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Lucie Bigelow
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12 July 2016

Subject: Gazifère Estimated 2017 Pension and Benefit Expense and
Cash Contributions

Dear Lucie,

At your request, we have prepared an estimate of Gazifère's share of pension and benefits expense and cash contributions in 2017 for the following pension and non-pension post retirement plans:

- The Pension Plan for the Employees of Enbridge Gas Distribution Inc. and Affiliates (the "EGD RPP");
- The Enbridge Supplemental Pension Plan (the "SPP"); and
- The Non-pension Post Retirement Plan for Employees of Enbridge Gas Distribution Inc. (the "OPEB Plan")

Actual pension and benefits expense and cash funding requirements in respect of 2017 may differ from the amounts estimated here, and will be based on future economic conditions and the respective plans' economic and demographic experiences. We understand these estimates will be provided to the Régie de l'énergie (the "Régie") in conjunction with Gazifère's application for recovery of pension and benefits costs from ratepayers.

The information presented in this letter is prepared for the internal use of Gazifère and for submitting to the Régie. This information is not intended or suitable for any other purpose.

A summary of the projections are attached to this letter as follows:

- Appendix A – Summary of estimated 2017 US GAAP pension expense for Gazifère's share of the EGD RPP, SPP, and OPEB Plan.
- Appendix B – Summary of Gazifère's estimated 2017 contributions to the EGD RPP, SPP, and OPEB Plan.
- Appendix C contains important notices relevant to these projections.

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Basis of Accounting Projections

The EGD RPP projections are based on membership data as at December 31, 2015 and the same assumptions (with the exception of the discount rate), methods and policies as the December 31, 2015 fiscal year end disclosures.

We have projected the results of the December 31, 2014 actuarial valuations of the SPP for US GAAP financial reporting purposes forward to 2016. The membership data is as at December 31, 2014 and we have not updated the membership data to reflect demographic changes since that date.

We have projected the results of the August 1, 2015 actuarial valuations of the OPEB Plan for US GAAP financial reporting purposes forward to 2016. The membership data is as at August 1, 2015 and we have not updated the membership data to reflect demographic changes since that date.

The purpose of these projections is to estimate Gazifère's accrual costs in 2017.

As of January 1, 2016, Enbridge has chosen to implement a split rate approach for purposes of determining the benefit obligations and service cost as well as a spot rate approach for the calculation of interest on these items in the determination of the net periodic benefit cost. Separate discount rates are determined for the benefit obligations and service cost. Interest on benefit obligations, for purposes of determining the interest cost, and the interest on the service cost are calculated by applying interest to the present value of the associated payment. Additional details on this method can be found in the December 31, 2015 disclosure reports.

Under US GAAP, with the exception of the discount rate, assumptions are selected by Enbridge and are to be "management's best estimates". The discount rate must be chosen by reference to the market yields on high quality corporate bonds with cash flows similar to the aggregate cash flows of the pension plans. We have used the same assumptions as were used for the 2015 year-end disclosures under US GAAP, except we updated the discount rate to reflect market conditions at May 31, 2016 as follows:

Assumption	Current Assumption – As at May 31, 2016	Prior Assumption – As at December 31, 2015
Discount rate for benefit obligation determination	3.90%	4.20%
Discount rate for current service cost determination	4.00%	4.30%

As noted above, the interest on benefit obligations, for purposes of determining the interest cost, and the interest on the service cost are calculated by applying interest to the present value of the payment expected at each payment date. For this purpose, interest is determined using the same

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spot rates determined at May 31, 2016 used to determine the present value of the associated payment.

Actual assumptions to be used at December 31, 2016 will be reviewed in the final quarter of 2016 and early 2017 by Enbridge and may be different from the assumptions used for these projections.

Except for the discount rate, all other assumptions, policies, methods and plan provisions are summarized in our ASC 715 (US GAAP) Actuarial Valuation Report as at December 31, 2015 Consolidated Total for All Plans Enbridge Gas Distribution Inc. dated February 2016 (“EGD Pension Report”), our ASC 715 (US GAAP) Actuarial Valuation Report as at December 31, 2015 Consolidated Total for All Plans Enbridge Inc. and Affiliates dated February 2016 (“EI Pension Report”), and our ASC 715 (US GAAP) Actuarial Valuation Report as at December 31, 2015 for Enbridge Gas Distribution Inc. Non-Pension Post Retirement Benefit Plan dated February 2016 (“OPEB Report”).

