

ESTIMATED 2016 - 2020 CASH COSTS
GAZIFÈRE NON-PENSION
POST RETIREMENT PLANS
13 AUGUST 2015

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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.

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.

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., we have estimated the cash funding costs over 2016 to 2020 for The Non-Pension Post Retirement Plan For Employees of Gazifère (the “OPEB Plan”). The estimate is 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 OPEB costs from ratepayers.

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.

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Background Information

Determination of Cash Funding Costs

The OPEB Plan is a defined benefit (“DB”) plan. The non-pension post retirement benefits are funded on a pay-as-you-go basis. Gazifère funds on a cash basis as benefits are paid. No assets have been segregated and restricted to provide the non-pension post retirement benefits.

We have conducted an actuarial valuation of the OPEB Plan as at September 1, 2012. Results from this valuation have been extrapolated forward and are the basis for the projections contained herein.

All results presented in this report are in Canadian dollars.

Historical Funding

Historical estimated cash costs to the OPEB Plan are summarized below.

Estimated Cash Costs

	Gazifère OPEB Plan (\$Thousands)
2011	\$39
2012	\$40
2013	\$46
2014	\$58
2015	\$46
Total	\$229

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Financial Results

We have projected the results of the September 1, 2012 actuarial valuation of the OPEB Plan for financial reporting purposes forward to each of the years ending 2015 through 2019. The purpose of these projections is to estimate the cash funding costs for 2016 through 2020. **The projections are based on the economic environment as at May 31, 2015 and assumptions described in Appendix C. 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.**

The expected cash funding costs for the plans over 2016 – 2020 are summarized below.

Cash Costs (\$Thousands)

	Gazifère OPEB
2016 Projected Cash Cost	\$51
2017 Projected Cash Cost	\$54
2018 Projected Cash Cost	\$56
2019 Projected Cash Cost	\$63
2020 Projected Cash Cost	\$71

Important to Note

The purpose of this report is to estimate the cash funding costs over 2016 through 2020. However, the actual level of costs in 2016 through 2020 is highly dependent on:

- Future health care claims costs and trends; and,
- Actual plan demographic experience.

These items will cause actual cash costs over 2016 through 2020 to differ from the estimates provided in this report.

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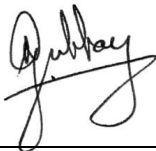
Actuarial Opinion

Management has selected the assumptions used in the projections of plan obligations and determination of plan costs. They are Management's best estimate assumptions, selected for accounting purposes, in accordance with US accounting standards (US GAAP). Based on the information provided to us, we believe that the actuarial assumptions are reasonable for the purposes described in this report.

In my opinion, for the purposes of the projections,

- The membership data on which the projections are based are sufficient and reliable; 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.



Nicholas H. Gubbay

FCIA, FFA

13 August 2015

Date

APPENDIX A

Sensitivity of Results

The non-pension post retirement benefits are funded on a pay-as-you-go basis. Gazifère funds on a cash basis as benefits are paid. As a result, the projected cash funding costs are not sensitive to “shocks” impacting the determination of the liability that arise from discount rate fluctuations.

It should be noted that future health care cost trends are especially difficult to predict and actual experience is likely to differ from expected. In addition, changes to provincial drug benefit plans have the potential to shift some or most of the cost of seniors’ drug claims to employer sponsored retiree benefit plans, thereby dramatically increasing the cost of seniors’ drugs claimed under the grandfathered portion of the OPEB Plan.

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.
- Our calculations are based on the assumptions and methodology described in Appendix C.
- Our calculations are based on extrapolations of a valuation performed using membership data as at September 1, 2012. The membership data used in our projections and calculations is summarized in Appendix D.
- Our calculations reflect the provisions of the Plan as at May 31, 2015. Based on the information provided by Enbridge Gas Distribution, no substantive amendments have been made to the Plan since that date. A summary of the plan provisions is provided in Appendix E.

Subsequent Events

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

APPENDIX C

Actuarial Methods and Assumptions

Actuarial Methods

Funding Policy

The non-pension post retirement benefits are funded on a pay-as-you-go basis. The Company funds on a cash basis as benefits are paid. No assets have been segregated and restricted to provide the non-pension post retirement benefits.

Actuarial Assumptions

The following assumptions, provided to us by Management, were used in valuing the benefit obligations under the plan.

