

ESTIMATED 2016 – 2020 CASH COSTS EGD PENSION PLANS

JUNE 30, 2015



Note to reader regarding actuarial valuations and projections:

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To prepare the results in this report, actuarial assumptions are used to model a single scenario from a range of possibilities for each valuation basis. The results based on that single scenario are included in this report. However, the future is uncertain and the plan's actual experience will differ from those assumptions; these differences may be significant or material. Different assumptions or scenarios within the range of possibilities may also be reasonable, and results based on those assumptions would be different. Furthermore, actuarial assumptions may be changed from the projection date to the valuation date, and from one valuation to the next because of changes in regulatory and professional requirements, developments in case law, plan experience, changes in expectations about the future and other factors.

The projection results shown in this report also illustrate the sensitivity to one of the key actuarial assumptions, the discount rate. We note that the results presented herein rely on many assumptions, all of which are subject to uncertainty, with a broad range of possible outcomes and the results are sensitive to all the assumptions used in the projection.

Should the plan be wound up, the going concern funded status and solvency financial position, if different from the wind-up financial position, become irrelevant. The hypothetical wind-up financial position estimates the financial position of the plan assuming it is wound-up on the valuation date. Emerging experience will affect the wind-up financial position of the plan assuming it is wound-up in the future. In fact, even if the plan were wound-up on the projection date, the financial position would continue to fluctuate until the benefits are fully settled.

Decisions about benefit changes, granting new benefits, investment policy, funding policy, benefit security and/or benefit-related issues should not be made solely on the basis of this projection, but only after careful consideration of alternative economic, financial, demographic, and societal factors, including financial scenarios that assume future sustained investment losses.

Funding calculations reflect our understanding of the requirements of the *Pension Benefits Act* (Ontario), the Income Tax Act, and related regulations that are effective as of the projection date. Mercer is not a law firm, and the analysis presented in this report is not intended to be a legal opinion. You should consider securing the advice of legal counsel with respect to any legal matters related to this report.

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Introduction

Purpose

At the request of Gazifère Inc. (“Gazifère”), we have estimated minimum cash funding requirements over 2016 to 2020 for the Pension Plan for Employees of Enbridge Gas Distribution Inc. and Affiliates (the “EGD RPP”) of which Gazifère is a participating employer¹. These estimates are based on economic conditions at May 31, 2015. Actual cash funding requirements in respect of these years will differ from the amounts estimated here, and will be based on future economic and demographic experience.

We understand this report will be provided to the Régie de l'énergie (the “Régie”) in conjunction with the Gazifère's application for recovery of pension costs from ratepayers.

Note that information contained in this report reflects all assets, liabilities and costs in respect of all employers participating in the EGD RPP, except where specifically noted.

The information presented is prepared for the internal use of the Gazifère and for filing with the Régie. This information presented is not intended or suitable for any other purpose.

Important Note

The purpose of this report is to estimate the accrual cost over 2016 to 2020, however, the occurrence and/or level of accrual cost over this period is highly dependent on:

- Enbridge Gas Distribution Inc.'s decision to file, or not to file, a funding valuation in a given year;
- Actual plan demographic experience;
- Financial market returns after May 31, 2015;
- Changes in long-term government of Canada bond yields after May 31, 2015;
- Changes to the prescribed spread used to determine solvency discount rates after May 31, 2015;
- Funding decisions by Enbridge Gas Distribution Inc.; and
- Changes to Ontario pension legislation impacting contribution requirements (see page 11).

These items will cause actual accrual costs to differ from the estimates provided in this report.

¹ Enbridge Gas Distribution Inc. and Enbridge Gas New Brunswick are the other two participating employers in the EGD RPP.

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Background Information

Determination of Contribution Requirements

The EGD RPP consists of a defined benefit (“DB”) provision and a defined contribution (“DC”) provision. Minimum required cash funding to the DB component is determined based on actuarial valuations filed with the Financial Services Commission of Ontario (“FSCO”) and the Canada Revenue Agency (“CRA”). Valuations may be filed at the plan sponsor’s discretion, but must be filed at least once every three years or annually if the solvency ratio is less than 85%.

The most recently filed actuarial valuation of the EGD RPP is as at December 31, 2013 (the “2013 Valuation”). Contributions to the EGD RPP by Gazifère, and the other participating employers, must be made in accordance with the 2013 Valuation until a new valuation is filed with the regulators (which is due no later than December 31, 2016). As established in the 2013 Valuation, no contributions were required in 2015 and 2016 as the Plan had a going concern funding excess and no solvency special payments were required. In addition, the excess solvency special payments made in 2014 (prior to the completion of the 2013 valuation), can be applied to reduce required employer current service cost contributions. Therefore, for the purposes of this analysis we have assumed that a contribution holiday would be taken in respect of the DB provisions in 2015 and 2016. We have further assumed an actuarial valuation will be filed as of December 31, 2016 and annually thereafter.

In 2015, it was decided by Enbridge Gas Distributions Inc. that Gazifère and the other two participating employers would fund the DC provision’s current service cost despite having the option to take a contribution holiday. For the purposes of these projections we have assumed that this practice would continue.

We have conducted an actuarial valuation of the EGD RPP as at December 31, 2014, which we understand will not be filed with the pension regulators. Results from this valuation are the basis for the projections contained herein.

All results presented in this report are in Canadian dollars.

