

IMPACT STATEMENT NUMBER 1

1. This exhibit has been prepared and filed in order to reflect the impact of certain changes which are required in Enbridge Gas Distribution's 2013 rate application.

The required changes are in relation to the following:

- a) Impact of 2011 actual versus estimated results used in original filing
  - b) Change in expected 2013 corporate income tax rates
  - c) Change in expected 2013 Annual Pension Cost
  - d) Adoption of the storage cost allocation study (Black & Veatch recommendations)
  - e) Update of the Regulatory Cost Allocation Methodology (RCAM) results (MNP LLP recommendations)
  - f) Update reflecting accepted increase in DSM costs
  - g) Update of the forecast allowed Return on Equity
2. The impacts of the above noted adjustments are shown in Column 2 in each of the attached Schedules 2 and 3, and in Column 4 of Schedule 5 which shows a new total revenue requirement and deficiency first excluding, and then including the impact of the Customer Care / CIS settlement. The adjustments are in relation to utility income, rate base, income tax, and revenue requirement amounts exclusive of the Customer Care / CIS settlement agreement amounts and impacts.

Required changes

3. EGD has updated the 2013 Test Year results by replacing the 2011 estimate results, which were the starting point for the 2012 Bridge Year and 2013 Test Year results as originally filed 2012-01-31, with 2011 actual fiscal year results. The update takes into consideration the impacts of 2011 actual results in property, plant, and equipment and accumulated depreciation and any other working capital item, along with the impact of 2011 actual information in the 2013 degree day forecast methodology and volumetric and customer unlock forecasts. In addition to the impacts of these changes in the development of the updated revenue requirement,

EGD has also updated the revenue and gas cost related forecast elements to reflect April 1, 2012 Board Approved rates and gas prices.

4. In March 2012, the provincial government presented its budget wherein it announced that it would freeze the corporate income tax rate at 11.50%. Ontario's corporate income tax rate was scheduled to fall to 11% on July 1, 2012 and to 10% on July 1, 2013. The corporate income tax rate freeze will increase EGD's combined federal and provincial corporate income tax rate for 2012 and 2013 to 26.5%. This results in a 1% increase to the 2013 corporate income tax rate in comparison to the 25.5% used in the original evidence filed 2012-01-31, Exhibit D3, Tab 1, Schedule 1, page 3, Line 14, Columns 1 and 2.
5. EGD is incorporating the most recent forecast of pension expense for fiscal 2013 received from its pension actuary, Mercer (Canada) Limited. The 2013 forecast pension cost has increased by \$9.6 million from the \$27.7 million included in the original filing to \$37.3 million. Of the \$9.6 million change, approximately \$7.6 million represents an annual O&M expense increase with the remaining \$2 million to be capitalized as administrative and general overhead.
6. EGD has filed the results of the storage cost allocation study performed by Black and Veatch at Exhibit D2, Tab 5, Schedule 1, 2012-05-18, which was not available at the time of the 2013 original evidence filing date. The impact of the adoption of the findings in the study results in an increase in the costs allocated to unregulated storage and a commensurate reduction in utility O&M of approximately \$0.2 million.
7. EGD has filed the results of the Regulatory Cost Allocation Methodology ("RCAM") review performed by Myers Norris Penny LLP ("MNP LLP") at Exhibit D2, Tab 1, Schedule 1, 2012-05-18, which was not available at the time of the 2013 original evidence filing date. The impact of the adoption of the findings in the study results in an RCAM amount included with O&M of \$32.1 million, an increase of \$1.8 million from the \$30.3 million included in O&M in the original filing.