The market value of assets is used to determine pension costs. For the purposes of these estimates, we have relied on actual asset experience as reported by CIBC Mellon in the monthly unaudited financial statements obtained from their online reporting tool Workbench.

For the EGD RPP, the actual market value of assets as at May 31, 2016 was extrapolated to December 31, 2016 using:

- Contributions in accordance with minimum funding requirements and our understanding of Enbridge’s funding policy for 2016;
- Assumed benefit payments based on membership data at December 31, 2015; and
- Expected returns based on a net median long-term expected return assumption (5.70% annually for the EGD RPP).

For the SPP, the market value of assets as at May 31, 2016 was extrapolated to December 31, 2016 using:

- Contributions in accordance with minimum funding requirements and our understanding of Enbridge’s funding policy for 2016;
- Assumed benefit payments based on projections summarized in the EI Pension Report; and
- Expected returns to December 31, 2016 based on a net median long-term expected return assumption (4.43% annually for the SPP).

As directed by you, we have reflected the economic conditions as at May 31, 2016.

Basis of Funding Projections

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. An actuarial valuation of the EGD RPP was filed with FSCO and the CRA 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 (but no later than as at December 31, 2016). As established in the 2013 Valuation, the going concern excess may be applied to reduce the employer contribution requirements in 2015 and 2016. Gazifère has elected to contribute only the DC current service cost and is expected to contribute approximately \$8,500 to the DB current service cost in 2016. Estimated 2017 EGD RPP contributions have been determined by extrapolating the December 31, 2015 actuarial funding valuation to December 31, 2016, and calculating the minimum contribution requirements that would result.

The EGD RPP funding extrapolation is based on membership data as at December 31, 2015 and the same methods and policies as the December 31, 2015 actuarial funding valuation as described in our Preliminary Valuation results as of December 31, 2015 presentation dated April 8, 2016 (the “2015 EGD Presentation”). The going concern liabilities are based on the same assumptions as were used at December 31, 2015. The EGD RPP solvency liabilities are based on the same assumptions as were used at December 31, 2015, except we have updated the interest rates to reflect market conditions at May 31, 2016 as summarized in the following table:

Assumption	Current Assumption – As at May 31, 2016	Prior Assumption – As at December 31, 2015
Non-indexed interest rates		
Benefits settled through lump sum	2.10% for 10 years; 3.40% thereafter	2.10% for 10 years; 3.70% thereafter
Benefits settled through annuity purchase	3.06%	3.08%
Indexed interest rates (55% indexed)		
Benefits settled through lump sum	1.60% for 10 years; 2.30% thereafter	1.70% for 10 years; 2.70% thereafter

For the purposes of determining the funding position, EGD RPP assets were extrapolated using the same methods described in *Basis of Accounting Projections*.

The SPP is a supplemental arrangement. Contributions are determined in accordance with the funding policy annually. An actuarial valuation of the SPP was conducted as at December 31, 2015 and is the basis for cash funding during 2016. Recently, the Alberta government increased

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the highest marginal personal tax rate to 48%, which will increase contributions in 2017. If the increased marginal tax rate had been reflected at December 31, 2015, Gazifère's contribution would have increased by approximately \$100. The estimated 2017 cash contribution in Appendix B is assumed to be the same as the 2016 contribution if the impact of the higher marginal tax rate had been reflected.

The OPEB Plan is a DB plan. 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. Projected contributions are equivalent to the expected benefits to be paid, based on the data and assumptions outlined in the OPEB Report.

We trust that this letter contains all information you require for filing with the Régie. Please call if you have any additional questions or requests.

Sincerely,



Benedict O. Ukonga, FSA, FCIA
Principal
For pension plans



Isabelle Fournier, FSA, FCIA
Principal
For the non-pension post-retirement benefits plan

Copy:
Ryan Stelmaschuk, Enbridge Inc.
Joe De Dominicis, Mercer
Scott Thompson, Mercer

Enclosure

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Appendix C

Important Notices

Mercer has prepared this letter exclusively for Gazifère for submitting to the Régie. This letter may not be used or relied upon by any other party or for any other purpose; Mercer is not responsible for the consequences of any unauthorized use.

