AMENDED SETTLEMENT PROPOSAL

Enbridge Gas Distribution Inc.
2018 Rate Adjustment

December 6, 2017

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AMENDED SETTLEMENT PROPOSAL CONTEXT

This Amended Settlement Proposal is filed with the Ontario Energy Board (the "Board", or the "OEB") in connection with the application by Enbridge Gas Distribution Inc. ("Enbridge", or the "Company"), for an order or orders approving or fixing just and reasonable rates for the sale, transmission, distribution and storage of natural gas commencing January 1, 2018.

In Procedural Order No. 1 issued on October 25, 2017, the Board provided for a series of procedural steps, up to and including a Settlement Conference. In Procedural Order No, 2 issued on November 23, 2017, the Board provided updates for the timing to file and present any Settlement Proposal.

The Settlement Conference was held on November 16 and 17, 2017. Karen Wianecki acted as facilitator for the Settlement Conference.

Enbridge and the following intervenors, as well as Ontario Energy Board technical staff ("OEB Staff"), participated in the Settlement Conference:

Association of Power Producers of Ontario (APPrO)
Building Owners and Managers Association – Greater Toronto (BOMA)
Canadian Manufacturers & Exporters (CME)
Energy Probe Research Foundation (Energy Probe)
Federation of Rental-Housing Providers of Ontario (FRPO)
Industrial Gas Users Association (IGUA)
Ontario Association of Physical Plant Administrators (OAPPA)
School Energy Coalition (SEC)
TransCanada PipeLines Limited (TCPL)
Vulnerable Energy Consumers Coalition (VECC)

Through the Settlement Conference and subsequent discussions, the parties were able to reach a settlement, and a Settlement Proposal (Exhibit N1, Tab 1, Schedule 1) was filed with the OEB on November 29, 2017. On December 4, 2017, the OEB held a hearing to consider the Settlement Proposal. At the conclusion of the December 4, 2017 hearing, the OEB hearing panel issued an oral decision rejecting the Settlement Proposal as filed.[1] The OEB hearing panel listed the specific conditions and terms within the Settlement Proposal that the OEB could not accept. In its oral decision, the OEB hearing panel offered parties "a very limited window" to reconsider and discuss positions and file an amended Settlement Proposal.

After that time, parties resumed their settlement discussions and have been able to reach agreement, which is reflected in this Amended Settlement Proposal. The parties believe that this Amended Settlement Proposal addresses and takes appropriate account of the

[1] 1Tr.46-50.

concerns raised by the OEB hearing panel in relation to the previously filed Settlement Proposal.

The Amended Settlement Proposal deals with all of the relief sought in this proceeding. The parties have reached agreement on all relevant items, as set out herein. Should the Board approve this Amended Settlement Proposal, there would be no outstanding issues.

All intervenors listed above participated in the Settlement Conference and subsequent discussions, including the discussion following the December 4th hearing.

OEB Staff also participated in the Settlement Conference and subsequent discussions. OEB Staff is not a party to the Amended Settlement Proposal. As noted in the *Practice Direction on Settlement Conferences*, OEB Staff who did participate in the Settlement Conference are bound by the same confidentiality and privilege rules that apply to the parties to the proceeding.

This document is called a "Settlement Proposal" because it is a proposal by the parties to the Board to settle the issues in this proceeding. It is termed a proposal as between the parties and the Board. However, as between the parties, and subject only to the Board's approval of this Amended Settlement Proposal, this document is intended to be a legal agreement, creating mutual obligations, and binding and enforceable in accordance with its terms. As set forth later in this Context section, this Amended Settlement Proposal is subject to a condition subsequent, that if it is not accepted by the Board in its entirety, then unless amended by the parties it is null and void and of no further effect. In entering into this agreement, the parties understand and agree that, pursuant to the *Ontario Energy Board Act*, the Board has exclusive jurisdiction with respect to the interpretation or enforcement of the terms hereof.

Enbridge and all intervenors listed above, except for TCPL, have agreed to the settlement of the issues as described on the following pages. TCPL takes no position on any of the issues listed in the Amended Settlement Proposal. Any reference to "parties" in this Amended Settlement Proposal is intended to refer to Enbridge and the intervenors (with the exception of TCPL) listed above. The description of each issue assumes that all parties participated in the negotiation of the issue, unless specifically noted otherwise.

None of the parties can withdraw from the Amended Settlement Proposal except in accordance with Rule 30 of the Ontario Energy Board *Rules of Practice and Procedure*. Further, unless stated otherwise, a settlement of any particular issue in this proceeding (including items that are accepted without amendment from Enbridge's pre-filed evidence) is without prejudice to the questions that parties might ask and the positions parties might take with respect to the same, similar or related issues in future proceedings, whether during the term of Enbridge's 2014 to 2018 Custom Incentive Regulation ("IR") plan, or in any proceeding thereafter (including but not limited to Enbridge's EB-2017-0306 and 2017-0307 Applications).

