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Dave Lavigne
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28 July 2017

Subject: Gazifère Estimated 2018 Pension and Benefit Expense and Cash Contributions

Dear Dave,

At your request, we have prepared estimates of Gazifère's share of the pension and benefits expense and cash contributions in 2018 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 2018 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.

SIGNIFICANT PENDING EVENTS

There are several significant pending events that will have an impact on Enbridge Inc.'s ("Enbridge") pension and non-pension post-retirement benefits plans which have been incorporated into these projections. The pending changes are as follows:

- As part of Enbridge's regular review of the pension plans' investments, there are proposed changes to the pension plans' asset mixes that will have an impact on asset-return based economic assumptions. The resulting changes to these assumptions are summarized in the Basis of Accounting Projections and Basis of Funding Projections of this letter.
- There are currently proposed changes to the provisions of the Enbridge pension and non-pension post retirement plans affecting all plans. A summary of the proposed changes are included in Appendix B for pension plans. The proposed change for the OPEB Plan[1] would have no impact on the Gazifère obligation.
- In May 2017 the Ontario Ministry of Finance announced upcoming major reforms to the funding framework for Ontario registered defined benefit pension plans. Details of the new funding requirements are not yet available, however it is expected that they will be similar to the framework adopted by the Government of Quebec (in 2015 for Quebec registered defined benefit plans).

The results in this letter reflect our current understanding of the proposed asset allocations and plan provision changes as they have been communicated to us by Enbridge. Since neither has been formally adopted, they are still subject to change, which may have a material impact on the results presented in this letter.

Only the EGD RPP will be affected by the pending Ontario funding reforms, and we have assumed that a new valuation would be filed as at December 31, 2017 under the new framework. To estimate the cash funding amounts in 2018, we have assumed that Enbridge would fund the minimum requirements, and that the minimum requirements would be based on the Quebec funding rules (as prescribed in the Quebec *Supplemental Pension Plans Act* and *Regulations)*.

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

Appendix A contains important notices relevant to these projections.
Appendix B contains a summary of proposed plan provision changes for pension plans
Appendix C – Summary of estimated 2018 US GAAP pension expense for Gazifère's share of the EGD RPP, SPP, and OPEB Plan.
Appendix D – Summary of Gazifère's estimated 2018 contributions to the EGD RPP, SPP, and OPEB Plan.

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[1] Bristish Columbia health premiums will no longer be paid at 50% of the 2004 rates by the Company to employees eligible to the Non-Grandfathered Plan who will retire on and after January 1, 2020.

BASIS OF ACCOUNTING PROJECTIONS

The EGD RPP and SPP projections are based on membership data as at December 31, 2016 and the same assumptions (with the exception of the discount rate), methods and policies as the December 31, 2016 fiscal year end disclosures.

We have projected the results of the August 1, 2015 actuarial valuations of the OPEB Plan for US GAAP financial reporting purposes forward to 2017. 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 2018.

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 2016 year-end disclosures under US GAAP, with the following exceptions:

- The expected return on assets assumption used for the 2018 pension expense is based on the proposed target asset allocations and Mercer's economic expectations as of May 31, 2017, produced by Mercer's Portfolio Return Calculator ("PRC"):

Expected Return on Assets Assumption	Current Assumption – As at May 31, 2017	Prior Assumption – As at December 31, 2016
EGD RPP	6.75%	6.50%
SPP	No change	5.25%

- the discount rate reflects market conditions at June 30, 2017 as follows:

Discount Rate Assumption	Current Assumption – As at June 30, 2017	Prior Assumption – As at December 31, 2016
EGD RPP		
Discount rate for benefit obligation determination	3.54%	3.92%
Discount rate for current service cost determination	3.71%	4.14%
SPP		
Discount rate for benefit obligation determination	3.57%	3.98%
Discount rate for current service cost determination	3.69%	4.12%
OPEB Plan		
Discount rate for benefit obligation determination	3.55%	3.94%
Discount rate for current service cost determination	3.71%	4.14%

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 spot rates determined at June 30, 2017 used to determine the present value of the associated payment.

Actual assumptions to be used at December 31, 2017 will be reviewed in the final quarter of 2017 and early 2018 by Enbridge and may be different from the assumptions used for these projections.

The proposed changes to the pension plans' provisions would not have an impact on the benefit obligation at December 31, 2017. However, the provision changes will have an impact on the employer current service cost component of the 2018 pension expense. We have relied on the proposed plan provisions provided by Enbridge, as summarized in Appendix B, to determine the estimated 2018 employer current service cost and employee contributions.