Historical Funding

Due to historical plan surplus in the DB component of the EGD RPP, it is only in recent years that DB cash contributions to the EGD RPP have been required. In addition, the DB surplus has historically been used to cover contributions to the DC component. Historical cash costs to the DB and DC components of the EGD RPP are summarized below.

| | DB Service Cost | DC Service Cost | Total Plan Service Cost | Total Plan Contribution |
|--------------|-----------------|-----------------|-------------------------|-------------------------|
| 2005 | \$9.9M | \$0.8M | \$10.7M | \$0 |
| 2006 | \$12.1M | \$1.1M | \$13.2M | \$0 |
| 2007 | \$14.4M | \$1.3M | \$15.7M | \$0 |
| 2008 | \$15.7M | \$1.4M | \$17.1M | \$0 |
| 2009 | \$14.8M | \$1.4M | \$16.2M | \$0 |
| 2010 | \$14.7M | \$1.4M | \$16.1M | \$0 |
| 2011 | \$16.3M | \$1.4M | \$17.7M | \$0 |
| 2012 | \$15.8M | \$1.3M | \$17.1M | \$17.1M |
| 2013 | \$19.0M | \$1.1M | \$20.1M | \$37.6M |
| 2014 | \$21.4M | \$1.1M | \$22.5M | \$42.1M |
| Total | \$154.1M | \$12.3M | \$166.4M | \$96.8M |

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Financial Results

Financial Position at December 31, 2014 and Projected Future Financial Positions

We have projected the results of the December 31, 2014 actuarial valuation of the EGD RPP forward to each of the years ending 2015 through 2019. The purpose of these projections is to estimate the minimum cash funding requirements for 2016 through 2020. The projections are based on the economic environment as at May 31, 2015 and assumptions described in Appendix D. The actual economic environment as at each of the years ending 2015 through 2019 and actual plan experience over this period may differ significantly from these assumptions.

For simplicity, we have excluded assets and benefit obligations with respect to the DC provision of the EGD RPP in the balance sheets shown in the following tables.

Projected Going Concern Balance Sheets

The table below details the actual going concern financial position of the EGD RPP as at December 31, 2014, as well as the projected position of the EGD RPP at each of year-end 2015 through 2019, assuming plan experience unfolds according to the assumptions described in Appendix D.

| Balance Sheet Position (\$Millions) | |
|--------------------------------------------|-----------|
| 12.31.2014 (Actual) | |
| Assets | \$932.5 |
| Benefit obligation | \$824.5 |
| Excess (deficit) | \$108.0 |
| 12.31.2015 (Projected) | |
| Assets | \$971.1 |
| Benefit obligation | \$851.4 |
| Excess (deficit) | \$119.7 |
| 12.31.2016 (Projected) | |
| Assets | \$983.0 |
| Benefit obligation | \$878.6 |
| Excess (deficit) | \$104.4 |
| 12.31.2017 (Projected) | |
| Assets | \$1,039.2 |
| Benefit obligation | \$905.9 |
| Excess (deficit) | \$133.3 |
| 12.31.2018 (Projected) | |
| Assets | \$1,097.5 |
| Benefit obligation | \$933.7 |
| Excess (deficit) | \$163.8 |
| 12.31.2019 (Projected) | |
| Assets | \$1,158.0 |
| Benefit obligation | \$961.8 |
| Excess (deficit) | \$196.2 |

Projected Solvency Balance Sheets

The table below details the actual solvency financial position of the EGD RPP as at December 31, 2014, as well as the projected position of the EGD RPP at each of year-end 2015 through 2019, assuming plan experience unfolds according to the assumptions described in Appendix D.

| Balance Sheet Position (\$Millions) | |
|--------------------------------------------|-----------|
| 12.31.2014 (Actual) | |
| Assets | \$931.8 |
| Benefit obligation | \$986.5 |
| Excess (deficit) | (\$54.7) |
| 12.31.2015 (Projected) | |
| Assets | \$970.5 |
| Benefit obligation | \$1048.1 |
| Excess (deficit) | (\$77.6) |
| 12.31.2016 (Projected) | |
| Assets | \$982.4 |
| Benefit obligation | \$1,075.0 |
| Excess (deficit) | (\$92.6) |
| 12.31.2017 (Projected) | |
| Assets | \$1,038.5 |
| Benefit obligation | \$1,104.8 |
| Excess (deficit) | (\$66.3) |
| 12.31.2018 (Projected) | |
| Assets | \$1,096.8 |
| Benefit obligation | \$1,134.9 |
| Excess (deficit) | (\$38.1) |
| 12.31.2019 (Projected) | |
| Assets | \$1,157.3 |
| Benefit obligation | \$1,165.3 |
| Excess (deficit) | (\$8.0) |

Summary of Minimum Required Cash Costs

Based on the projected financial positions above, the resulting minimum required cash funding over 2016 – 2020 in respect of Gazifère's share of the EGD RPP (including the DC provision) are summarized below and with results rounded to the nearest thousand.

| Cash Costs – Gazifère Only | |
|-----------------------------------|-------------|
| 2016 (Projected) | |
| DB going concern service cost | \$0 |
| DC service cost | \$77,000 |
| Solvency amortization payments | \$0 |
| Total minimum cash contribution | \$77,000 |
| 2017 (Projected) | |
| DB going concern service cost | \$693,000 |
| DC service cost | \$79,000 |
| Solvency amortization payments | \$701,000 |
| Total minimum cash contribution | \$1,473,000 |
| 2018 (Projected) | |
| DB going concern service cost | \$712,000 |
| DC service cost | \$81,000 |
| Solvency amortization payments | \$841,000 |
| Total minimum cash contribution | \$1,634,000 |
| 2019 (Projected) | |
| DB going concern service cost | \$732,000 |
| DC service cost | \$83,000 |
| Solvency amortization payments | \$1,126,000 |
| Total minimum cash contribution | \$1,941,000 |
| 2020 (Projected) | |
| DB going concern service cost | \$752,000 |
| DC service cost | \$85,000 |
| Solvency amortization payments | \$1,180,000 |
| Total minimum cash contribution | \$2,017,000 |

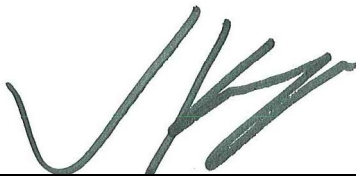
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Actuarial Opinion

In my opinion, for the purposes of the projections,

- The membership data on which the projections are based are sufficient and reliable;
- The assumptions are appropriate; and
- The methods employed in the projections are appropriate.

This report has been prepared, and my opinion given, in accordance with accepted actuarial practice in Canada. It has also been prepared in accordance with the funding and solvency standards set by the *Pension Benefits Act* (Ontario).



