ESTIMATED 2016 - 2020 ACCRUAL COSTS

GAZIFÈRE NON-PENSION
POST RETIREMENT PLANS

13 AUGUST 2015

Note to reader regarding actuarial valuations and projections:

This report may not be relied upon for any purpose other than those explicitly noted in the Introduction, nor may it be relied upon by any party other than the parties noted in the Introduction. Mercer is not responsible for the consequences of any other use. A projection is a snapshot of a plan's estimated financial condition at a particular point in time; it does not predict a plan's future financial condition or its ability to pay benefits in the future. If maintained indefinitely, a plan's total cost will depend on a number of factors, including the amount of benefits the plan pays, the number of people paid benefits, the amount of plan expenses, and the amount earned on any assets invested to pay the benefits. These amounts and other variables are uncertain and unknowable at the projection date. The content of this report may not be modified, incorporated into or used in other material, sold or otherwise provided, in whole or in part, to any other person or entity, without Mercer's permission. All parts of this report, including any documents incorporated by reference, are integral to understanding and explaining its contents; no part may be taken out of context, used, or relied upon without reference to the report as a whole.

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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1

Introduction

Purpose

At the request of Gazifère Inc., we have estimated the accrual (i.e. accounting) costs over 2016 to 2020 for The Non-Pension Post Retirement Plan For Employees of Gazifère (the “OPEB Plan”). This estimate is based on economic conditions at May 31, 2015. Actual accrual costs 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 Gazifère’s application for recovery of OPEB costs from ratepayers.

The information presented is 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.

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Background Information

Determination of Accrual Costs

The OPEB Plan is a defined benefit (“DB”) plan. Accrual costs in respect of the Plan are determined annually based on actuarial valuations and extrapolations for financial reporting purposes.

Gazifère has indicated that only direct charges to the Statement of Profit & Loss (“P&L charges”) are applicable for determining costs on the accrual basis. Therefore, all accrual costs in the body of this report only reflect P&L charges. Charges to the Statement of Other Comprehensive Income (“OCI charges”) have been included in Appendix B, for information purposes.

Accounting Standards and Methodology

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.

Gazifère’s fiscal year end date is December 31, and the measurement date for plan obligations as described in this report is December 31.

Results contained in this report are in accordance with US GAAP.

All results presented in this report are in Canadian dollars.

We have based our projections on accounting discount rates determined using the Mercer Model methodology.

Additional details on the assumptions and methodology used in these projections are given in Appendix D.

3

Financial Results

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

We have projected the results of the actuarial valuation conducted as at September 1, 2012 for 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 accrual costs 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.**

Projected Accounting Balance Sheets

The table below details the actual balance sheet position of the OPEB Plan as at December 31, 2014, as well as the projected position of the plans at each of year-end 2015 - 2019, assuming plan experience unfolds according to the assumptions described in Appendix D.

Balance Sheet Position ($Thousands)

	Gazifère OPEB
12.31.2014 (Actual)	
Assets	$0
Benefit obligation	$1,954
Excess (deficit)	($1,954)
12.31.2015 (Projected)	
Assets	$0
Benefit obligation	$2,076
Excess (deficit)	($2,076)
12.31.2016 (Projected)	
Assets	$0
Benefit obligation	$2,160
Excess (deficit)	($2,160)
12.31.2017 (Projected)	
Assets	$0
Benefit obligation	$2,246
Excess (deficit)	($2,246)
12.31.2018 (Projected)	
Assets	$0
Benefit obligation	$2,332
Excess (deficit)	($2,332)
12.31.2019 (Projected)	
Assets	$0
Benefit obligation	$2,411
Excess (deficit)	($2,411)

Summary of Accrual Costs

Based on the projected financial positions above, the resulting US GAAP P&L accrual costs for the plans over 2016 – 2020 are summarized below.

Accrual Costs – US GAAP ($Thousands)

	Gazifère OPEB
2016 Projected P&L Charge	$140
2017 Projected P&L Charge	$143
2018 Projected P&L Charge	$147
2019 Projected P&L Charge	$147
2020 Projected P&L Charge	$150

Important to Note

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

- Changes in long-term high-quality corporate bond yields after May 31, 2015;
- Any changes to the Gazifère's discount rate methodology in the future;
- Future health care claims costs and trends; and,
- Actual plan demographic experience.

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

4

Actuarial Opinion

The methods used in the projections of benefit obligations and determination of plan costs were selected by Management in accordance with the requirements of US accounting standards (US GAAP).

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 calculations have been made in accordance with the requirements of US accounting standards (US GAAP), reflecting application of Gazifère's accounting policies described in this report.

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

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.

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

	Accrual Costs – ($Thousands)	
	US GAAP P&L CHARGE	**Δ from baseline**
2016	$140	$0
2017	$135	($8)
2018	$139	($8)
2019	$140	($7)
2020	$144	($6)

Table A.2: Negative Obligation Shock in 2016 (-1% shift in yield curve)

	Accrual Costs – ($Thousands)	
	US GAAP P&L CHARGE	**Δ from baseline**
2016	$140	$0
2017	$175	$32
2018	$178	$31
2019	$177	$30
2020	$179	$29

Health Care Cost Trends

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

Total Accrual Costs

The accrual costs shown on page 5 and in Appendix A, are only in respect of direct charges to the P&L statement. Under US GAAP, additional charges (primarily in respect of recognizing actuarial gains and losses) are reflected in the OCI statement. This appendix includes estimates of both direct P&L charges and indirect OCI charges over 2016 to 2020.