Witness: K. Culbert

8. EGD has updated the level of DSM costs included in utility O&M to \$31.4 million an increase of \$2.8 million from the \$28.6 million included in the original filing. As indicated in evidence in EB-2011-0354 at Exhibit D1, Tab 7, Schedule 1, page 2, Paragraph 4 and as included in the Settlement Agreement filed in that proceeding and approved by the Board on February 9, 2012, the DSM budget for 2013 is \$31.4 million.
9. As explained in Exhibit E2, Tab 1, Schedule 1, Updated 2012-05-31, the Company has updated the formula forecast Return on Equity ("ROE") used in this impact statement to 9.03%, which is based on data inputs from March 2012, resulting in a reduction in the deficiency of approximately \$9.1 million. The 9.03% ROE being used is only a current update which is to be replaced in the eventual final Rate Order and resulting rates with an ROE calculated on data inputs from September 2012.
10. As a result of all of the above noted adjustments, the 2013 gross deficiency, excluding the impacts of the Customer Care / CIS approved settlement, becomes \$81.6 million which is an increase of \$1.3 million as compared to the original filed deficiency of \$80.3 million shown in the attached Schedule 2, Columns 1, 2, & 3. The \$11 million deficiency impact of the Customer Care / CIS approved settlement shown in Column 4 of Schedule 2, is not impacted by this update, however the total overall deficiency increases by \$1.3 million to \$92.6 million as shown in Column 5 of Schedule 2.

CHANGE IN REVENUE REQUIREMENT  
2013 TEST YEAR

Line No.	Col. 1	Col. 2	Col. 3	Col. 4	Col. 5	
	Excl. CIS As Filed 2012-01-31 F3.T1.S1.P2 (Note 1) (\$Millions)	Adjustments	Excl. CIS Adjusted Impact Statement Number 1 (\$Millions)	Cust. Care / CIS (Note 2) (\$Millions)	Impact Statement Number 1 EGD Total (\$Millions)	
<b>Cost of capital</b>						
1.	Rate base	4,120.3	(16.7)	4,103.6	70.5	4,174.1
2.	Required rate of return	7.35	(0.16)	7.19	6.44	7.18
3.		<u>302.8</u>	<u>(7.8)</u>	<u>295.0</u>	<u>4.6</u>	<u>299.6</u>
<b>Cost of service</b>						
4.	Gas costs	1,548.6	(240.7)	1,307.9	-	1,307.9
5.	Operation and maintenance	336.7	12.0	348.7	89.4	438.1
6.	Depreciation and amortization	289.6	(1.5)	288.1	12.7	300.8
7.	Fixed financing costs	2.3	-	2.3	-	2.3
8.	Debt redemption premium amortization	-	-	-	-	-
9.	Company share of IR agreement tax savings	-	-	-	-	-
10.	Municipal and other taxes	40.1	-	40.1	-	40.1
11.		<u>2,217.3</u>	<u>(230.2)</u>	<u>1,987.1</u>	<u>102.1</u>	<u>2,089.2</u>
<b>Miscellaneous operating and non-operating revenue</b>						
12.	Other operating revenue	(38.3)	-	(38.3)	-	(38.3)
13.	Interest and property rental	-	-	-	-	-
14.	Other income	(0.7)	-	(0.7)	-	(0.7)
15.		<u>(39.0)</u>	<u>-</u>	<u>(39.0)</u>	<u>-</u>	<u>(39.0)</u>
<b>Income taxes on earnings</b>						
16.	Excluding tax shield	73.2	(0.1)	73.1	9.0	82.1
17.	Tax shield provided by interest expense	(34.6)	(1.2)	(35.8)	(0.9)	(36.7)
18.		<u>38.6</u>	<u>(1.3)</u>	<u>37.3</u>	<u>8.1</u>	<u>45.4</u>
<b>Taxes on sufficiency / (deficiency)</b>						
19.	Gross sufficiency / (deficiency)	(80.3)	(1.3)	(81.6)	-	(81.6)
20.	Net sufficiency / (deficiency)	(59.8)	(0.2)	(60.0)	-	(60.0)
21.		<u>20.5</u>	<u>1.1</u>	<u>21.6</u>	<u>-</u>	<u>21.6</u>
22.	<b>Sub-total revenue requirement</b>	2,540.2	(238.2)	2,302.0	114.8	2,416.8
23.	Customer Care Rate Smoothing V/A Adjustmen	-	-	-	(4.6)	(4.6)
24.	<b>Total revenue requirement</b>	<u>2,540.2</u>	<u>(238.2)</u>	<u>2,302.0</u>	<u>110.2</u>	<u>2,412.2</u>
<b>Revenue at existing Rates</b>						
25.	Gas sales	2,137.5	(213.6)	1,923.9	80.2	2,004.1
26.	Transportation service	320.6	(25.7)	294.9	19.0	313.9
27.	Transmission, compression and storage	1.7	-	1.7	-	1.7
28.	Rounding adjustment	0.1	(0.2)	(0.1)	-	(0.1)
29.	Revenue at existing rates	<u>2,459.9</u>	<u>(239.5)</u>	<u>2,220.4</u>	<u>99.2</u>	<u>2,319.6</u>
30.	<b>Gross revenue sufficiency / (deficiency)</b>	<u>(80.3)</u>	<u>(1.3)</u>	<u>(81.6)</u>	<u>(11.0)</u>	<u>(92.6)</u>