<i>Measurement date</i>	31 December	
<i>Discount rate</i>	3.90%	
<i>Salary increases</i>	3.70% per annum	
<i>Medical cost trend rates</i>	Hospital	4.5% per annum
	Prescription drugs	8.156% per annum in 2014 grading down to 4.50% per annum in and after 2029. The trend rates are reduced by 0.25% per year after age 65 for Ontario members to reflect the inclusion of the Ontario Drug Benefit costs
	Other medical	4.50% per annum
	Vision care	4.50% per annum, with an effective 0% per annum net trend rate due to the low fixed dollar limit that exists for the benefit
<i>Provincial health trend rate (non-grandfathered)</i>	0.00% per annum	
<i>Retiree HSA trend rate</i>	0.00% per annum	
<i>Dental cost trend rate</i>	4.50% per annum	
<i>Mortality</i>	100% of the rates of the 2014 Private Sector Canadian Pensioners Mortality Table	
<i>Mortality Improvements</i>	Fully generational using CPM Improvement Scale B	

<i>Withdrawal</i>	Rates at sample ages are shown below:		
	Age	Male	Female
	25	5.0%	5.0%
	35	4.6%	4.6%
	45	2.5%	2.5%
	55	0.0%	0.0%
	No withdrawal assumed after attainment of eligibility for retirement.		
<i>Disability incidence</i>	No explicit allowance has been made for disability prior to retirement.		
<i>Retirement rates</i>	If 30 years of continuous service is not reached between ages 55 and 59 inclusive, then the table rates apply, otherwise 17.5% of the members will retire at the first age at which 30 years of continuous service and age 55 are reached. At all other ages, rates follow the table below.		
	Age	Rate	
	55 – 59	5.0%	
	60 – 65	17.5%	
	66 – 69	50.0%	
	65	100.0%	
<i>Marital status</i>	For active members, 80% are assumed to be married at retirement with males assumed to be 3 years older than their female spouses. For current retirees, actual marital status and spousal age is assumed.		
<i>Age 65 per capita claims costs excluding administration and taxes</i>	Hospital	\$60	
	Prescription drugs	\$1,007	
	Other medical	\$158	
	Vision care	\$16	
	Dental care	\$633	
	Total	\$1,874	
	The current per capita medical and dental costs were based on actual claims experience from July 1, 2012 to June 30, 2014 and adjusted to the midpoint of the valuation year. Drug costs are shown before the impact of any provincial drug plan.		
<i>Provincial Health Premiums</i>	The company pays 50% of the cost of provincial health premiums (shown below) for non-grandfathered retirees in British Columbia. We have incorporated the cost of these premiums in our valuation. Monthly premiums Single \$54 Family \$96. The Company cost is frozen at the above (2004) levels.		

<i>Increases in utilization by age</i>	Cost at Age					
	Attained Age	Hospital	Drug	Other Medical	Dental	Vision
	55	45%	75%	106%	106%	106%
	60	64%	88%	103%	104%	103%
	65	100%	100%	100%	100%	100%
	70	161%	109%	102%	95%	97%
	75	253%	113%	110%	90%	95%
	80	388%	114%	121%	83%	92%
<i>Prescription drug offset assumption at age 65 and after</i>	The following cost-offsets were assumed to reflect the impact of provincial drug plans:					
	Québec:		50%			
	Ontario		65%			
	Alberta:		55%			
	Prince Edward Island		35%			
	All other provinces:		0%			
<i>Administrative expenses as a percentage of paid claims</i>	Medical	5.18% plus 1.99% for stop loss charge plus applicable taxes				
	Dental	5.06% plus applicable taxes				
	Retiree HSA	5.18% plus applicable taxes				
	Life insurance	2.50% plus applicable taxes				
<i>Taxes</i>	Premium Tax					
	Quebec – 2.30%					
	Other – 2.00%					
	Retail Sales Tax					
	Quebec – 9.00%					
	Ontario – 8.00%					
<i>Participation</i>	100% of members are assumed to participate in the retiree health plan.					

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

APPENDIX D

Membership Data

Analysis of Membership Data at September 1, 2012

For purposes of these estimates, we have based our projections on membership data as at September 1, 2012, which was provided by Enbridge. Membership data was projected forward based on the assumptions described in Appendix D.

Membership data for the Enbridge Gas Distribution OPEB Plan, including affiliates (including Gazifère), as at September 1, 2012 are summarized below.