The parties acknowledge that all data, documents or information provided and any discussions, including negotiations, admissions, concessions, offers and counter-offers occurring during the course of the Settlement Conference (settlement information), including subsequent related discussions, are privileged and confidential and without prejudice in accordance with (and subject to the exceptions set out in) the Board's *Practice Direction on Settlement Conferences* (see pages 5-6 of the OEB's *Practice Direction on Settlement Conferences*, as Revised October 28, 2016).

It is fundamental to the agreement of the parties that none of the provisions of this Amended Settlement Proposal are severable. If the Board does not accept the provisions of the Amended Settlement Proposal in their entirety prior to the commencement of the hearing of the application, there is no Amended Settlement Proposal (unless the parties agree that any portion of the Amended Settlement Proposal that the Board does accept may continue as a valid Amended Settlement Proposal).

The table at Appendix A identifies the evidence that supports each aspect of Enbridge's 2018 Rate Adjustment Application. In relation to the items for which adjustment from Enbridge's pre-filed evidence has been agreed-upon, the specific supporting evidence is identified individually by reference to its exhibit number in an abbreviated format; for example, Exhibit B, Tab 3, Schedule 1 is referred to as B-3-1. The identification and listing of the evidence that relates to each adjustment is provided to assist the Board.

Accordingly, this Amended Settlement Proposal provides a direct link between each adjustment to the requested approvals and the evidence in support of that adjustment. The parties are of the view that the evidence supports the agreement embodied in this Amended Settlement Proposal and, moreover, that the quality and detail of the supporting evidence, together with the corresponding rationale, will allow the Board to make findings leading to the acceptance by the Board of the Amended Settlement Proposal.

AMENDED SETTLEMENT PROPOSAL OVERVIEW

As set out below, the parties have reached agreement on all items in this proceeding. Primarily, the agreement of the parties relates to the 2018 rate adjustments to be undertaken in accordance with Enbridge's OEB-approved Custom IR plan. For the purposes of achieving an overall settlement, parties have accepted Enbridge's filing, subject to adjustments to be made: (i) to update 2018 cost of capital (ROE and debt costs); (ii) to update 2018 volumes (to include the impact of the GIF program, and to update the average use forecast); (iii) to update 2018 forecast pension costs (to remove costs related to forecast legislative changes); and (iv) to update Allowed Revenue (to add the revenue requirement impact of tax deductions related to site restoration cost ("SRC") refunds, which amounts Enbridge had proposed to record in a deferral account). There are also four other items outside of the Custom IR adjustments upon which the parties have reached agreement. These relate to: (i) the manner in which the 2018 Post-Retirement True-Up Variance Account ("PTUVA") will track variances in pension and OPEB-related Allowed Revenue impacts; (ii) a proposed change to Enbridge's Conditions of Service that will not be implemented at this time; (iii) Enbridge's affirmation that it is continuing to review and will report on certain investigations as to its unaccounted-for gas ("UAF"); and (iv) comments on Enbridge's C1 transportation capacity.

If this Amended Settlement Proposal is accepted by the Board, then Enbridge will implement final 2018 delivery rates in conjunction with the January 1, 2018 QRAM.

(a) Custom IR Approvals Requested by Enbridge

In its EB-2012-0459 Decision with Reasons dated July 17, 2014 (the "Custom IR Decision") the Board approved a five-year Custom IR plan for Enbridge to begin on January 1, 2014.[2] In the Custom IR Decision, together with the subsequent Decision and Rate Order dated August 22, 2014 (the "Custom IR Rate Order"), the Board approved the Custom IR elements and forecast costs to be used for the purposes of determining Enbridge's 2014 Allowed Revenue and associated 2014 final rates.

Enbridge's Custom IR proposal contemplated an annual adjustment process for the years 2015 to 2018. The Board accepted this proposal in the Custom IR Decision: as stated by the Board, while most elements of Allowed Revenue were determined in the EB-2012-0459 proceeding, placeholder amounts were set for certain specific elements and these placeholder amounts are to be updated at the start of each rate year from 2015 to 2018.[3]

The Board directed Enbridge to provide a complete list of the elements of the Custom IR plan that will be updated annually from 2015 to 2018, for inclusion as part of the Draft Rate Order in EB-2012-0459. In the Custom IR Rate Order, the Board ordered that the

[2] Custom IR Decision, at page 4.
[3] Custom IR Decision, at page 83.