Note 1: Information from Col. 2 of Exhibit F3, Tab 1, Schedule 1, page 2, Filed: 2012-01-31.

Note 2: Information from Col. 3 of Exhibit F3, Tab 1, Schedule 1, page 2, Filed: 2012-01-31.

Witness: K. Culbert

UTILITY RATE BASE  
2013 TEST YEAR

Line No.	Col. 1	Col. 2	Col. 3	Col. 4	Col. 5	
	Excl. CIS As Filed 2012-01-31 F3.T1.S3 (Note 1) (\$Millions)	Adjustments (\$Millions)	Excl. CIS Adjusted Utility Rate Base (\$Millions)	Cust. Care / CIS (Note 2) (\$Millions)	Total Adjusted Rate Base Including CIS (\$Millions)	
<u>Property, Plant, and Equipment</u>						
1.	Cost or redetermined value	6,631.9	13.7	6,645.6	127.1	6,772.7
2.	Accumulated depreciation	(2,767.1)	9.1	(2,758.0)	(56.6)	(2,814.6)
3.		<u>3,864.8</u>	<u>22.8</u>	<u>3,887.6</u>	<u>70.5</u>	<u>3,958.1</u>
<u>Allowance for Working Capital</u>						
4.	Accounts receivable merchandise finance plan	-	-	-	-	-
5.	Accounts receivable rebillable projects	1.3	-	1.3	-	1.3
6.	Materials and supplies	31.9	-	31.9	-	31.9
7.	Mortgages receivable	0.2	-	0.2	-	0.2
8.	Customer security deposits	(68.7)	-	(68.7)	-	(68.7)
9.	Prepaid expenses	1.8	-	1.8	-	1.8
10.	Gas in storage	288.6	(39.3)	249.3	-	249.3
11.	Working cash allowance	0.4	(0.2)	0.2	-	0.2
12.	Total Working Capital	<u>255.5</u>	<u>(39.5)</u>	<u>216.0</u>	<u>-</u>	<u>216.0</u>
13.	Utility Rate Base	<u>4,120.3</u>	<u>(16.7)</u>	<u>4,103.6</u>	<u>70.5</u>	<u>4,174.1</u>

Note 1: Information from Col. 1 of Exhibit F3, Tab 1, Schedule 3, page 1, Filed: 2012-01-31.

Note 2: Information from Col. 2 of Exhibit F3, Tab 1, Schedule 3, page 1, Filed: 2012-01-31.