Active Membership Data

	September 1, 2012			
	Number	Average Age	Average Service	Average Salary
Grandfathered Plan				
Non Union	276	56.9	30.6	\$96,086
Union	247	56.8	28.9	\$64,943
Part Time	4	64.3	19.5	\$49,520
Non-Grandfathered Plan	1,722	40.9	8.3	\$76,749
Total	2,249	44.6	13.3	\$77,777

Inactive Membership Data

	September 1, 2012		
	Less than age 65	Greater than age 65	Total
Grandfathered Plan			
Number of Retirees	250	924	1,174
Average age of Retirees	61.0	74.9	72.0
Average Life Benefit	\$118,033	\$5,000	\$28,766
Number of Spouses of Retirees	287	624	911
Average age of Spouses	59.1	73.8	69.2
Number of Surviving Spouses	22	182	204
Average Age of Surviving Spouses	56.6	78.9	76.5
Non-Grandfathered Plan			
Number of Retirees			35
Average age of Retirees			61.8
Average Life Benefit			\$10,000
Number of Spouses of Retirees			28
Average age of Spouses			61.2
Number of Surviving Spouses			3
Average Age of Surviving Spouses			67.0

APPENDIX E

Summary of Plan Provisions

For purposes of these projections, we have reflected the provisions of the OPEB Plan in effect on May 31, 2015.

The following is a summary of the main provisions of the Plan in effect on May 31, 2015. This summary is not intended as a complete description of the OPEB Plan.

Grandfathered Plan Summary (Traditional Plan)

Eligibility

Employees who are eligible to retire under the terms of the pension plan (at age 55) are eligible for post-retirement benefits. Current retirees, surviving spouses, and employees with 60 points (age plus service totals at least 60) as of January 1, 2004 for non-union employees and January 1, 2007 for union employees will be eligible to elect the grandfathered or non-grandfathered plan.

Spouses and dependants of retirees are eligible for health and dental coverage as well. Dental coverage ceases when the retiree reaches age 65.

On the retiree's death, health and dental coverage continues for the spouse and dependents. Dental coverage ceases when the surviving spouse reaches age 65, and there is no continuation of dental coverage if the surviving spouse is over age 65 when the retiree dies.

Cost Sharing

All costs for retiree benefits are employer paid.

Life Insurance

Group	Pre Age 65 coverage	Post Age 65 coverage
Non Union	2 x annual earnings at retirement	\$5,000
Union	\$40,000	\$5,000
Part-Time	\$15,000	\$5,000

Medical and Dental Benefits

Hospital Benefits

Benefits cover 100% of semi-private room and board charges in excess of charges for ward accommodation and for ward-level user fees, where applicable. Hospital charges related to chronic case services are limited to a lifetime maximum of \$10,000 per covered person.

Major Medical Benefits

Reimbursement Percentages

- 100% for paramedical practitioners and vision care expenses.
- 90% of first \$1,000 of family's eligible expenses per calendar year and 100% of remaining eligible expenses.
- Drug Card with mandatory generic substitution

Deductible

- None.

Maximum

- Drugs - \$30,000 per person per benefit year.
- All other medical benefits - \$50,000 per person in any three consecutive calendar years for all medical benefits combined.

Eligible Expenses

- Prescription drugs.
- Ambulance services.
- Medical supplies and services (e.g. artificial limbs, orthopaedic shoes).
- Professional services.
- Services of a registered nurse, subject to a lifetime maximum of \$5,000.
- Vision care (\$100 per person for frames/lenses, \$200 for contacts per person every 24 consecutive months).
- Hospital charges for emergency treatment outside Canada.

Provincial Benefits- Ontario Bill 26

Seniors age 65 and over in Ontario with sufficiently high income are required to pay the first \$100 of annual drug costs followed by a \$6.11 dispensing fee per prescription. The Plan reimburses retirees for these amounts.

Dental Benefits

Reimbursement Percentages

- 100% of basic expenses.
- 50% of major restorative expenses.
- 50% of orthodontic expenses.

Deductible

- None.

Fee Guide

Current Provincial Dental Association Fee Guide.

Dental Maximums

- \$2,000 per person per calendar year for basic and major restorative expenses combined.
- \$1,000 per person lifetime for orthodontic expenses.

Non-Grandfathered Plan Summary

Eligibility

Current retirees, surviving spouses, and employees that did not qualify by having 60 points (age plus service totals at least 60) as of January 1, 2004 for non-union employees and January 1, 2007 for union employees will be eligible for the non-grandfathered plan if the employee has at least five years of employment when they retire.

On the retiree's death, the health spending account continues for dependants. Provincial health premiums also continue to be paid, based on frozen amounts (on a 50% basis) as at January 1, 2004.

Cost Sharing

With the exception of provincial health premiums, all costs for retiree benefits are employer paid.

Life Insurance

Life coverage will be \$10,000.

Health Spending Account

The Company will provide a \$1,500 per family health spending account allocation, from which the retiree will purchase catastrophic coverage as well as pay for out of pocket medical, dental and vision expenses. No indexation of this spending account is contemplated.

British Columbia Health Premiums

The Company will pay for British Columbia health premiums at 50% of the 2004 rates.



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