"Annual Update Elements" for the Custom IR plan shall be as set out in Appendix E thereto. A copy of Appendix E from the Custom IR Rate Order is filed in this proceeding at Exhibit A1, Tab 3, Schedule 1, Appendix A. The list of Annual Update Elements set out in Appendix E to the Custom IR Rate Order is reproduced below:

Elements to be updated within
2015 through 2018 Custom Incentive Rate Processes and Applications

Line	Element
1	Volumes will be re-forecast annually through following the established processes of updating forecasts of; customer additions, probability weighted large volume customer forecasts, customer meter unlocks, economic outlook and gas prices, average use and approved heating degree days using the approved degree day methodologies.
2	Resulting from the annual volumes re-forecast, revenues will be re-forecast using approved rates.
3	Resulting from the annual volumes re-forecast, the annual gas supply plan will be re-determined, and annual projected gas costs as well as annual gas in storage volume requirements and related rate base gas in storage values and any gas cost related working cash allowance impacts will be re-forecast within annual revenue requirements.
4	O&M related Customer Care/CIS costs will be updated annually in accordance with the Board Approved EB-2011-0226 Settlement Agreement.
5	O&M related DSM costs will be updated annually to reflect where available, updated Board Approved DSM costs resulting within the DSM Policy Consultation, EB-2014-0134 proceeding or subsequent proceedings. Any related rate base working cash allowance impacts will be re-forecast within annual revenue requirements.
6	O&M related Pension and OPEB expense amounts will be updated annually through the use of re-forecasts performed by Enbridge's external pension Consultant, Mercer Canada Limited. Any related rate base working cash allowance impacts will be re-forecast within annual revenue requirements.
7	Utility income taxes will be re-forecast annually to reflect impacts to taxable income stemming from the updating of revenues, gas costs, O&M and the re-determined approved overall rate of return on rate base.
8	Return on Equity will be re-set each year within the results included in the Board Final Rate Order to reflect the Board Policy produced ROE%.
9	The cost of debt will be updated each year of the IR plan, using the most current information available, including information on the actual amounts and rates associated with any debt issued in the prior year.

In this proceeding, Enbridge requests approval of 2018 Allowed Revenue and associated 2018 rates.

At Appendix B of Exhibit A1, Tab 3, Schedule 1, Enbridge provided a table showing the derivation of the 2018 Allowed Revenue amount and associated sufficiency/deficiency proposed for approval by the Board. An updated version of this 2018 Test Year Allowed Revenue and Sufficiency/Deficiency table is included at Appendix A to this Amended Settlement Proposal. The updated version of the table is the same as previously filed, except that it also includes two columns setting out the Allowed Revenue (and Sufficiency/Deficiency) impacts of this Amended Settlement Proposal (as compared to Enbridge's filing). As set out, the impact of the Amended Settlement Proposal is to reduce the overall deficiency by approximately $12.4 million (as compared to Enbridge's filing).

In connection with the approval of 2018 rates, Enbridge requests that the Board approve the establishment of 2018 Deferral and Variance Accounts, as set out in the evidence at Exhibit D2, Tab 1, Schedule 1. All of the Deferral and Variance accounts proposed for 2018 were approved in the Custom IR Decision or other previous OEB decisions or proceedings. All parties acknowledge the Board's direction in the oral decision on the Settlement Proposal that Enbridge should remove the December 31, 2018 end date for approved Deferral and Variance Accounts where appropriate.[4] Enbridge will file a draft Accounting Order under separate cover (and not as part of this Amended Settlement Proposal), indicating the Deferral and Variance Accounts that it believes do not require a December 31, 2018 end date. Intervenors should be provided the opportunity to respond to Enbridge's draft Accounting Order before it is considered by the Board for approval.

(b) Settlement of Requested Custom IR Approvals

As part of the overall settlement set out herein, parties have accepted and agreed upon Enbridge's requested Custom IR approvals as set out in the pre-filed evidence, subject to four adjustments to be made in respect of Enbridge's requested approvals.

The table at Appendix A provides references to the pre-filed evidence that supports the settlement of Enbridge's requested approvals. More generally, the evidence with regard to updated rate base is found in the "B" series of exhibits, the evidence regarding 2018 gas volumes and 2018 revenues is found in the "C" series of exhibits, the evidence regarding updates to certain operating cost elements (including gas costs) is found in the "D" series of exhibits, the evidence regarding updates to Cost of Capital is found in the "E" series of exhibits, the evidence regarding the 2018 revenue deficiency is found in the "F" series of exhibits and the evidence regarding proposed 2018 rates is found in the "H" series of exhibits.

The four adjustments to Enbridge's requested Custom IR approvals resulting from the settlement reached by all parties are as follows:

[4] 1Tr.47-48.

<u>Adjustment 1</u> – Updates to Forecast Volumes

Parties have agreed upon Enbridge's forecast volumes as filed, subject to two adjustments:

(a) As directed in the OEB's Decision with Reasons related to Enbridge's 2017 Cap and Trade Compliance Plan (EB-2016-0300), Enbridge will incorporate the impact of the Green Investment Fund program ("GIF") on its 2018 forecast volumes. This results in a reduction to forecast volumes for Rate 1 of approximately 5.6 10^6m^3 and an increase in the forecast deficiency of approximately $430,000.