Benedict O. Ukonga

FSA, FCIA

August 12, 2015

Date

APPENDIX A

Sensitivity of Results

The estimated impact on cash costs of positive and negative “shocks” to the EGD RPP’s assets and benefit obligations are given in this appendix. These “shocks” are assumed to occur at the end of 2016 in all scenarios.

Amounts in this appendix reflect only Gazifère’s share of costs.

Equity markets return +/- 20% more than expected

This scenario assumes that equity markets return 20% more or less than baseline assumptions, resulting in a return over 2016 that is 12.0%² higher or lower than our baseline assumption of 5.79%.

Table A.1: Positive Asset Shock in 2016 (+20% equity return)

| Cash / Funding Costs - Gazifère Only | | |
|--------------------------------------|-----------------|-----------------|
| | Total Cash Cost | Δ From Baseline |
| 2016 | \$77,000 | - |
| 2017 | \$79,000 | (\$1,394,000) |
| 2018 | \$81,000 | (\$1,553,000) |
| 2019 | \$1,310,000 | (\$631,000) |
| 2020 | \$86,000 | (\$1,931,000) |

Table A.2: Negative Asset Shock in 2016 (-20% equity return)

| Cash / Funding Costs - Gazifère Only | | |
|--------------------------------------|-----------------|-----------------|
| | Total Cash Cost | Δ From Baseline |
| 2016 | \$77,000 | - |
| 2017 | \$2,053,000 | \$580,000 |
| 2018 | \$1,884,000 | \$250,000 |
| 2019 | \$2,035,000 | \$94,000 |
| 2020 | \$2,303,000 | \$286,000 |

² EGD RPP assets include a 60.0% allocation to growth assets; this, multiplied by +/- 20%, equals a return adjustment of +/- 12.0%.

Yield curve shift of +/- 1%

This scenario assumes a year-end 2016 parallel shift in the yield curve which benefit obligation discount rates are based on. We have assumed this change would not impact the fixed income portion of the EGD RPP's assets. In other words, this sensitivity is intended to represent a pure obligation shock (resulting from any economic or demographic experience different than expected), whereas the previous sensitivity was a pure asset shock.

Table A.3: Positive Obligation Shock in 2016 (+1% shift in yield curve)

| Cash / Funding Costs - Gazifère Only | | |
|---------------------------------------------|------------------------|------------------------|
| | Total Cash Cost | Δ From Baseline |
| 2016 | \$77,000 | - |
| 2017 | \$79,000 | (\$1,394,000) |
| 2018 | \$81,000 | (\$1,553,000) |
| 2019 | \$83,000 | (\$1,858,000) |
| 2020 | \$86,000 | (\$1,931,000) |

Table A.4: Negative Obligation Shock in 2016 (-1% shift in yield curve)

| Cash / Funding Costs - Gazifère Only | | |
|---------------------------------------------|------------------------|------------------------|
| | Total Cash Cost | Δ From Baseline |
| 2016 | \$77,000 | - |
| 2017 | \$2,605,000 | \$1,132,000 |
| 2018 | \$2,387,000 | \$753,000 |
| 2019 | \$2,648,000 | \$707,000 |
| 2020 | \$3,025,000 | \$1,008,000 |

Proposed Changes to Pension Legislation

The DB provision of the EGD RPP funding requirements is determined based on actuarial valuations filed with the Financial Services Commission of Ontario (“FSCO”) and Canada Revenue Agency. The Ontario Ministry of Finance has announced proposed changes to the funding regulations of the *Pension Benefits Act* (“Act”) which could affect plan sponsors’ minimum funding requirements. Specifically, contribution holidays would not be permitted unless the actuarial valuation establishing a going concern funding excess also revealed a transfer ratio, as defined in the Act, in excess of 1.05, as the contribution holiday has been taken.

This sensitivity scenario assumes that, commencing in 2016, the Act will be revised as currently proposed and that plan sponsors would not be permitted to take a contribution holiday unless the transfer ratio threshold is met.

Table A.5: Contribution Requirement Shock in 2016 (elimination of existing contribution holiday)

| Cash / Funding Costs - Gazifère Only | | |
|---------------------------------------------|------------------------|------------------------|
| | Total Cash Cost | Δ From Baseline |
| 2016 | \$751,000 | \$674,000 |
| 2017 | \$1,326,000 | (\$147,000) |
| 2018 | \$1,506,000 | (\$128,000) |
| 2019 | \$1,949,000 | \$8,000 |
| 2020 | \$838,000 | (\$1,179,000) |

APPENDIX B

Required Disclosures

Terms of Engagement

In accordance with our terms of engagement with Gazifère, our projections are based on the following material terms:

- The information presented in this report has been prepared for the internal use of Gazifère and for filing with the Régie. This information presented is not intended or suitable for any other purpose.
- We have reflected a margin for adverse deviations in our going concern projection by reducing the going concern discount rate by 0.29% per year for the EGD RPP.
- We have reflected EGD's decisions for determining the solvency funding requirements, summarized as follows:
 - The same plan wind-up scenario was hypothesized for both hypothetical wind-up and solvency valuations;
 - Certain excludable benefits were excluded from the solvency liabilities; and
 - The solvency financial position was determined on a projected market value basis.
- We have projected assets forward from December 31, 2014 using actual asset experience to May 31, 2015, and using our best estimate of asset returns (net of expenses) after May 31, 2015. Projected future cash flows have also been incorporated.
- We have projected liabilities forward using the expected cost of benefits accruing over 2015 through 2019, reflecting interest over each period and adjusting year-end 2015 liabilities to reflect the economic environment as at May 31, 2015. Liabilities in future periods are projected forward with these same May 31, 2015 assumptions and methodology. Projected future cash flows have also been incorporated.
- Our calculations are based on the assumptions and methodology described in Appendix D. We have used the same going concern valuation assumptions and methods as were used for the valuation as at December 31, 2014. The hypothetical wind-up and solvency assumptions have been updated to reflect market conditions as at May 31, 2015. Emerging experience will affect the funded position of the EGD RPP.
- Our calculations are based on extrapolations of valuations performed using membership data as at December 31, 2014. The membership data used in our projections and calculations is summarized in Appendix E.
- Our calculations reflect the provisions of the EGD RPP as at May 31, 2015. Based on the information provided by EGD, no substantive amendments have been made to the EGD RPP since that date. A summary of the plan provisions is provided in Appendix F.

