

**GAZIFÈRE INC.**  
**CLARIFICATION ON THE POST-EMPLOYMENT BENEFITS DEFERRAL**  
**ACCOUNT APPROVED IN DECISION D-2012-163**  
**CAUSE TARIFAIRE 2014 (Phase 3)**

As part of its decision D-2012-163, the Régie authorized the creation of a deferral account in the event that Gazifère would convert to USGAAP for financial accounting purposes which will account for the differences between the charges related to post-employment benefits established by the actuarial method and the charges included in rates in this regard. Because of the way the deferral account was defined, Gazifère feels that a clarification of this approved deferral account is required prior to its use.

The amounts allowed by the Régie through the z-factor represent the estimated pension plan costs on the disbursement method as calculated in the preliminary report of Gazifère's actuaries (report prepared for rate case purposes). However, due to changes in assumptions as well as the economic environment, the actual plan costs may differ from the estimate. It has always been Gazifère's intention to record the difference between the total post-employment expense established using the actuarial method and the total costs actually incurred on the disbursement method in the deferral account approved in decision D-2012-163, the clearance of which will be dealt through a future decision at the end of the current incentive mechanism term. By capturing these differences, the expense that would appear in Gazifère's income statement, in the event it converts to USGAAP for financial statement purposes as of January 1st, 2014, would equal to the approved z-factor amount and all differences between actual disbursement and what is incorporated in rates would be captured in the deferral account in order to protect customers and the distributor against fluctuations in the financial markets. Since market fluctuations are beyond the control of the distributor, such a mechanism is appropriate. The use of the deferral account as such would be consistent with the deferral mechanism that the Ontario Energy Board has provided to Enbridge Gas Distribution.

The intended use of the deferral account is illustrated in the example below:

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<b>Assumptions:</b>			
Approved z-factor (preliminary cash expense): \$700,000			
Actual cash expense incurred: \$1,300,000			
Accrual expense: \$900,000 (assume \$400K amortization of actuarial loss & \$500K accretion of liability)			
<b>#1 - Record Accrual basis expense</b>			
<b>DR.</b>	Pension Expense	900,000	
	<b>CR.</b> Pension Asset		500,000
	<b>CR.</b> Pension Regulatory liability		400,000
<b>#2 - Reverse Accrual basis expense (maintaining cash basis)</b>			
<b>DR.</b>	Pension Regulatory liability	900,000	
	<b>CR.</b> Pension Expense		900,000
<b>#3 - Record cash basis expense</b>			
<b>DR.</b>	Pension Expense	1,300,000	
	<b>CR.</b> Cash/Accounts Payable		1,300,000
<b>#4 - Reflect cash contributions against Pension asset</b>			
<b>DR.</b>	Pension Asset	1,300,000	
	<b>CR.</b> Pension Regulatory liability		1,300,000
<b>#5- Reflect difference between z-factor &amp; accrual expense in deferral account</b>			
<b>DR.</b>	Deferral Account	200,000	
	<b>CR.</b> Pension Expense		200,000
<b>#6- Reflect difference between z-factor &amp; actual cash contribution (after accounting for entry #5)</b>			
<b>DR.</b>	Deferral Account	400,000	
	<b>CR.</b> Pension Expense		400,000
<b>Net account impact:</b>			
	Pension Expense	700,000	<b>DR</b>
	Pension Asset	800,000	<b>DR</b>
	Pension Regulatory liability	(800,000)	<b>CR</b>
	Deferral Account	600,000	<b>DR</b>