Witness: K. Culbert

EXPLANATION OF ADJUSTMENTS TO UTILITY RATE BASE  
2013 TEST YEAR

Line No.	Adj'd Adjustment (\$Millions)	Explanation
1.	13.7	Cost or redetermined value  Change is due to the impact of updating closing 2011 p.p.&e balances to actuals versus the closing 2011 estimated balances used in the original filing, along with \$2 million of increased A&G overhead capitalization in 2013 in relation to the forecast pension cost increase included in the update.
2.	9.1	Accumulated depreciation  Change is due to the impact of updating closing 2011 acc. depr. balances to actuals versus the closing 2011 estimated balances used in the original filing.
10.	(39.3)	Gas in storage  Change is due to the impact of the updating of 2013 forecast volumes and from the use of updated April 1, 2012 gas prices.
11.	(0.2)	Working cash allowance  Change is due to the impact within working cash of the update to each of gas cost and O&M.

WORKING CAPITAL COMPONENTS - WORKING CASH ALLOWANCE  
2013 TEST YEAR

Line No.	Col. 1 Reference	Col. 2 Disburse- ments (\$Millions)	Col. 3 Net Lag-Days (Days)	Col. 4 Allowance (\$Millions)
1.	Gas purchase and storage and transportation charges	1,316.5	4.0	14.4
2.	Items not subject to working cash allowance (Note 1)	<u>(8.6)</u>		
3.	Gas costs charged to operations M1.T1.S4.P1.Col.3	<u>1,307.9</u>		
4.	Operation and Maintenance M1.T1.S4.P1.Col.3	348.7		
5.	Less: Storage costs	<u>(7.9)</u>		
6.	Operation and maintenance costs subject to working cash	340.8		
7.	Ancillary customer services	<u>-</u>		
8.		<u>340.8</u>	(18.7)	<u>(17.5)</u>
9.	Sub-total			<u>(3.1)</u>
10.	Storage costs	7.9	62.5	1.4
11.	Storage municipal and capital taxes	2.2	24.4	<u>0.1</u>
12.	Sub-total			<u>1.5</u>
13.	Goods and services tax			1.8
14.	Total working cash allowance			<u><u>0.2</u></u>

Note 1: Represents non cash items such as amortization of deferred charges,  
 accounting adjustments and the T-service capacity credit.

Witness: K. Culbert

GAS IN STORAGE  
 MONTH END BALANCES AND AVERAGE OF MONTHLY AVERAGES  
2013 TEST YEAR

Line No.	Col. 1 Volume 10*6 M*3	Col. 2		Col. 3 Adjusted Value (\$Millions)
		As Filed 2012-01-31 B3.T1.S3 (\$Millions)	Adjustments Adjustments 10*6 M*3 (\$Millions)	
1. January 1	1,424.6	380.6	0.5 (52.2)	1,425.1 328.4
2. January 31	867.7	242.2	4.9 (30.5)	872.6 211.7
3. February	439.8	134.0	7.0 (13.9)	446.8 120.1
4. March	105.3	55.1	(9.4) (3.4)	95.9 51.7
5. April	46.0	49.6	(1.6) 0.6	44.4 50.2
6. May	332.6	115.5	(1.7) (10.1)	330.9 105.4
7. June	709.7	200.7	10.3 (22.5)	720.0 178.2
8. July	1,219.7	312.0	21.5 (39.9)	1,241.2 272.1
9. August	1,732.9	423.9	30.9 (57.6)	1,763.8 366.3
10. September	2,154.6	517.5	(13.5) (80.2)	2,141.1 437.3
11. October	2,261.5	547.0	(14.8) (84.4)	2,246.7 462.6
12. November	1,979.7	487.5	(22.5) (75.3)	1,957.2 412.2
13. December	<u>1,495.8</u>	<u>374.9</u>	<u>(17.4) (56.3)</u>	<u>1,478.4 318.6</u>
14. Avg. of monthly avgs.	<u>1,109.1</u>	<u>288.6</u>	<u>0.2 (39.3)</u>	<u>1,109.4 249.3</u>