Table B.1: Projected Financial Position Accrual Costs – US GAAP ($Thousands)

	P&L CHARGE	OCI CHARGE	TOTAL CHARGE
2016 Charge	$140	($2)	$138
2017 Charge	$143	($2)	$141
2018 Charge	$147	($2)	$145
2019 Charge	$147	($2)	$145
2020 Charge	$150	($2)	$148

APPENDIX C

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 Gazifere and for filing with the Régie. This information presented is not intended or suitable for any other purpose.

- The projections and calculations of costs have been prepared in accordance with US accounting standards (US GAAP). They are based on methods, assumptions and accounting policies selected by Management.

- We have projected benefit obligations forward using the expected cost of benefits accruing over 2015 through 2019, reflecting interest over each period and adjusting year-end 2015 benefit obligations to reflect the economic environment as at May 31, 2015. Benefit obligations 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. The discount rate assumption reflects market conditions as at May 31, 2015 and the Mercer Model discount rate methodology.

- Our calculations are based on extrapolations of a valuations performed using membership data as at September 1, 2012. The membership data used in our projections and calculations is summarized in Appendix E.

- 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 F.

Subsequent Events

After checking with representatives of the Enbridge Gas Distribution, 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.

APPENDIX D

Accounting Methods and Assumptions

Accounting Methods

Valuation of Benefit Obligations and Current Service Cost

For purposes of these estimates, we have continued to use the projected unit credit method for the valuation of benefit obligations and current service cost of the plan. The objective under this method is to expense each participant's benefits under the plan as they would accrue; taking into consideration projection of benefit costs to and during retirement. Thus, the total benefit, to which each participant is expected to become entitled at retirement, is broken down into units, each associated with a year of past or future service.

The benefit deemed to accrue for an individual during a fiscal year is the excess of the accrued benefit for valuation purposes at the end of the fiscal year over the accrued benefit for valuation purposes at the beginning of the fiscal year. Both accrued benefits are calculated from the same projections to the various anticipated separation dates. An individual's benefit obligation is the present value of the accrued benefit for valuation purposes at the beginning of the fiscal year and the service cost is the present value of the benefit deemed to accrue in the fiscal year.

The plan's service cost is the sum of the individual service costs, and the plan's benefit obligation is the sum of the individual benefit obligations for all participants under the plan.

Accounting Policies

Accounting Standards

For year-end 2014 the plan's financial reports were in accordance with US GAAP accounting standards.

Measurement Date

The Company's fiscal year end date is December 31, and the measurement date for plan obligations under US GAAP is also December 31.

Attribution

Under US GAAP, obligations are attributed to the period beginning on the employee's date of joining the plan and ending on the date of "full eligibility", determined as the first date the member has or will have met the age and service requirements to qualify for all benefits after retirement.

Amortizations of Prior Service Costs and Gains and Losses

Gazifère has elected to amortize past service costs resulting from plan amendments to the plan on a linear basis over the average remaining service period of active members expected to receive benefits under the plan at the time the amendments were made.

Cumulative gains and losses in excess of 10% of the greater of the accrued benefit obligation are amortized over the average remaining service period of active members expected to receive benefits under the plan (13.8 years).

Accounting Assumptions

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

Measurement date	31 December	
Discount rate	3.90%	
Salary increases	3.70% per annum	
Medical cost trend rates	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
Provincial health trend rate (non-grandfathered)	0.00% per annum	
Retiree HSA trend rate	0.00% per annum	
Dental cost trend rate	4.50% per annum	
Mortality	100% of the rates of the 2014 Private Sector Canadian Pensioners Mortality Table	
Mortality Improvements	Fully generational using CPM Improvement Scale B	

<table>
<tr><td>Withdrawal</td><td>Rates at sample ages are shown below:
<table><tr><th>Age</th><th>Male</th><th>Female</th></tr>
<tr><td>25</td><td>5.0%</td><td>5.0%</td></tr>
<tr><td>35</td><td>4.6%</td><td>4.6%</td></tr>
<tr><td>45</td><td>2.5%</td><td>2.5%</td></tr>
<tr><td>55</td><td>0.0%</td><td>0.0%</td></tr></table>
No withdrawal assumed after attainment of eligibility for retirement.</td></tr>
<tr><td>Disability incidence</td><td>No explicit allowance has been made for disability prior to retirement.</td></tr>
<tr><td>Retirement rates</td><td>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.
<table><tr><th>Age</th><th>Rate</th></tr>
<tr><td>55 – 59</td><td>5.0%</td></tr>
<tr><td>60 – 65</td><td>17.5%</td></tr>
<tr><td>66 – 69</td><td>50.0%</td></tr>
<tr><td>65</td><td>100.0%</td></tr></table></td></tr>
<tr><td>Marital status</td><td>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.</td></tr>
<tr><td>Age 65 per capita claims costs excluding administration and taxes</td><td>
<table><tr><td>Hospital</td><td>$60</td></tr>
<tr><td>Prescription drugs</td><td>$1,007</td></tr>
<tr><td>Other medical</td><td>$158</td></tr>
<tr><td>Vision care</td><td>$16</td></tr>
<tr><td>Dental care</td><td>$633</td></tr>
<tr><td>Total</td><td>$1,874</td></tr></table>
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.</td></tr>
<tr><td>Provincial Health Premiums</td><td>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.</td></tr>
</table>

	Cost at Age					
Increases in utilization by 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%

Prescription drug offset assumption at age 65 and after	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%	
Administrative expenses as a percentage of paid claims	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
Taxes	Premium Tax Quebec – 2.30% Other – 2.00% Retail Sales Tax Quebec – 9.00% Ontario – 8.00%	
Participation	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, the Mercer Model discount rate methodology, and input provided by Enbridge Gas Distribution for the December 31, 2014 accounting valuation. 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 E

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 F

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.

MAKE TOMORROW, TODAY

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