(b) The parties had accepted Enbridge's volume forecast proposal (inclusive of the change noted above) in the original filed Settlement Proposal. Enbridge's proposal includes a dummy variable to control for what Enbridge considers anomalous 2016 Rate 1 normalized average use per customer (NAC) results. If dummy variables were not included to control for 2016 average uses in Rate 1 and Rate 6, the 2018 average use forecasts would have been 2.4 m^3 and 0.2 m^3 lower, respectively. Any variation as between forecast and actual average use during 2018 will be captured in Enbridge's Average Use True Up Variance Account ("AUTUVA").

Enbridge's evidence is that an unexplained structural break occurred in the Rate 1 normalized average use per customer forecast model leading to inclusion of the dummy variable to adjust for the 2016 year. However, given the Board's concern that Enbridge's proposal agreed to in the originally filed Settlement Proposal represents a methodological change to the Enbridge's forecasting practice, for the purposes of settlement, the Parties have agreed to remove it. This would reduce the volume forecast by approximately 4.8 10^6m^3 and increase the forecast deficiency by approximately $400,000.

However, concerns remain among some intervenors that the 2018 Rate 1 average use forecast does not reflect their interpretation of recent declining use trends and intervenors are concerned that this could impact the balances in Enbridge's AUTUVA in 2018 and 2019. The parties acknowledge and agree that any necessary determinations about the disposition of the 2018 and 2019 AUTUVA will be made by OEB hearing panels in future proceedings.

<u>Adjustment 2</u> – Updates to Cost of Capital

Consistent with the Custom IR framework, and the approach used in prior years, Enbridge will update its cost of capital parameters to make use of the most up-to-date information. This results in the following:

(a) An adjustment to reflect an updated ROE of 9.00% (as compared to the forecast of 8.84% included within the pre-filed evidence). The updated ROE is set out in the OEB's November 23, 2017 Cost of Capital Parameter Updates for 2018 Cost of Service and Custom Incentive Rate-setting Applications. When the updated ROE is applied, this results in an increase to the forecast deficiency of approximately $4.9 million; and

(b) An adjustment to update Enbridge's forecast 2018 Cost of Debt based on forecasts as of November 2017. This adjustment results in a decrease to Enbridge's 2018 Cost of Capital (and the forecast deficiency) of approximately $500,000.

<u>Adjustment 3</u> – Update to Pension Costs

Enbridge's forecast of pension costs for 2018 (Exhibit D1, Tab 5) includes the impact of proposed but not yet enacted changes Ontario pension legislation and regulations. As part of the overall settlement set out herein, parties have agreed that Enbridge will remove the impact associated with these proposed legislative changes from the 2018 forecast of pension costs utilized in determining Allowed Revenue. Related to this, parties have also agreed to update the parameters of the 2018 PTUVA to ensure that if such legislative changes do proceed, then the Allowed Revenue implications will be recorded in the account (this is described below). The impact of this change is to decrease Enbridge's forecast 2018 Allowed Revenue (and forecast deficiency) by approximately $6.5 million.

<u>Adjustment 4</u> – SRC-related update to Allowed Revenue (and related Rider "D"/SRC items)

As described in evidence at Exhibit D2, Tab 2, Schedule 1, Enbridge has proposed the discontinuance of Rider "D" as of the end of 2017. Rider "D" was approved by the Board to return a total of $379.8 million in Site Restoration Costs ("SRC") to ratepayers over the Custom IR term. By the end of 2017, it is expected that Enbridge will have returned more than that total amount to ratepayers. Therefore, Enbridge asserts that it is appropriate to discontinue Rider "D", rather than refund additional amounts in 2018 that will then have to be recovered from ratepayers at a later date.

As part of the overall settlement set out herein, all parties have agreed with Enbridge's proposal to discontinue Rider "D". The parties have agreed that the final balance in the Constant Dollar Net Salvage Adjustment Deferral Account ("CDNSADA") will be disposed of as part of Enbridge's 2017 ESM application in mid-2018, such disposition to include a review of the balance in the account and to include the methodology for the proposed disposition including true-up of any over- and under-refunds to customer classes.

Along with the discontinuance of Rider "D", Enbridge's filing proposed to record the Allowed Revenue impact of the tax deduction (credit to ratepayers) associated with the previously forecast 2018 SRC refund in the CDNSADA, rather than in the 2018 Allowed Revenue. As part of the overall settlement herein, parties have agreed that Enbridge will reflect the tax deduction impact (credit) in 2018 Allowed Revenue, rather than in the CDNSADA. The impact of this change is to decrease 2018 Allowed Revenue (and forecast deficiency) by approximately $11.2 million.

The particulars of the agreements reached on each of the adjustments to Enbridge's requested Custom IR approvals are described below, under the heading *Details of Adjustments to Enbridge's Requested Approvals*.