Witness: K. Culbert



UTILITY INCOME  
2013 TEST YEAR

Line No.	Col. 1	Col. 2	Col. 3	Col. 4	Col. 5
	Excl. CIS As Filed 2012-01-31 F3.T1.S2 (Note 1) (\$Millions)	Adjustments (\$Millions)	Excl. CIS Adjusted Utility Income (\$Millions)	Cust. Care / CIS (Note 2) (\$Millions)	Adjusted Utility Income (\$Millions)
1. Gas sales	2,137.5	(213.6)	1,923.9	80.2	2,004.1
2. Transportation of gas	320.6	(25.7)	294.9	19.0	313.9
3. Transmission, compression and storage revenue	1.7	-	1.7	-	1.7
4. Other operating revenue	38.3	-	38.3	-	38.3
5. Interest and property rental	-	-	-	-	-
6. Other income	0.7	-	0.7	-	0.7
7. Total operating revenue	2,498.8	(239.3)	2,259.5	99.2	2,358.7
8. Gas costs	1,548.6	(240.7)	1,307.9	-	1,307.9
9. Operation and maintenance	336.7	12.0	348.7	89.4	438.1
10. Depreciation and amortization expense	289.6	(1.5)	288.1	12.7	300.8
11. Fixed financing costs	2.3	-	2.3	-	2.3
12. Debt redemption premium amortization	-	-	-	-	-
13. Company share of IR agreement tax savings	-	-	-	-	-
14. Municipal and other taxes	40.1	-	40.1	-	40.1
15. Interest and financing amortization expense	-	-	-	-	-
16. Other interest expense	-	-	-	-	-
17. Total costs and expenses	2,217.3	(230.2)	1,987.1	102.1	2,089.2
18. Ontario utility income before income taxes	281.5	(9.1)	272.4	(2.9)	269.5
19. Income tax expense	38.6	(1.3)	37.3	8.1	45.4
20. Utility net income	242.9	(7.8)	235.1	(11.0)	224.1

Note 1: Information from Col. 1 of Exhibit F3, Tab 1, Schedule 2, page 1, Filed: 2012-01-31.

Note 2: Information from Col. 2 of Exhibit F3, Tab 1, Schedule 2, page 1, Filed: 2012-01-31.

Witness: K. Culbert

EXPLANATION OF ADJUSTMENTS TO UTILITY INCOME  
2013 TEST YEAR

Line No.	Adj'd Adjustment (\$Millions)	Explanation
1.	(213.6)	Gas sales  Change is due to the impact of updating 2013 forecast volumes to reflect the impact of 2011 actual results within, degree days, customer unlocks, an update of the large volume forecast and the use of April 1, 2012 Board Approved rates.
2.	(25.7)	Transportation of gas  Change is due to the impact of updating 2013 forecast volumes to reflect the impact of 2011 actual results within, degree days, customer unlocks, an update of the large volume forecast and the use of April 1, 2012 Board Approved rates.
8.	(240.7)	Gas costs  Change is due to the impact of updating forecast gas cost as a result of the update of 2013 forecast volumes and the use of April 1, 2012 Board Approved rates and gas prices.
9.	12.0	Operation and maintenance  Change is due to increases of \$2.8M in DSM costs, \$1.8M in RCAM costs and \$7.6M (net) of pension costs as compared to amounts in the original filing. A partly offsetting reduction of \$0.2M in utility O&M results from an increased allocation of costs to unregulated storage as a result of adopting the findings in the Black & Veatch study.
10.	(1.5)	Depreciation and amortization expense  Change is due to the use of 2011 actual p.p.& e. as a starting point for the 2012 Bridge Year and 2013 Test Year rate base development versus the 2011 estimate used within the original filing. While 2011 actual gross p.p. & e. increased versus the estimate due to increases in mains and services, decreases in computer equipment contributed to an overall decrease in depreciation due to higher depreciation rates in computer equipment versus those within mains and services.
19.	(1.3)	Income tax expense  Change is the result of numerous factors. While the anticipated provincial tax rate has been increased by 1% to reflect the March 2012 provincial budget, the impact of all of the above noted changes along with an increase in immediate tax deductibles associated with the increased pension capitalized costs results in an overall forecast decreased income tax expense.