Subsequent Events

After checking with representatives of EGD, to the best of our knowledge there have been no events subsequent to May 31, 2015 which, in our opinion, would have a material impact on the results of the projection.

Next Required Valuation

In accordance with pension benefits legislation, the next actuarial valuation of the EGD RPP to be filed with FSCO and CRA will be required as at a date not later than December 31, 2016, or as at the date of an earlier amendment to the EGD RPP.

Gain and Loss Analysis

A reconciliation of the actual going concern financial position of the EGD RPP between December 31, 2014 and the projected going concern financial position at December 31, 2015 follows:

| Reconciliation of financial status (\$Millions) | 2015 |
|------------------------------------------------------------------|---------|
| Funding excess (shortfall) as at December 31, 2014 | \$108.0 |
| Interest on funding excess (funding shortfall) at 5.50% per year | \$5.9 |
| Net investment return different than expected | \$5.8 |
| Funding excess (shortfall) as at December 31, 2015 | \$119.7 |

Future periods are assumed to unfold in accordance with the assumptions described in Appendix D, therefore no additional gains or losses are anticipated for purposes of this analysis.

Solvency Incremental Cost

The solvency incremental cost is an estimate of the present value of the projected change in the EGD RPP solvency liabilities from December 31, 2014 to December 31, 2015 (before assumption changes), adjusted for benefit payments expected to be made over the period.

The estimated 2015 solvency incremental cost determined in this projection is \$32.7M.

Discount Rate Sensitivity

The following table summarises the effect on the projected December 31, 2015 liabilities and 2016 current service costs of the EGD RPP shown in this report of using a discount rate which is 1.00% lower than that used in the projection:

| Scenario (\$millions) | Projection Basis | Reduce Discount Rate by 1% |
|---------------------------|------------------|----------------------------|
| Going concern liabilities | \$851.4 | \$976.6 |
| Solvency liabilities | \$1,048.1 | \$1,208.1 |
| DB current service cost | \$23.3 | \$29.4 |

Projected Hypothetical Wind-up Balance Sheet at December 31, 2015

The table below details the hypothetical wind-up financial position of the EGD RPP as at December 31, 2014, as well as the projected position as at December 31, 2015.

| Hypothetical Wind-up Financial Position (\$Millions) | 12.31.2014 (Actual) | 12.31.2015 (Projected) |
|------------------------------------------------------|------------------------|---------------------------|
| Assets | \$931.8 | \$970.5 |
| Liabilities | \$1,172.4 | \$1,249.2 |
| Wind-up excess (deficiency) | (\$240.6) | (\$278.7) |

The assumptions and methodology used to determine the projected hypothetical wind-up balance sheet as at December 31, 2015 are described in Appendix D.

APPENDIX C

Plan Assets

The DB assets of the EGD RPP are held in trust by CIBC Mellon. We have relied upon the unaudited fund statements provided by CIBC Mellon as at May 31, 2015.

The starting point for our projections of assets was the market value of the EGD RPP's assets as at May 31, 2015.

The reconciliation of the DB assets of the EGD RPP between January 1, 2015 and May 31, 2015, as reported in the unaudited fund statements provided by CIBC Mellon, is provided below:

| Reconciliation of EGD RPP DB Assets | |
|-----------------------------------------------------|---------------|
| January 1, 2015 | \$930,244,200 |
| PLUS | |
| Company contributions | \$0 |
| Investment income | \$50,858,900 |
| LESS | |
| Pensions paid and lump-sum refunds | \$17,488,100 |
| Administration and investment fees | \$584,100 |
| May 31, 2015 | \$963,030,900 |
| 5 month rate of return net of expenses ³ | 5.45% |

³ Assuming mid-period cash flows.

Investment Policy

The EGD RPP's administrator adopted a statement of investment policy and procedures, last revised in 2014. This policy is intended to provide guidelines for the manager(s) as to the level of risk which is commensurate with the EGD RPP's investment objectives. A significant component of this investment policy is the asset mix.

The target and actual asset mix for the EGD RPP is provided for information purposes:

| | Investment Policy – EGD RPP | |
|----------------------------|-----------------------------|---------------------|
| | Target @ 5.31.2015 | Actual @ 12.31.2014 |
| Canadian equities | 21.0% | 22.2% |
| Global equities | 17.0% | } 32.6% |
| Emerging market equities | 6.5% | |
| Fixed income – universe | 30.0% | 28.4% |
| Fixed income – real return | 10.0% | 7.7% |
| Infrastructure | 9.0% | 3.4% |
| Real estate | 6.5% | 4.3% |
| Cash and cash equivalents | 0.0% | 1.4% |
| | 100% | 100% |

Because of the mismatch between the EGD RPP assets (which are invested in accordance with the above investment policy) and the liabilities (which tend to behave like long bonds) the financial position of the EGD RPP will fluctuate over time. These fluctuations could be significant and could cause the EGD RPP to become under or over funded.

APPENDIX D

Actuarial Methods and Assumptions

Actuarial Methods

Valuation of Assets

The market value of assets is used to determine pension costs.

For purposes of these estimates, we have projected the market value of EGD RPP assets at May 31, 2015 using our best estimate of asset returns (net of all expenses) from June 1, 2015 to December 31, 2015 of 3.38% (net annual rate of return of 5.79%).

Asset returns (net of all expenses) after December 31, 2015 are assumed to be 5.79% per year for the EGD RPP.

Estimated future cash flows, including minimum funding contributions have been incorporated into our projections. Contributions are based on the funding and solvency standards set by the *Pension Benefits Act* (Ontario) and our understanding of Enbridge's funding policy.

Actual asset experience will differ from these estimates.