(c) Other Items

As part of the overall settlement presented herein, there are four other items in relation to which the parties have made agreements. Each is briefly described below.

(i) Amendment to the scope of the 2018 PTUVA

As noted above, Enbridge's forecast of pension costs for 2018 included the impact of proposed but not yet enacted changes to Ontario pension legislation and regulations. As part of the overall settlement set out herein, parties have agreed that Enbridge's forecast of pension costs for ratemaking purposes will not include the impact of these proposed changes. All parties agree, however, that given the possibility that the proposed changes may proceed in 2018, the scope of the 2018 Post-Retirement True-Up Variance Account ("PTUVA") should be amended. The 2018 PTUVA will be used to record any allowed revenue impact that results from actual 2018 pension and OPEB related amounts (accrual based expense amounts and cash based funding) which differ compared to what has been forecast and included in rates. This would include any Allowed Revenue impacts arising because the changes to Ontario pension legislation and regulations proceed.

(ii) Removal of planned update to Conditions of Service

Enbridge's evidence explains that the Company plans to update its Conditions of Service to require that where an account holder terminates his or her account for a premises and no person enters into an agreement to become the account holder within 45 days, then service to that premises will be disconnected. Parties have agreed that Enbridge will not proceed with this change while the OEB's current review of customer service rules (EB-2017-0183) is ongoing.

(iii) Reporting on UAF

In the 2016 Earnings Sharing Mechanism proceeding (EB-2016-0142), Enbridge agreed to review potential metering issues that might be contributing to UAF, and to report on that review. Enbridge has agreed to continue this review, and report on its progress within its 2019 rate setting application.

(iv) Enbridge's C1 transportation capacity

Enbridge's storage and transportation costs for 2018 include costs related to C1 transportation capacity that expires on March 31, 2019. Some parties have expressed concerns with whether Enbridge should have contracted for C1 capacity for this period. For the purposes of settlement, parties do not dispute the associated 2018 costs within Enbridge's 2018 rates. All parties agree, however, that it will remain open for any party in a future proceeding to ask questions about, and take any position on, the C1 costs that are part of Enbridge's 2019 storage and transportation costs.

(d) Impacts of Amended Settlement Proposal

The changes to Enbridge's 2018 Allowed Revenue (and associated revenue deficiency) that result from the Amended Settlement Proposal are set out within the updated 2018 Allowed Revenue and Sufficiency/Deficiency table that is found at Appendix A. The overall result of the implementation of the Amended Settlement Proposal is a reduction in the revenue deficiency associated with Enbridge's requested approvals from $86 million to $73.6 million.

Details of the impact of the agreed-upon adjustments to Enbridge's requested approvals are set out in the Amended Settlement Proposal Financial Statements included as Appendix B to this Amended Settlement Proposal.

The average rate impacts that will result from the implementation of the Amended Settlement Proposal are set out in the Draft Rate Order included at Appendix C to this Amended Settlement Proposal.

DETAILS OF ADJUSTMENTS TO ENBRIDGE'S REQUESTED CUSTOM IR APPROVALS

Set out below are details of each of the agreed adjustments to Enbridge's Custom IR approvals.

Adjustment 1 - Updates to Forecast Volumes

Parties have agreed upon Enbridge's forecast volumes as filed, subject to two adjustments:

(a) In the OEB's EB-2016-0300 Decision with Reasons related to Enbridge's 2017 Cap and Trade Compliance Plan (at page 18), Enbridge was directed to incorporate the impact of the Green Investment Fund program ("GIF") on its 2018 forecast volumes. The EB-2016-0300 Decision was not released until the week that Enbridge filed this application, and therefore the impact of the GIF program was not included in the volume forecasts set out in the prefiled evidence. Instead, the relevant adjustments are being made in this Amended Settlement Proposal.

The forecast reductions in volumes arising from the GIF program on a monthly basis for 2018 are set out in the following table (these are only relevant to Rate 1):

GIF Volumes adjustment													
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total
Rate 1	71,263	142,526	213,789	285,053	356,316	427,579	498,842	570,105	641,368	712,631	783,894	855,158	5,558,524
Margin Impact $	$ 4,364	$ 8,729	$ 13,093	$ 17,458	$ 21,822	$ 26,187	$ 30,551	$ 34,916	$ 39,280	$ 43,645	$ 48,009	$ 52,374	$ 340,428

On an overall basis, including the impacts of the GIF program results in a reduction to forecast volumes for Rate 1 of approximately 5.6 10^6m^3 and an increase in the forecast deficiency of approximately $430,000.

