total deferred accounts	132.4M$[8]	
PTPD [9]	**(143.9) M $ [10]**	N / A

7 The current method for each plan is explained in detail in Section 1 above.

8 This amount is shown in line 18, column 2 of Annex A

Straight-line depreciation over five years has been used for information purposes to facilitate understanding of the information presented (refer to Section 3.2 for more details).

5.3. Method of application

Gaz Métro asks the Board that the various accounting changes in the current evidence be applicable as of October 1, 2012 for the 2013 rate case.

This change in accounting conventions will also lead to the inclusion in rate base of several deferral accounts and carryover credits as well as the PTPD as of October 1, 2012.

APPENDIX A – RATE IMPACT RELATED TO TRANSITION

Staff Benefits	CCP after tax	CCP before tax
	6.53%	8.14%

[…]

Net impact on the COS – Day 1

CCP: Prospective cost of capital

NOTE 1: The tax treatment provides for the deductibility of the expense relative to staff benefits based on actual disbursements, whereas at the accounting level, the expense will be based on the actuarial method.

NOTE 2: The additions correspond to actuarial gains and losses that are recognized in comprehensive income in the statutory financial statements and in a deferral account for regulatory purposes.

NOTE 3: The variation of the PTPD is mainly due to the acquisition of the rights of employees, the actuarial gains and losses and anticipated contributions paid by the employer.

NOTE 4: No depreciation has been considered relative to new actuarial gains and losses in this analysis considering the fact that this amount is not significant. Depreciation is presented in full in the analysis of the rate impacts of Day 1.