Except for the changes noted above, all other assumptions, policies, methods and plan provisions are summarized in our ASC 715 (US GAAP) Actuarial Valuation Report as at December 31, 2016 Consolidated Total for All Plans Enbridge Gas Distribution Inc. dated February 2017 ("EGD Pension Report"), our ASC 715 (US GAAP) Actuarial Valuation Report as at December 31, 2016 Consolidated Total for All Plans Enbridge Inc. and Affiliates dated February 2017 ("EI Pension Report"), and our ASC 715 (US GAAP) Actuarial Valuation Report as at December 31, 2016 for Enbridge Gas Distribution Inc. Non-Pension Post Retirement Benefit Plan dated February 2017 ("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 and SPP, the actual market value of assets as at May 31, 2017 was extrapolated to December 31, 2017 using:

- Contributions taking into account minimum funding requirements and Enbridge's budgeted contribution amounts for 2017;
- Assumed benefit payments based on membership data at December 31, 2016; and
- Expected returns based on a net median long-term expected return assumption based on Mercer's economic expectations as of December 31, 2016, produced by Mercer's PRC, as summarized in the table below:

Net median long-term expected return	
EGD RPP	5.75%
SPP	4.25%

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 will be filed with FSCO and the CRA as at December 31, 2016 (the "2016 Valuation"). Contributions to the EGD RPP by Gazifère and the other participating employers must be made in accordance with the 2016 Valuation until a new valuation is filed with the regulators (but no later than as at December 31, 2019.

As noted in the introduction, the Ontario Ministry of Finance announced major reforms to the funding framework for Ontario registered defined benefit pension plans which will impact funding requirements on and after December 31, 2017. The EGD RPP projections are based on the assumption that a new valuation will be filed at December 31, 2017, and that Gazifère would contribute the minimum required amounts prescribed under the new Ontario framework which we have assumed would be the same as those prescribed by the *Supplemental Pension Plans Act* and *Regulations* of Quebec (the "Quebec SPPA").

The SPP is a supplemental arrangement comprised of two separate trust accounts as follows:

- Benefits accrued by United States ex-patriots while residing in Canada are secured by a Retirement Compensation Arrangement held in Canada that will operate as a grantor trust (the "Canadian Grantor Trust" or "CGT"); and
- Benefits accrued by all other members are secured by a Retirement Compensation Arrangement ("RCA") trust held in Canada.

Contributions are determined in accordance with the funding policy annually. An actuarial valuation of the SPP was conducted as at December 31, 2016 and is the basis for cash funding during 2017. To estimate the funding contributions in 2018, we have projected Gazifère's share of the EI SPP going concern liabilities to December 31, 2017 and determined the special payments, if any, that would be required at that date based on Enbridge's Supplemental Plan funding policy. Additionally, we calculated the Gazifère's share of the EI SPP 2018 current service cost based on the proposed provisions that will be in effect at January 1, 2018.

Effective November 2016, the SPP funding policy was restated such that participating employers will be required to make annual contributions toward any funding shortfall on a going concern basis for both the CGT and RCA. This does not constitute a change for the CGT. However, for the RCA, prior to the funding policy being restated, the participating employers were required to make annual contributions toward the greater of the going concern and hypothetical wind-up funding shortfalls. The restated funding policy is reflected in these projections.

The funding extrapolations are based on membership data as at December 31, 2016 and the same methods and policies as the December 31, 2016 actuarial funding valuations as described in the following presentation and reports:

- Our EGD RPP, SERP and SSERP Preliminary Valuation results as of December 31, 2016 presentation dated April 12, 2017 (the "2017 EGD Presentation") for the EGD RPP; and
- The Enbridge Inc. RPP and SPP Preliminary Valuation results as of December 31, 2016 presentation dated April 10, 2017 (the "2017 EI Presentation") for the EI SPP.

For the EGD RPP the estimated going concern liabilities are based on the same assumptions as were used at December 31, 2016, with the exception of a change in the discount rate and the creation of a stabilization provision, as follows:

- a discount rate of 6.00% based on the proposed target asset allocations and Mercer's economic expectations as of May 31, 2017, produced by Mercer's PRC; and
- the Stabilization Provision required under Section 60.6 of the Quebec SPPA, estimated to be 17.2%, based on a variable-income securities allocation under the proposed target asset allocations of 61.0% and a ratio of duration of assets to duration of liabilities of 26.1%.

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.
Tyler Brady, Enbridge Inc.
Mireille Boucher-Martin, Gazifère
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Enclosure

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APPENDIX A

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 “2017 Reports”):

- The 2017 EGD Presentation for the EGD RPP;
- The 2017 EI Presentation for the EI SPP; and
- The OPEB Report.

The results shown in this letter are subject to the same Important Notices and qualifications described in the 2017 Reports except as specifically noted in this letter. The 2017 Reports are incorporated by reference into this letter and are essential to understanding the results. If you do not have copies of the 2017 Reports, please let us know immediately.

The accounting projections for the purposes of determining 2018 accrual costs are based on the same actuarial assumptions used in the 2017 Reports except as noted in the *Basis of Accounting Projections* section of this letter. The funding projections for the purposes of determining 2018 cash costs, where applicable, are based on the same actuarial assumptions used in the 2017 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 2017 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 2017 Reports with the following adjustment since December 31, 2016 for pension plans:

- Actual benefit payments to May 31, 2017 based on the CIBC Mellon monthly unaudited financial statements; and
- Assumed benefit payments between June 1, 2017 and December 31, 2017 based on membership at and applicable economic and demographic assumptions at December 31, 2016.