(b) The parties had accepted Enbridge's volume forecast proposal (inclusive of the change noted above) in the original filed Settlement Proposal. Enbridge's proposal includes a dummy variable to control for what Enbridge considers anomalous 2016 Rate 1 normalized average use per customer (NAC) results (see Exhibit C2, Tab 1, Schedule 3, page 10). If dummy variables were not included to control for 2016 average uses in Rate 1 and Rate 6, the 2018 average use forecasts would have been 2.4 m^3 and 0.2 m^3 lower, respectively (see Board Staff Interrogatory #6, at Exhibit I.C2.EGDI.STAFF.6). Any variation as between forecast and actual average use during 2018 will be captured in Enbridge's AUTUVA.

Enbridge's evidence is that an unexplained structural break occurred in the Rate 1 normalized average use per customer forecast model leading to inclusion of the dummy variable to adjust for the 2016 year. However, given the Board's concern that Enbridge's proposal agreed to in the originally filed Settlement Proposal represents a methodological change to the Enbridge's forecasting practice, for the purposes of settlement, the Parties have agreed to remove it. This would reduce the volume forecast by approximately 4.8 10^6m^3 and increase the forecast deficiency by approximately $400,000 (see Appendix B for details).

However, concerns remain among some intervenors that the 2018 Rate 1 average use forecast does not reflect their interpretation of recent declining use trends and intervenors are concerned that this could impact the balances in Enbridge's AUTUVA in 2018 and 2019. The parties acknowledge and agree that any necessary determinations about the disposition of the 2018 and 2019 AUTUVA will be made by OEB hearing panels in future proceedings.

Evidence: The evidence in relation to this item includes the following:

C1-1-1	2018 Operating Revenue Summary
C1-2-1	Gas Volume Budget
C2-1-3	Average Use Forecasting Model
C1-2-1	Gas Volume Budget
I.C2.EGDI.STAFF.6	Board Staff Interrogatory #6
I.C2.EGDI.EP.4	Energy Probe Interrogatory #4

Adjustment 2 - Updates to Cost of Capital

Consistent with the Custom IR framework, and the approach used in prior years, Enbridge is updating its cost of capital parameters to make use of the most up-to-date information. These updates result in changes to Enbridge's forecast 2018 cost of capital, which impact Enbridge's forecast 2018 Allowed Revenue and rates (as well as the forecast 2018 revenue deficiency).

(a) ROE - Enbridge's prefiled evidence uses a forecast ROE of 8.84%, which is based on July 2017 inputs being applied to the Board's established methodology to calculating ROE (see Exhibit E1, Tab 2, Schedule 1). On November 23, 2017, the OEB released its Cost of Capital Parameter Updates for 2018 Applications, indicating that the applicable ROE for Custom IR applications with effective dates in 2018 is 9.00%.

When the updated ROE is applied, this results in an increase to 2018 Cost of Capital (and the forecast deficiency) of approximately $4.9 million.

(b) Cost of Debt - Enbridge's prefiled evidence includes the forecast costs for planned new debt issuances in 2017 and 2018. The associated costs are based on forecasts as of the summer of 2017. Enbridge has now obtained updated forecasts of the costs associated with these issuances, as of November 2017. These updated forecasts (which relate to the information that had been filed as Tables 2 and 3 of Exhibit E1, Tab 3, Schedule 1) are set out below:

As Filed

Item No.	Amount ($MM)	Issue Date	Term (Yrs)	Canada Yield	Corporate Spread	Coupon	Amortized Issue Costs	Effective Cost
1	150	November 2017	10	1.90%	1.00%	2.90%	0.05%	2.952%
2	150	November 2017	30	2.40%	1.40%	3.80%	0.02%	3.821%

Item No.	Amount ($MM)	Issue Date	Term (Yrs)	Canada Yield	Corporate Spread	Coupon	Amortized Issue Costs	Effective Cost
1	150	August 2018	10	2.30%	1.05%	3.35%	0.05%	3.402%
2	150	August 2018	30	2.70%	1.45%	4.15%	0.02%	4.171%

Updated Forecast

Item No.	Amount ($MM)	Issue Date	Term (Yrs)	Canada Yield	Corporate Spread	Coupon	Amortized Issue Costs	Effective Cost
1	150	November 2017	10	1.90%	1.00%	2.90%	0.05%	2.952%
2	150	November 2017	30	2.25%	1.40%	3.65%	0.02%	3.671%

Item No.	Amount ($MM)	Issue Date	Term (Yrs)	Canada Yield	Corporate Spread	Coupon	Amortized Issue Costs	Effective Cost
1	150	August 2018	10	2.30%	1.00%	3.30%	0.05%	3.352%
2	150	August 2018	30	2.80%	1.40%	4.20%	0.02%	4.221%

All parties agree that an adjustment to update Enbridge's forecast 2018 Cost of Debt will be made to reflect this updated forecast. This adjustment results in a decrease to Enbridge's 2018 Cost of Capital (and the forecast deficiency) of approximately $500,000.