Valuation of Actuarial Liabilities and Current Service Cost

For purposes of these estimates, we have continued to use the projected unit credit actuarial cost method for the valuation of actuarial liabilities and current service cost of the EGD RPP. Under this method, we determine the present value of benefit cash flows expected to be paid in respect of service accrued prior to the valuation date, based on projected final average earnings.

Actuarial Assumptions – Projected Going Concern Basis

The present value of future benefit payment cash flows at each projected year-end is based on economic and demographic assumptions. At each valuation we determine whether, in our opinion, the actuarial assumptions are still appropriate for the purposes of the valuation and we revise them if necessary. Emerging experience will result in gains or losses that will be revealed and considered in future actuarial valuations.

For the purposes of these projections, we have used the same going concern valuation assumptions as were used for the December 31, 2014 valuation of the EGD RPP, summarized below.

| Assumption | Current Valuation |
|---------------------------------|------------------------------------------------------------------|
| Discount Rate: | 5.50% |
| Inflation: | 2.25% |
| ITA limit / YMPE Increases: | 2.75% |
| Pensionable Earnings Increases: | 2.75%, plus age based merit and promotion scale |
| Target Bonus Rate: | SME: Actual bonus Non-SME: 12% if non-union; 5% if union |
| Bonus Load: | 135% of target |
| Retirement Rates: | Age related table |
| Termination Rates: | Age related table |
| Mortality Rates: | 100% of the rates of the 2014 Private Sector CPM Mortality Table |
| Mortality Improvements: | Fully generational using CPM Improvement Scale B |
| Disability Rates: | None |
| Eligible Spouse at Retirement: | 80% |
| Spousal Age Difference: | Male three years older |
| DB/DC Choice: | Continue in current component |
| Benefits Subject to Consent: | Consent on early retirement |

The assumptions are best-estimate with the exception that the discount rate includes a margin for adverse deviations, as shown on below.

Our assumptions are based on the economic environment as of May 31, 2015 and input provided by EGD for the December 31, 2014 valuation. Assumptions as at year-end 2015 through 2019 will reflect the economic environment and input from EGD at those times, and may differ from those used in these projections.

Sample rates from the age related demographic tables are summarized below:

| Age | Termination - Male | Termination - Female | Retirement |
|-----|--------------------|----------------------|------------|
| 20 | 5.0% | 5.0% | 0.0% |
| 25 | 5.0% | 5.0% | 0.0% |
| 30 | 5.0% | 5.0% | 0.0% |
| 35 | 4.6% | 4.6% | 0.0% |
| 40 | 3.0% | 3.0% | 0.0% |
| 45 | 2.5% | 2.5% | 0.0% |
| 50 | 1.5% | 1.5% | 0.0% |
| 55 | 0.0% | 0.0% | 5.0% |
| 56 | 0.0% | 0.0% | 5.0% |
| 57 | 0.0% | 0.0% | 5.0% |
| 58 | 0.0% | 0.0% | 5.0% |
| 59 | 0.0% | 0.0% | 5.0% |
| 60 | 0.0% | 0.0% | 17.5% |
| 61 | 0.0% | 0.0% | 17.5% |
| 62 | 0.0% | 0.0% | 17.5% |
| 63 | 0.0% | 0.0% | 17.5% |
| 64 | 0.0% | 0.0% | 17.5% |
| 65 | 0.0% | 0.0% | 50.0% |
| 66 | 0.0% | 0.0% | 50.0% |
| 67 | 0.0% | 0.0% | 50.0% |
| 68 | 0.0% | 0.0% | 50.0% |
| 69 | 0.0% | 0.0% | 50.0% |
| 70 | 0.0% | 0.0% | 100.0% |

A 17.5% retirement rate is assumed in lieu of the above rate in the year in which a member qualifies for early retirement with an unreduced pension and in each subsequent year until age 65.

For members who terminate from the EGD RPP before being eligible to retire we have assumed two-thirds will elect a commuted value determined on a basis consistent with the February 2011 CIA Standard, and that one-third will elect a deferred pension, with pension commencement at age 55.

Rates from the age related merit and promotion component of the pensionable earnings increase assumption are summarized below:

| Age | Merit and Promotion | |
|-------|---------------------|-------|
| | Non-SME | SME |
| <30 | 3.50% | 3.75% |
| 30-39 | 2.50% | 2.75% |
| 40-49 | 1.50% | 1.75% |
| 50-54 | 0.50% | 1.25% |
| 55+ | 0.50% | 0.75% |

A rationale for each of the assumptions used in the projection is provided below.

Discount Rate

We have discounted the expected benefit payment cash flows using the expected investment return on the market value of the fund. Other bases for discounting the expected benefit payment cash flows may be appropriate, particularly for purposes other than those specifically identified in this valuation report.

The discount rate is comprised of the following:

- Estimated returns for each major asset class consistent with market conditions on the valuation date and the target asset mix specified in the EGD RPP's investment policy.
- Additional returns assumed to be achievable due to active equity management equal to the fees related to active equity management. Such fees were determined by the difference between the provision for total investment expenses and the hypothetical fees that would be incurred for passive management of all assets.
- Implicit provision for investment and non-investment administrative expenses determined as the expected rate of investment and administrative expenses to be paid from the fund in the future.
- A margin for adverse deviations of 0.29%.

The discount rate was developed as follows:

| | |
|------------------------------------------------------------|---------|
| Assumed investment return | 6.17% |
| Additional returns for active management ⁴ | 0.31% |
| Investment management and administrative expense provision | (0.69%) |
| Margin for adverse deviation | (0.29%) |
| Net discount rate | 5.50% |

Inflation

The inflation assumption is based on the mid-point of the Bank of Canada's inflation target range of between 1% and 3%, and market expectations of long-term inflation implied by the yields on nominal and real return bonds.

⁴ Limited to the incremental cost of fees on an actively managed investment fund relative to a passively managed fund.

Income Tax Act Pension Limit and Year's Maximum Pensionable Earnings

The assumption is based on historical real economic growth and the underlying inflation assumption.

Pensionable Earnings

This assumption is based on Gazifère's expectations.

Post-Retirement Pension Increases

This assumption is based on the EGD RPP formula and inflation assumption above.

