Benedict O. Ukonga, FSA, FCIA
Principal

120 Bremner Boulevard, Suite 800
Toronto, Ontario M5J 0A8
+1 416 868 7385
Fax +1 416 868 7671
ben.ukonga@mercer.com
www.mercer.ca

Ken Chin, FSA, FCIA
Principal

1981 McGill College Avenue, Suite 800
Montreal, Quebec H3A 3T5
+1 514 841 7868
ken.chin@mercer.com
www.mercer.ca

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Dave Lavigne
Senior Manager, Corporate Management
Enbridge Gas New Brunswick Inc.
440 Wilsey Road, Suite 101
Fredericton, New Brunswick E3B 7G5

27 July 2018

Subject: Gazifère Estimated 2019 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 2019 for the following pension and non-pension post retirement plans:

- The Retirement Plan for the Employees of Enbridge Inc. and Affiliates (the "EI RPP");
- The Pension Plan for the Employees of Enbridge Gas Distribution Inc. and Affiliates (the "EGD RPP");
- The Enbridge Supplemental Pension Plan (the "EI 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 2019 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.

RECENT SIGNIFICANT EVENTS

There are several recent significant 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 events are as follows:

- Effective January 1, 2018, non-union active employees, who were previously accruing pension benefits in the EGD RPP, started accruing pension benefits in the EI RPP. The pension benefits accrued in the EI RPP for service after January 1, 2018 will be based on a new plan design approved by Enbridge in 2017. For these non-union active employees, credited service earned in the EGD RPP prior to January 1, 2018 will be frozen, but future pensionable earnings increases and future continuous service with the company will be reflected in determining their ultimate pension benefits payable from the EGD RPP. Likewise, continuous service prior to January 1, 2018 in the EGD RPP will be counted towards benefit eligibility purposes in the EI RPP.

- Effective May 1, 2018, new funding regulations became effective for pension plans registered in Ontario. The new funding framework changed the rules on minimum employer contribution requirements. The new rules are reflected in these projections and only impact the EGD RPP.

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

Appendix A contains important notices relevant to these projections.
Appendix B – Summary of estimated 2019 US GAAP pension expense for Gazifère's share of the, EI RPP, EGD RPP, EI SPP, and OPEB Plan.
Appendix C – Summary of Gazifère's estimated 2019 contributions to the EI RPP, EGD RPP, EI SPP, and OPEB Plan.

BASIS OF ACCOUNTING PROJECTIONS

The EI RPP, EGD RPP and EI SPP projections are based on membership data as at December 31, 2017 and the same assumptions (with the exception of the discount rate), methods and policies as the December 31, 2017 fiscal year end disclosures.

For purposes of the 2019 OPEB Benefit Expense and Cash Contributions, we have projected the results of the August 1, 2015 actuarial valuations of the OPEB Plan for US GAAP financial reporting purposes forward to December 31, 2018. The membership data used is as at August 1, 2015 and therefore does not reflect demographic changes since that date. The membership data is expected to be updated prior to the 2018 year end.

The purpose of these projections is to estimate Gazifère's accrual costs in 2019.

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 2017 year-end disclosures under US GAAP, with the following exceptions:

- The discount rate used for the actuarial basis for benefits assumed to be settled through lump sum transfers:

Discount Rate for lump sum transfers	**Current Assumption – As at June 30, 2018**	**Prior Assumption – As at December 31, 2017**
EI RPP	3.75%	4.00%
EGD RPP	3.75%	4.00%
EI SPP	3.75%	4.00%

- The target bonus and bonus load applicable to members' pensionable earnings is based on revised guidance provided by Enbridge, and is consistent with the December 31, 2017 actuarial valuations as follows:

Target Bonus	**Current Assumption – As at June 30, 2018**	**Prior Assumption – As at December 31, 2017**
Legacy Enbridge Plans (senior manager)	Actual bonus	Actual target bonus per data
Legacy Enbridge Plans (non-senior manager)	Actual bonus	12% non-union 5% union

Bonus Load	**Current Assumption – As at June 30, 2018**	**Prior Assumption – As at December 31, 2017**
Legacy Enbridge Union Employees	100%	135%
Legacy Enbridge Non-Union Employees (including senior managers)	120%	135%

- the discount rate reflects market conditions at June 30, 2018 as follows:

Discount Rate Assumption	Current Assumption – As at June 30, 2018	Prior Assumption – As at December 31, 2017
EI RPP		
Discount rate for benefit obligation determination	3.77%	3.64%
Discount rate for current service cost determination	3.81%	3.70%
EGD RPP		
Discount rate for benefit obligation determination	3.72%	3.57%
Discount rate for current service cost determination	3.81%	3.69%
SPP		
Discount rate for benefit obligation determination	3.73%	3.59%
Discount rate for current service cost determination	3.79%	3.67%
OPEB Plan		
Discount rate for benefit obligation determination	3.72%	3.58%
Discount rate for current service cost determination	3.80%	3.69%

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, 2018 used to determine the present value of the associated payment.

Actual assumptions to be used at December 31, 2018 (which will determine the actual 2019 accrual costs) will be reviewed in the final quarter of 2018 and early 2019 by Enbridge and may be different from the assumptions used for these projections.

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, 2017 Consolidated Total for All Plans Enbridge Gas Distribution Inc. dated February 2018 (“EGD Pension Report”), our ASC 715 (US GAAP) Actuarial Valuation Report as at December 31, 2017 Consolidated Total for All Plans Enbridge Inc. and Affiliates dated February 2018 (“EI Pension Report”), and our ASC 715 (US GAAP) Actuarial Valuation Report as at December 31, 2017 Consolidated Total for All Canadian Non-Pension Post-Retirement Benefits Plans Enbridge Inc. and Affiliates dated January 25, 2018 (“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 up to June 30, 2018 as reported by CIBC Mellon in the monthly unaudited financial statements obtained from their online reporting tool Workbench.

For the EI RPP, EGD RPP and EI SPP, the actual market value of assets as at June 30, 2018 was extrapolated to December 31, 2018 using:

- Contributions taking into account the 2018 minimum funding requirements from the December 31, 2017 actuarial funding valuations. In particular,
  - For the EI RPP, we have assumed employer and employee contributions would equal the minimum employer contribution and the expected employee contributions from the December 31, 2017 actuarial valuation report.
  - For the EGD RPP, given actual employer contributions made up to June 30, 2018 was in excess of the minimum contribution requirement from the December 31, 2017 actuarial valuation, we have assumed there would be no more employer contributions for the remainder of the year.
  - For the EI SPP, we have assumed no employer contributions would be made in 2018.
- Assumed benefit payments based on membership data at December 31, 2017; and
- Expected returns based on a net median long-term expected return assumption based on market conditions and Mercer's economic expectations as of June 30, 2018, produced by Mercer's portfolio return calculator ("PRC"), as summarized in the table below:

Net median long-term expected return	
EI RPP	5.80%
EGD RPP	5.15%
SPP	4.25%

BASIS OF FUNDING PROJECTIONS

The EI 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 Office of the Superintendent of Financial Institutions ("OSFI") and the Canada Revenue Agency ("CRA"). An actuarial valuation of the EI RPP as at December 31, 2017 has been filed with OSFI and the CRA June 28, 2018.

The EGD RPP consists of a 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 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 as at December 31, 2017 (the "2017 EGD Valuation") was filed with FSCO and the CRA on July 24, 2018.Contributions to the EGD RPP by Gazifère and the other participating employers must be made in accordance with the 2017 EGD Valuation until a new valuation is filed with the regulators (but no later than as at December 31, 2020).

The EI 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, 2017 and is the basis for cash funding during 2018. To estimate the funding contributions in 2019, we have projected Gazifère’s share of the EI SPP going concern liabilities to December 31, 2018 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 2019 current service cost based on the provisions in effect at January 1, 2018.

The funding extrapolations are based on membership data as at December 31, 2017 and the same methods and policies as the December 31, 2017 actuarial funding valuations as described in the following presentation and reports:

- The EI RPP and EGD RPP December 31, 2017 actuarial valuation reports, and the presentation dated April 9, 2018 (the “2018 EI Presentation”) for the EI SPP.