Evidence: The evidence in relation to this item includes the following:

E1-1-1	Cost of Capital Summary
E1-2-1	Return on Equity Calculation for 2018
E1-3-1	2016 Cost of Debt
I.E1.EGDI.BOMA.33-34	BOMA Interrogatories #33-34
I.E1.EGDI.VECC.5-6	VECC Interrogatories #5-6
I.D1.EGDI.SEC.9-10	SEC Interrogatories #9 and 10

<u>Adjustment 3</u> - Update to Pension Costs

Enbridge's forecast of pension costs for 2018 is taken from a report issued by Mercer Canada Limited ("Mercer"), filed at Exhibit D1, Tab 5, Schedule 1, Appendix A. The forecast of pension costs includes the impact of proposed but not yet enacted changes to Ontario pension legislation and regulations. These proposed legislative changes have been included in Bill 177, *Stronger, Fairer Ontario Act (Budget Measures), 2017*, which is currently being considered by the Ontario Legislature. The regulations required to implement the changes have not been approved. As part of the overall settlement set out herein, parties have agreed that Enbridge will remove the impact associated with these proposed legislative changes from the 2018 forecast of pension costs. Related to this, parties have also agreed to update the parameters of the 2018 PTUVA (described below). The impact of this change is to decrease Enbridge's forecast 2018 Allowed Revenue (and forecast deficiency) by approximately $6.5 million.

Evidence: The evidence in relation to this item includes the following:

D1-1-1	Operating Cost Summary
D1-5-1	Pension/OPEB 2018 Updated Forecast
I.D1.STAFF.13	Board Staff Interrogatory #13
I.D1.EGDI.BOMA.27-30	BOMA Interrogatories #27-30
I.D1.EGDI.SEC.9-10	SEC Interrogatories #9 and 10

<u>Adjustment 4</u> - SRC-related update to Allowed Revenue (and related Rider "D"/SRC items)

As described in evidence at Exhibit D2, Tab 2, Schedule 1, Enbridge has proposed the discontinuance of Rider "D" as of the end of 2017. Rider "D" was approved by the Board to return a total of $379.8 million in SRC to ratepayers over the Custom IR term. By the end of 2017, it is expected that Enbridge will have returned more than that total amount to ratepayers over the Custom IR term. Therefore, Enbridge asserts that it is appropriate to discontinue Rider "D", rather than refund additional amounts in 2018 that will then have to be recovered from at least some ratepayer classes at a later date. As part of the overall settlement set out herein, parties have agreed with Enbridge's proposal to discontinue Rider "D". This will conclude Enbridge's SRC refunds to customers that had been ordered in the EB-2012-0459 Custom IR Decision.

The parties have agreed that the final balance in the CDNSADA will be disposed of as part of Enbridge's 2017 ESM application in mid-2018, such disposition to include a review of the balance in the account and to include the methodology for the proposed disposition including true-up of any over-and under-refunds to customer classes. The parties acknowledge and agree that any necessary determinations about the disposition of the CDNSADA will be made by the OEB hearing panel considering Enbridge's 2017 ESM proceeding.

Along with the discontinuance of Rider "D", Enbridge's filing proposed to record the Allowed Revenue requirement impact of the tax deduction (credit to ratepayers) associated with the previously forecast 2018 SRC refund in the CDNSADA, rather than in the 2018 Allowed Revenue. As part of the overall settlement herein, parties have agreed that Enbridge will reflect the tax deduction impact (credit) in 2018 Allowed Revenue, rather than in the CDNSADA. The impact of this change is to decrease 2018 Allowed Revenue (and forecast deficiency) by $11.2 million.

Evidence: The evidence in relation to this item includes the following:

D1-1-1	Operating Cost Summary
D2-2-1	Discontinuance of Site Restoration Cost Rider (Rider D) in 2018
I.D1.EGDI.Staff.14	Board Staff Interrogatory #14
I.D2.EGDI.Staff 15	Board Staff Interrogatory #15
I.D2.EGDI.APPRO.2	APPrO Interrogatory #1
I.D2.EGDI.BOMA.31-32	BOMA Interrogatories #31 and 32
I.D2.EGDI.EP.10	Energy Probe Interrogatory #10
I.D2.EGDI.FRPO.19	FRPO Interrogatory #19

SETTLEMENT ON OTHER ITEMS

Set out below are the details of the four other items agreed upon between the parties. None of these impact upon 2018 Allowed Revenue and rates.

(i) Amendment to the scope of the 2018 PTUVA

Enbridge's updated forecast of pension costs for 2018 includes the impact of proposed changes to Ontario pension legislation and regulations. These proposed legislative changes have been included in Bill 177, *Stronger, Fairer Ontario Act (Budget Measures), 2017*, which is currently being considered by the Ontario Legislature. The regulations required to implement the changes have not been approved yet.