Mortality

The assumption for the mortality rates is based on the Canadian Pensioners' Mortality (CPM) study published by the Canadian Institute of Actuaries in February 2014.0

Due to the size of the EGD RPP, specific data on plan mortality experience is insufficient to determine mortality rates. After considering plan-specific characteristics, such as the type of employment, the industry experience, pension and employment income for the plan members, and data in the CPM study, it was determined to use the 2014 Private Sector CPM Mortality Table without adjustment.

There is broad consensus among actuaries and other longevity experts that mortality improvement will continue in the future, but the degree of future mortality improvement is uncertain. The mortality improvement scale published in the CPM study represents one reasonable outlook for future improvement. We have used the CPM mortality improvement scale B without adjustment.

Based on the assumption, the life expectancy of a member aged 65 at May 31, 2015 is 21.5 years for males and 24.0 years for females.

Actuarial Methods and Assumptions – Projected Solvency and Hypothetical Wind-up Bases

The Canadian Institute of Actuaries requires actuaries to report the financial position of a pension plan on the assumption that the plan is wound-up on the effective date of the valuation, with benefits determined on the assumption that the pension plan has neither a surplus nor a deficit. For the purposes of the hypothetical wind-up valuation, the wind-up is assumed to occur in circumstances that maximize the actuarial liability.

To determine the actuarial liability of the EGD RPP on the hypothetical wind-up basis, we have valued those benefits that would have been paid had the EGD RPP been wound up on the valuation date, including benefits that would be immediately payable if the employer's business were discontinued on the valuation date, with all members fully vested in their accrued benefits.

The circumstances in which the EGD RPP wind-up is assumed to have taken place are as follows:

- Membership in the EGD RPP ceases on the valuation date; and
- No projection of salaries and YMPE are assumed to occur after the valuation date for active and suspended members.

Thereby giving rise to the following benefits:

- Active and suspended members not within 10 years of pensionable age (under the age of 55) receive the termination benefit under the EGD RPP;
- Active and suspended members within 10 years of pensionable age (age 55 and older) receive the retirement benefit under the EGD RPP; and
- Deferred pensioners, pensioners and survivors receive the benefit to which they are entitled on the valuation date.

It is assumed that, on wind-up, Gazifère would grant consent to early retirement for all active members.

No benefits payable on wind-up were excluded from our calculations.

Upon wind-up members are given options for the method of settling their benefit entitlements. The options vary by eligibility and by province of employment, but in general, involve either a lump sum transfer or an immediate or deferred pension.

The value of benefits assumed to be settled through a lump sum transfer is based on the assumptions described in Section 3500 – *Pension Commuted Values* of the Canadian Institute of Actuaries' Standards of Practice applicable for May 31, 2015. Benefits provided as an immediate or deferred pension are assumed to be settled through the purchase of annuities based on an estimate of the cost of purchasing annuities. However, there is limited data available to provide credible guidance on the cost of a purchase of indexed annuities in Canada. Therefore, we have relied upon the *Canadian Institute of Actuaries' Educational Note Supplement: Guidance for Assumptions for Hypothetical Wind-up and Solvency Valuations Update – Effective March 31, 2015, and Applicable to Valuations with Effective Dates Between March 31, 2015, and December 30, 2015*, reflecting additional supplemental information to May 31, 2015.

In determining the financial position of the EGD RPP on the solvency basis, we have valued those benefits that would have been paid had the EGD RPP been wound-up on the valuation date, with the exception of certain benefits which may be excluded, as permitted by the Act. Specifically, future cost-of-living increases on pensions in payment were excluded from our calculation of solvency liabilities. All members are assumed to be fully vested in their accrued benefits.

We have not included a margin for adverse deviation in the solvency and hypothetical wind-up valuations.

The assumptions below are based on economic conditions as at May 31, 2015.

Basis for Benefits Assumed to be Settled Through a Lump Sum

| | |
|----------------------------------------|-------------------------------------------------------------------|
| Mortality rates: | 100% of the rates of the 2014 Canadian Pensioners Mortality Table |
| Mortality improvement: | Fully generational using CPM Improvement Scale B (CPM-B) |
| Non-indexed interest rate: | 2.20% per year for 10 years, 3.60% per year thereafter |
| Partially-indexed (50%) interest rate: | 1.60% per year for 10 years, 2.50% per year thereafter |
| Partially-indexed (55%) interest rate: | 1.60% per year for 10 years, 2.30% per year thereafter |

Basis for Benefits Assumed to be Settled Through the Purchase of an Annuity

| | |
|----------------------------------------|-----------------------------------|
| Mortality rates: | UP1994 Table |
| Mortality improvement: | Fully generational using Scale AA |
| Non-indexed interest rate: | 2.52% per year |
| Partially-indexed (50%) interest rate: | 0.91% per year |
| Partially-indexed (55%) interest rate: | 0.75% per year |
| Termination expenses: | \$660,000 |

Termination Expenses

To determine the hypothetical wind-up and solvency position of the EGD RPP, a provision has been made for estimated termination expenses payable from the EGD RPP's assets in respect of actuarial and administration expenses that may reasonably be expected to be incurred in terminating the EGD RPP and to be charged to the EGD RPP.

Because the settlement of all benefits on wind-up is assumed to occur on the valuation date and is assumed to be uncontested, the provision for termination expenses does not include custodial, investment management, auditing, consulting and legal expenses that would be incurred between the wind-up date and the settlement date or due to the terms of a wind-up being contested. Expenses associated with the distribution of any surplus assets that might arise on an actual wind-up are also not included in the estimated termination expense provisions.

In determining the provision for termination expenses payable from the EGD RPP's assets, we have assumed that the plan sponsor would be solvent on the wind-up date. We have also assumed, without analysis, that the EGD RPP's terms as well as applicable legislation and court decisions would permit the relevant expenses to be paid from the EGD RPP.

Actual fees incurred on an actual plan wind-up may differ materially from the estimates disclosed in this report.