Witness: K. Culbert

CALCULATION OF UTILITY TAXABLE INCOME AND INCOME TAX EXPENSE  
2013 TEST YEAR

Line No.	Col. 1	Col. 2	Col. 3
	Excl. CIS As Filed 2012-01-31 D3.T1.S1.P3 (Note 1) (\$Millions)	Adjustments (\$Millions)	Excl. CIS Adjusted Utility Tax (\$Millions)
1. Utility income before income taxes (M1, T1, S3, P1)	281.5	(9.1)	272.4
Add			
2. Depreciation and amortization	289.6	(1.5)	288.1
3. Other non-deductible items	2.2	-	2.2
4. Total Add Back	291.8	(1.5)	290.3
5. Sub total	573.3	(10.6)	562.7
Deduct			
6. Capital cost allowance - Federal	239.0	(1.8)	237.2
7. Capital cost allowance - Provincial	239.0	(1.8)	237.2
8. Items capitalized for regulatory purposes	44.3	2.0	46.3
9. Deduction for "grossed up" Part VI.1 tax	5.0	-	5.0
10. Amortization of share/debenture issue expense	3.6	-	3.6
11. Amortization of cumulative eligible capital	0.4	-	0.4
12. Amortization of C.D.E. and C.O.G.P.E	0.4	-	0.4
13. Total Deduction - Federal	292.7	0.2	292.9
14. Total Deduction - Provincial	292.7	0.2	292.9
15. Taxable income - Federal	280.6	(10.8)	269.8
16. Taxable income - Provincial	280.6	(10.8)	269.8
17. Income tax rate - Federal	15.00%	0.00%	15.00%
18. Income tax rate - Provincial	10.50%	1.00%	11.50%
19. Income tax provision - Federal	42.1	(1.6)	40.5
20. Income tax provision - Provincial	29.5	1.5	31.0
21. Income tax provision - combined	71.6	(0.1)	71.5
22. Part VI.1 tax			1.7
23. Investment tax credit			(0.1)
24. Total taxes excluding tax shield on interest expense			73.1
Tax shield on interest expense			
25. Rate base (M1.T1.S2.P1)			4,103.6
26. Return component of debt (M1.T1.S4.P1)			3.30%
27. Interest expense			135.2
28. Combined tax rate			26.50%
29. Income tax credit			(35.8)
30. Total income taxes			37.3

Note 1: Information from Col. 1 and Col. 2 of Exhibit D3, Tab 1, Schedule 1, page 3, Filed: 2012-01-31.

Witness: K. Culbert

UTILITY CAPITAL STRUCTURE  
2013 TEST YEAR

Line No.	Col. 1 Principal Excl. CC/CIS (\$Millions)	Col. 2 Component %	Col. 3 Indicated Cost Rate %	Col. 4 Return Component %	
1.	Long term debt	2,312.8	56.36	5.90	3.325
2.	Short term debt/(investment)	<u>(32.7)</u>	<u>(0.80)</u>	3.70	<u>(0.030)</u>
3.		2,280.1	55.56		3.295
4.	Preference shares	100.0	2.44	4.16	0.102
5.	Common equity	<u>1,723.5</u>	<u>42.00</u>	9.03	<u>3.793</u>
6.		<u>4,103.6</u>	<u>100.00</u>		<u>7.190</u>
7.	Utility income	(\$Millions)			235.1
8.	Rate base	(\$Millions)			4,103.6
9.	Indicated rate of return				5.729%
10.	(Deficiency) in rate of return				(1.461)%
11.	Net (deficiency)	(\$Millions)			(60.0)
12.	Gross (deficiency)	(\$Millions)			(81.6)
13.	Customer Care/CIS deficiency	(\$Millions)			(11.0)
14.	Total gross (deficiency)	(\$Millions)			(92.6)
15.	Revenue at existing rates	(\$Millions)			2,319.6
16.	Revenue requirement	(\$Millions)			2,412.2
17.	Total gross revenue (deficiency)	(\$Millions)			(92.6)

Witness: K. Culbert