The results shown in this letter are derived from funding and accounting valuation results shown in the following actuarial valuation reports or results presentations (the “2015 Reports”):

- The Preliminary Actuarial Valuation as at December 31, 2015 for the EGD RPP (the “2015 EGD RPP Funding Report”)¹;
- The ASC 715 (US GAAP) Actuarial Valuation Report as at December 31, 2015 Consolidated Total for All Plans Enbridge Inc. and Affiliates (the “2015 EI RPP and SPP Accounting Report”);
- The ASC 715 (US GAAP) Actuarial Valuation Report as at December 31, 2015 for Enbridge Gas Distribution Inc. Non-Pension Post Retirement Benefit Plan (the “2015 OPEB Accounting Report”).

The results shown in this letter are subject to the same Important Notices and qualifications described in the 2015 Reports except as specifically noted in this letter. The 2015 Reports are incorporated by reference into this letter and are essential to understanding the results. If you do not have copies of the 2015 Reports, please let us know immediately.

The accounting projections for the purposes of determining 2017 accrual costs are based on the same actuarial assumptions used in the 2015 Reports except as noted in the *Basis of Accounting Projections* section of this letter. The funding projections for the purposes of determining 2017 cash costs, where applicable, are based on the same actuarial assumptions used in the 2015 Reports except as noted in the *Basis of Funding Projections* section of this letter.

There were no changes to the actuarial methods used in the 2015 Reports.

Our extrapolation reflects a single scenario from a range of possibilities. However, the future is uncertain, and the plans’ actual experience will likely differ from the assumptions utilized and the scenarios presented; these differences may be significant or material. This letter is presented at a particular point in time and should not be viewed as a prediction of the plans’ future financial conditions or their ability to pay benefits in the future.

The results shown in this letter are based on the membership data used in the 2015 Reports with the following adjustment since December 31, 2015 for the EGD RPP:

- Actual benefit payments to May 31, 2016 based on the CIBC Mellon monthly unaudited financial statements; and

¹ The 2015 EGD RPP Funding Report was being drafted at the time this letter was prepared.

- Assumed benefit payments between June 1, 2015 and December 31, 2016 based on projections summarized in the EGD Pension Report for the EGD RPP.

The results shown in this letter are based on plan provisions provided by the plan administrator. There were no changes made to the plan provisions since December 31, 2015.

Because actual plan experience will differ from the assumptions, decisions about benefit changes, investment policy, funding amounts, benefit security and/or benefit-related issues should be made only after careful consideration of alternative future financial conditions and scenarios and not solely on the basis of a valuation report or reports.

Gazifère Inc.

Gazifère 2017 US GAAP Pension and OPEB Expense Projections

Pension and Non Pension Benefit Expense - US GAAP (\$Thousands) - Gazifère's Share Only

Gazifère Only Portion of EGD RPP							
Year	DC Current Service Cost	DB Current Service Cost	Interest Cost	Expected Return on Assets	Amortization of net actuarial loss (gain)	Amortization of Prior Service Cost	P&L Charge (Credit)
2017	57	994	641	(1,001)	285	0	976
Gazifère Only Portion of EI SPP (excluding CGT)							
Year	Current Service Cost	Interest Cost	Expected Return on Assets	Amortization of net actuarial loss (gain)	Amortization of Prior Service Cost	P&L Charge (Credit)	
2017	13	1	(2)	1	0	13	
Gazifère Only Portion of OPEB Plan							
Year	Current Service Cost	Interest Cost	Expected Return on Assets	Amortization of net actuarial loss (gain)	Amortization of Prior Service Cost	P&L Charge (Credit)	
2017	45	71	0	3	2	121	
Total Gazifère							
Year	DC Current Service Cost	Current Service Cost	Interest Cost	Expected Return on Assets	Amortization of net actuarial loss (gain)	Amortization of Prior Service Cost	P&L Charge (Credit)
2017	57	1,052	713	(1,003)	289	2	1,110

APPENDIX B

Gazifère Inc.

Gazifère 2017 Cash Contribution Projections

Gazifère's Share of Funding (\$Thousands)

Gazifère Only Portion of EGD RPP				
Year	DC Current Service Cost	DB Current Service Cost	Special Payments*	Total Annual Employer Contributions
2017	57	661	876	1,594

Gazifère Only Portion of EI SPP (including CGT)				
Year	Current Service Cost	Special Payments**	Total Annual Employer Contributions	
2017	14	1	15	

Gazifère Only Portion of OPEB Plan	
Year	Total Annual Employer Contributions
2017	63

Total Gazifère	
Year	Total Annual Employer Contributions
2017	1,672

* Assumes that Enbridge elects to fund the projected solvency deficiency in 2017

** Special payments are calculated and updated annually.