Incremental Cost

In order to determine the incremental cost, we estimate the solvency liabilities at the next valuation date. We have assumed that the cost of settling benefits by way of a lump sum or purchasing annuities remains consistent with the assumptions described above. Since the projected solvency liabilities will depend on the membership in the EGD RPP at the next valuation date, we must make assumptions about how the EGD RPP membership will evolve over the period until the next valuation.

We have assumed that membership will evolve in a manner consistent with the going concern assumptions as follows:

Pensionable earnings, the *Income Tax Act* pension limit and the Year's Maximum Pensionable Earnings increase in accordance with the related going concern assumptions;

Active members accrue pensionable service in accordance with the terms of the EGD RPP;

Active members terminate, retire and die in accordance with the related going concern assumptions; and

Cost of living adjustments are consistent with the inflation assumption used for the going concern valuation.

To accommodate for new entrants to the EGD RPP, we have added to the projected liability an amount equal to the liability of new entrants that have joined the plan since the previous valuation.

APPENDIX E

Membership Data

Analysis of Membership Data at December 31, 2014

For purposes of these estimates, we have based our projections on membership data as at December 31, 2014 for the EGD RPP, which was provided by Enbridge. Membership data was projected forward based on the assumptions described in Appendix D.

Membership data for the EGD RPP as at December 31, 2014 are summarized below.

| 12.31.2014 (EGD RPP) | |
|--------------------------------------------------------------------------------|---------------|
| Active Members Accruing Defined Benefit Service (Non-SMEs) | |
| Number | 2,151 |
| Total base earnings at the valuation date | \$175,316,500 |
| Average base earnings at the valuation date | \$81,500 |
| Average years of Non-SME DB pensionable service | 10.3 years |
| Average age | 43.7 years |
| Active Members Accruing Defined Benefit Service (SMEs) | |
| Number | 40 |
| Total base earnings at the valuation date | \$8,443,000 |
| Average base earnings at the valuation date | \$211,100 |
| Average years of Non-SME DB pensionable service | 8.5 years |
| Average years of SME DB pensionable service | 4.2 years |
| Average age | 50.6 years |
| Suspended Defined Benefit Members Accruing Defined Contribution Service | |
| Number | 50 |
| Total base earnings at the valuation date | \$4,579,300 |
| Average base earnings at the valuation date | \$91,600 |
| Average years of Non-SME DB pensionable service | 6.7 years |
| Average age | 50.3 years |
| Other Suspended Defined Benefit Members (Non-SMEs) | |
| Number | 27 |
| Total base earnings at the valuation date | \$3,136,600 |
| Average base earnings at the valuation date | \$116,200 |
| Average years of Non-SME DB pensionable service | 4.9 years |
| Average age | 39.5 years |
| Other Suspended Defined Benefit Members (SMEs) | |
| Number | 22 |
| Total base earnings at the valuation date | \$7,414,700 |
| Average base earnings at the valuation date | \$337,000 |
| Average years of Non-SME DB pensionable service | 4.0 years |
| Average years of SME DB pensionable service | 1.2 years |
| Average age | 50.6 years |
| Active Defined Contribution Members without Defined Benefit Service | |
| Number | 139 |
| Total base earnings at the valuation date | \$12,553,800 |
| Average base earnings at the valuation date | \$90,300 |
| Average age | 43.1 years |
| Suspended Defined Contribution Members without Defined Benefit Service | |

| | 12.31.2014 (EGD RPP) |
|---------------------------------------------|-----------------------------|
| Number | 6 |
| Total base earnings at the valuation date | \$829,300 |
| Average base earnings at the valuation date | \$138,200 |
| Average age | 38.2 years |
| Deferred Pensioners | |
| Number | 223 |
| Total annual pension | \$1,016,700 |
| Average annual pension | \$4,600 |
| Average age | 47.5 years |
| Pensioners and Survivors | |
| Number | 1,623 |
| Total annual lifetime pension | \$35,728,800 |
| Average annual lifetime pension | \$22,000 |
| Total annual temporary pension | \$2,124,000 |
| Average annual temporary pension | \$6,600 |
| Average age | 72.1 years |

APPENDIX F

Summary of Plan Provisions

For purposes of these projections, we have reflected the provisions of the plans in effect on May 31, 2015. The plans have not been amended since December 31, 2014.

EGD RPP - DB Component

The following is a summary of the main provisions of the DB component of the EGD RPP (the “Plan”) in effect on May 31, 2015. This summary is not intended as a complete description of the Plan.

| | |
|-----------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Background | <p>The EGD RPP became effective January 1, 1971.</p> <p>Benefits are based on a set formula and are entirely paid for by Enbridge.</p> <p>Effective July 1, 2001, the Plan was redesigned for all active or suspended members at that date. Prior to the redesign, participants in the DB component of the Plan accrued Contributory credited service. Following the redesign, all active and suspended members were required to elect to participate in either the DB component or the DC component of the Plan for future service. Participants in the DB component of the Plan accrue non-contributory or SME credited service.</p> <p>In the future, members who are not SMEs may switch between the DB and DC components on the January 1 following the date they achieve 40 points or 60 points. Any changes will affect service after the decision point only. Members who are SMEs must participate in the DB component of the Plan.</p> |
| Eligibility for Membership | <p>New employees become members of the EGD RPP immediately. They may elect to participate in either the DB or DC component of the EGD RPP. SMEs must participate in the DB component.</p> |
| Vesting | <p>All employees are immediately vested as of July 1, 2011.</p> |
| Employee Contributions | <p>No employee contributions are required or permitted based on the current plan provisions. Prior to July 1, 2001, employee contributions were required.</p> |
| Retirement Dates | <p>Normal Retirement Date</p> <p>The normal retirement date is the first day of the month coincident with or next following the member’s 65th birthday.</p> <p>Early Retirement Date</p> <p>A member may choose to retire as early as age 55.</p> |