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

Ken Chin, FSA, FCIA
Principal
For the non-pension post-retirement benefits plan

Copy:
Ryan Stelmaschuk, Enbridge Inc.
Tyler Brady, Enbridge Inc.
Mireille Boucher-Martin, Gazifère
Anna Quinn, Scott Thompson, Jesse Little: Mercer

Enclosure

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 “2018 Reports”):

- The December 31, 2017 actuarial valuation for the EI RPP;
- The December 31, 2017 actuarial valuation for the EGD RPP;
- The 2018 EI Presentation for the EI SPP; and
- The OPEB Report
- The December 31, 2017 actuarial valuation report consolidated total for all Canadian pension plans (“2017 Disclosure”)

The results shown in this letter are subject to the same Important Notices and qualifications described in the 2018 Reports except as specifically noted in this letter. The 2018 Reports are incorporated by reference into this letter and are essential to understanding the results. If you do not have copies of the 2018 Reports, please let us know immediately.

The accounting projections for the purposes of determining 2019 accrual costs are based on the same actuarial assumptions used in the 2018 Reports except as noted in the *Basis of Accounting Projections* section of this letter. The funding projections for the purposes of determining 2019 cash costs, where applicable, are based on the same actuarial assumptions used in the 2018 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 2018 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 2018 Reports with the following adjustment since December 31, 2017 for pension plans:

- Actual benefit payments to June 30, 2018 based on the CIBC Mellon monthly unaudited financial statements; and

- Assumed benefit payments between July 1, 2018 and December 31, 2018.

The results shown in this letter are based on plan provisions provided by the plan administrator. As noted in the introduction, the results in this letter take into account the changes to the plan provisions affecting the plans effective January 1, 2018. The projections in this letter are based on our understanding of the changes that have been communicated to us by Enbridge.

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.

Gazifère Inc.

Gazifère 2019 US GAAP Pension and OPEB Expense Projections

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

Gazifère Only Portion of EI RPP

Year	DC Current Service Cost	Flex Credits[1]	DB Current Service Cost	Employee Contributions	Interest Cost	Expected Return on Assets	Amortization of net actuarial loss (gain)	Amortization of Prior Service Cost	P&L Charge (Credit)
2019	8	64	1,394	(318)	49	(98)	-	-	1,099

Gazifère Only Portion of EGD RPP

Year	DC Current Service Cost	Flex Credits[1]	DB Current Service Cost	Employee Contributions	Interest Cost	Expected Return on Assets	Amortization of net actuarial loss (gain)	Amortization of Prior Service Cost	P&L Charge (Credit)
2019	0	-	-	-	663	(1,121)	206	-	(252)

Gazifère Only Portion of EI SPP (excluding CGT)

Year	Current Service Cost	Employee Contributions	Interest Cost	Expected Return on Assets	Amortization of net actuarial loss (gain)	Amortization of Prior Service Cost	P&L Charge (Credit)
2019	-	-	-	-	-	-	-

Gazifère Only Portion of OPEB Plan

Year	Current Service Cost	Employee Contributions	Interest Cost	Expected Return on Assets	Amortization of net actuarial loss (gain)	Amortization of Prior Service Cost	P&L Charge (Credit)
2019	47	-	80	-	-	2	129

Total Gazifère

Year	DC Current Service Cost	Flex Credits[1]	Current Service Cost	Employee Contributions	Interest Cost	Expected Return on Assets	Amortization of net actuarial loss (gain)	Amortization of Prior Service Cost	P&L Charge (Credit)
2019	8	64	1,441	(318)	792	(1,219)	206	2	976

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

Gazifère Inc.

Gazifère 2019 US GAAP Pension and OPEB Expense Projections

Gazifère's Share of Funding ($Thousands)

Gazifère Only Portion of EI RPP

Year	DC Current Service Cost	Flex Credits[1]	DB Current Service Cost	Special Payments	Total Annual Employer Contributions
2019	8	64	554	28	654

Gazifère Only Portion of EGD RPP

Year	DC Current Service Cost	Flex Credits[1]	DB Current Service Cost	Special Payments	Total Annual Employer Contributions
2019	-	-	-	-	-

Gazifère Only Portion of EI SPP (including CGT)

Year	Current Service Cost	Special Payments	Total Annual Employer Contributions
2019	-	-	-

Gazifère Only Portion of OPEB Plan

Year	Directly Paid Benefits	Total Annual Employer Contributions
2019	66	66

Total Gazifère

Year	DC Current Service Cost	Flex Credits[1]	DB Current Service Cost	Special Payments	Directly Paid Benefits	Total Annual Employer Contributions
2019	8	64.00	554	28	66	720

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