The results shown in this letter are based on plan provisions provided by the plan administrator. As noted in the introduction, there are proposed changes to the plan provisions affecting all plans. The projections in this letter are based on our understanding of the changes that have been communicated to us by Enbridge. Since these proposed new provisions have not been yet been approved by Enbridge, they are still subject to change. Subsequent changes to the proposed provisions could have a material impact on the estimated values in these projections.

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 report.

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APPENDIX B

There are proposed changes to plan provisions that will affect benefits accrued on and after January 1, 2018 for non-union employees. The proposed changes will not take affect for unionized members until a later date. The results in this letter for pension plans are based on the proposed changes to plan provisions provided by Enbridge on June 2, 2017, as shown in Tables 1-3 below.

TABLE 1: EXISTING AND PROPOSED EGD RPP DC PROVISIONS

	Existing Provisions	Proposed Provisions
DC/DB Choice	At hire and at 40 or 60 points	DC for new hire and mandatory DB after 5 years
Employer Contribution	4.0% (<40 points) to 7.0% (60+pts)	5.0%
Earnings	base salary + 50% bonus	base salary + 50% bonus
Employee Contribution	N/A	N/A

TABLE 2: EXISTING AND PROPOSED EGD RPP DB (NON-SME) PROVISIONS

	Existing Provisions	Proposed Provisions
Eligibility	At hire and at 40 or 60 points	No choice, mandatory DB after 5 years
DB Formula /Year of Service	1.2% x Average Earnings – CPP Offset	1.5% x Average Earnings
Average Earnings	3 year average salary + 50% best 3 of last 5 bonuses	3 year average salary + 50% best 3 of last 5 bonuses
Unreduced Pension	Leave before age 55: Age 60 or 30 years Retire: Age 60 or 30 years	Leave before age 55: Age 65 Retire: Age 60 or 30 years
Early Retirement Reduction	Leave before age 55: 5/12% per month from age 60 (unless unreduced pension) Retire: 5/12% per month from age 60 (unless unreduced pension)	Leave before age 55: 0.5% per month from age 65 Retire: 5/12% per month from age 60 (unless unreduced pension)
Normal Form	With Spouse: J&S 60% No Spouse: 15 year guarantee	With Spouse: J&S 60% No Spouse: 15 year guarantee
Guaranteed COLA	50% of CPI, retirement only	N/A
Employee Contributions	N/A	5%
Additional Flex Credits	N/A	East: 1% West: 5%

TABLE 3: EXISTING AND PROPOSED EGD RPP DB (SME) PROVISIONS

	Existing Provisions	Proposed Provisions
Eligibility	Director +	Director +
DB Formula /Year of service	2% x Average Earnings	2% x Average Earnings
Early Retirement Reduction	Leave before age 55: 0.25% per month from age 60 (unless unreduced pension) Retire: 0.25% per month from age 60 (unless unreduced pension)	Leave before age 55: 0.5% per month from age 65 Retire: 0.25% per month from age 60 (unless unreduced pension)
Employee Contributions	N/A	N/A
Additional Flex Credits	N/A	N/A
Other provisions (e.g., COLA)	Same as DB (Non-SME) provisions	Same as DB (Non-SME) provisions

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Gazifère Inc.

Gazifère 2018 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	Flex Credits[1]	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)
2018	15	63	1,186	690	(1,159)	302	0	1,097

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)
2018	15	2	(1)	1	0	17

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)
2018	48	75	0	8	2	133

Total Gazifère

Year	DC Current Service Cost	Flex Credits[1]	Current Service Cost	Interest Cost	Expected Return on Assets	Amortization of net actuarial loss (gain)	Amortization of Prior Service Cost	P&L Charge (Credit)
2018	15	63	1,249	767	(1,160)	311	2	1,247

[1] Flex credits are paid outside the pension plans and will not be accounted for as part of the pension expense.

Gazifère Inc.

Gazifère 2018 Cash Contribution Projections

Gazifère's Share of Funding ($Thousands)

	Gazifère Only Portion of EGD RPP				
Year	DC Current Service Cost	Flex Credits[1]	DB Current Service Cost	Special Payments	Total Annual Employer Contributions
2018	15	63	667	0	745

	Gazifère Only Portion of EI SPP (including CGT)		
Year	Current Service Cost	Special Payments	Total Annual Employer Contributions
2018	0	0	0

	Gazifère Only Portion of OPEB Plan	
Year	Directly Paid Benefits	Total Annual Employer Contributions
2018	63	63

	Total Gazifère					
Year	DC Current Service Cost	Flex Credits[1]	DB Current Service Cost	Special Payments	Directly Paid Benefits	Total Annual Employer Contributions
2018	15	63	667	0	63	808

[1] Flex credits are paid outside the pension plans and will not be accounted for as part of the pension expense.