| | |
|------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Normal Retirement Pension | <p>Contributory Service: 2.0% of Final Five Year Average Earnings multiplied by years of contributory credited service; less 100% of the Contributory Canada Pension Plan Entitlement.</p> <p>Non-Contributory Service: 1.2% of Final Three Year Average Earnings multiplied by years of non-contributory credited service; less 50% of the Non-Contributory Canada Pension Plan Entitlement;</p> <p>SME Credited Service: 2.0% of Final Three Year Average Earnings multiplied by years of SME credited service.</p> |
| Final Five Year Average Earnings | Final Five Year Average Earnings is calculated using the highest 60 consecutive months of earnings received by the member in the 120 months immediately prior to termination or retirement, including 50% of the actual bonus received for senior executive employees. |
| Final Three Year Average Earnings | Final Three Year Average Earnings is calculated using the highest 36 consecutive months of earnings received by the member in the 120 months immediately prior to termination or retirement, plus the sum of the highest three Pensionable Bonus payments made in the last five years divided by 3. |
| Canada Pension Plan Entitlement | <p>Contributory Service: One thirty-fifth of 25% of the lesser of the average earnings in the 60 months immediately preceding the date of exit and average of the YMPE in the five calendar years, including the current year, preceding the date of exit, multiplied by contributory credited service, to a maximum of 35 years.</p> <p>Non-Contributory Service: Calculated as if the member had reached age 65, multiplied by the ratio of the member's non-contributory credited service after the later of January 1, 1966 or age 18, to the number of years of possible CPP coverage to age 65, recognizing a dropout period of 15%, and reduced by 6% per year for every year the retirement date precedes age 65, to a maximum reduction of 30%.</p> |

| | |
|------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Early Retirement Pension | <p>The following benefits apply if a member retires early with the EGD's consent:</p> <p>If the member has attained age 60, the pension payable is as described above in the Normal Retirement section.</p> <p>If the member has 30 years of continuous Service or has attained age 60, the member is eligible for the benefits described in the previous paragraph plus, for contributory credited service, an additional benefit of a bridge pension payable to age 65 equal to 100% of the Contributory Canada Pension Plan Entitlement.</p> <p>If the member has not attained age 60 the member is also eligible, for non-contributory credited service, for an additional benefit of a bridge pension payable to age 60 equal to 50% of the Non-Contributory Canada Pension Plan Entitlement.</p> <p>If the member has not attained age 60 or 30 years of continuous service at retirement, an early retirement reduction of 5% per year is applicable from age 60 in respect of contributory and non-contributory credited service. For SMEs, the early retirement reduction is 3% per year for SME credited service. The reduction applies to the benefit described in the immediately preceding paragraphs including the bridge pensions.</p> <p>If a member retires without consent the benefit is actuarially equivalent to the benefit payable at age 65.</p> |
| Maximum Pension | <p>The total annual pension payable from the EGD RPP upon retirement, death or termination of employment cannot exceed the lesser of:</p> <p>2% of the average of the best three consecutive years of total compensation paid to the member by Enbridge; and</p> <p>\$2,818.89, or such other maximum as may apply from time to time indexed to the date of pension commencement, multiplied by his total credited service and reduced for early retirement in accordance with the <i>Income Tax Act</i> rules.</p> |
| Indexation of Pensions in Payment | <p>On December 1 of each year a contractual cost of living increase equal to a percentage of the annual increase in the Consumer Price Index will apply to pensions in payment for at least one year. This percentage is 55% for contributory credited service and 50% for non-contributory and SME credited service. Indexation only applies to members that retire from active membership.</p> <p>Prior to July 1, 2001, any increases to pensions in payment were on an ad-hoc basis.</p> |

| | |
|-----------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Death Benefits | <p>Death Before Eligible for Early Retirement</p> <p>If a member dies before he is eligible for early retirement benefits, the member's spouse, or beneficiary if there is no spouse, will receive a lump sum settlement equal to 100% of the commuted value of the member's reduced accrued pension deferred to age 55, in respect of all credited service.</p> <p>Death After Eligibility for Early Retirement</p> <p>If a member dies after his early retirement date and before his pension payments have begun, the member's spouse, or beneficiary if there is no spouse, will receive either a lump sum settlement or an immediate pension equal in value to 100% of the commuted value of the member's reduced accrued pension, in respect of all credited service.</p> <p>Death After Retirement</p> <p>The death benefit payable is in accordance with the form elected.</p> <p>The normal form of pension is a Joint and 60% Survivor annuity for members with a spouse and a life annuity with a 15-year guarantee period for single members.</p> |
| Termination Benefits | <p>If a member's employment terminates for reasons other than death or retirement, the member is entitled to their reduced accrued pension deferred to age 55. The member has the option to transfer the value of the benefit to a locked-in RRSP.</p> |
| Disability Benefits | <p>Disabled members are eligible to retire at age 65. For members whose disability commenced before July 1, 2001 salary is assumed to increase with the Average Industrial Wage, while for members whose disability commences after July 1, 2001 salary is assumed to increase with inflation, subject to a maximum of 5% per year, to retirement. The disabled member continues to accrue credited service while disabled.</p> |

EGD RPP - DC Component

The following is a summary of the main provisions of the DC component of the EGD RPP (the “Plan”) in effect on May 31, 2015. This summary is not intended as a complete description of the Plan.

| | |
|-----------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Background | The DC component of the EGD RPP became effective July 1, 2001. Employer contributions are remitted to individual member accounts and are credited with interest. Members receive the balance of their individual employer account upon termination, death or retirement. |
| Eligibility for Membership | New employees become members of the EGD RPP immediately. They may elect to participate in either the DB or DC component of the EGD RPP. SMEs must participate in the DB component. |
| Vesting | All employees are immediately vested as of July 1, 2011. |
| Employee Contributions | No employee contributions are required or permitted. |
| Employer Contributions | Employer contributions to the DC component are based on a member's points. less than 40 points: 4.0% of pensionable earnings ⁵ 40 to 60 points: 5.5% of pensionable earnings greater than 60 points: 7.0% of pensionable earnings |
| Maximum Contribution | The employer contributions are limited to the maximum amounts under the ITA. |
| Pensionable Earnings | Base salary plus 50% of actual bonus received. |

⁵ For members who were participating in the DC component of the Plan at June 30, 2001, the minimum employer contribution is 5.0% of pensionable DC earnings.



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