As part of this overall settlement, parties have agreed that Enbridge will not include the impacts of this proposed legislation in its 2018 forecast of pension costs. All parties agree, however, that given the possibility that the proposed changes may proceed in 2018, the scope of the 2018 Post-Retirement True-Up Variance Account ("PTUVA") should be amended. The 2018 PTUVA will be used to record any allowed revenue impact that results from actual 2018 pension and OPEB related amounts (accrual based expense amounts and cash based funding) which differ compared to what has been forecast and included in rates. This would include any Allowed Revenue impacts arising because of changes to Ontario pension legislation and regulations. Enbridge will include updated wording for the 2018 PTUVA in the draft Accounting Order being filed separately.

Evidence: The evidence in relation to this item includes the following:

D1-5-1	Pension/OPEB 2018 Updated Forecast
I.D1.EGDI.STAFF.13	Board Staff Interrogatory #13
I.D1.EGDI.BOMA.27-30	BOMA Interrogatories #27 to 30
I.D1.EGDI.SEC.9-10	SEC Interrogatories #9 and 10

(ii) Removal of planned update to Conditions of Service

Enbridge's evidence explains that the Company plans to update section 6.1 of its Conditions of Service to stipulate that where an account holder terminates his or her account for a premises and no person enters into an agreement to become the account holder within 45 days, then service to that premises will be disconnected. Parties have agreed that Enbridge will not proceed with this change while the OEB's current review of customer service rules (EB-2017-0183) is ongoing.

Evidence: The evidence in relation to this item includes the following:

A1-5-1	Conditions of Service
I.A1.EGDI.STAFF.2	Board Staff Interrogatory #2

(iii) Reporting on UAF

In the Settlement Proposal arising from the 2016 Earnings Sharing Mechanism proceeding (EB-2016-0142, Exhibit N1, Tab 1, Schedule 1, item 1(r)), Enbridge agreed to review potential metering issues that might be contributing to UAF, and to report on that review. Enbridge provided its reporting in this case in Exhibit D1, Tab 2, Schedule 4 and associated interrogatory responses, and indicated that its review is ongoing. Enbridge has agreed that it will maintain its commitments from the 2016 ESM Settlement Proposal in relation to UAF such that as part of its 2019 rate setting application, Enbridge will file evidence explaining the steps that have been taken to investigate and address UAF that may be associated with metering differences at gate stations. Enbridge's evidence will address any reductions in UAF achieved to date from review of metering at gate stations, as well as plans for any future actions to address this item.

Evidence: The evidence in relation to this item includes the following:

D1-2-4	2018 Unbilled and Unaccounted for Gas Volumes
I.D1.EGDI.APPRO.3	APPrO Interrogatory #3
I.DI.EGDI.EP.6	Energy Probe Interrogatory #6

(iv) Enbridge's C1 transportation capacity

Enbridge's storage and transportation costs for 2018 include costs related to C1 transportation capacity that expires on March 31, 2019. Some parties have expressed concerns with whether Enbridge should have contracted for C1 capacity for this period. For the purposes of settlement, parties do not dispute including the associated 2018 costs within Enbridge's 2018 rates. All parties agree, however, that it will remain open for any party in a future proceeding to ask questions about and take any position on the C1 costs that are part of Enbridge's 2019 storage and transportation costs.

Evidence: The evidence in relation to this item includes the following:

D1-2-1	2018 Gas Supply Evidence Overview
D1-2-2	Gas Supply Memorandum
D1-2-6	Summary of Storage & Transportation Costs
D1-2-9	Status of Transportation and Storage Contracts
I.D1.EGDI.EP.7	Energy Probe Interrogatory #7
I.D1.EGDI.FRPO.9	FRPO Interrogatory #9

IMPLEMENTATION

Through this Amended Settlement Proposal, the parties have agreed upon all items that support Enbridge's 2018 delivery rates. The only items left for later adjustment are the impacts (if any) from final Cap and Trade Unit rates that are different from the Cap and Trade Unit rates that are in place as of January 1, 2018. Additionally, Enbridge will record in the 2018 PTUVA the Allowed Revenue impact of any pension costs differences arising because expected pension reform legislation (including related regulations) is implemented.

In Enbridge's 2018 Cap and Trade Compliance Plan application (EB-2017-0224), the Company requested the approval of Cap and Trade Tariffs (Unit Rates) for 2018, but recognized that this will not be effected before January 1, 2018 and therefore Enbridge requested interim Cap and Trade Unit Rates. In a Decision and Order dated November 30, 2017, the Board stated the following:

> The Gas Utilities' request for the interim approval of their proposed 2018 cap and trade charges is denied. The OEB is of the view that these requests are not warranted because the rate impacts for a typical residential customer and the incremental costs proposed to be incurred by the Gas Utilities are not significant enough to warrant an immediate increase. In addition, the Gas Utilities have received prior OEB approval to establish variance accounts that track the difference between actual customer- and facility-related obligation costs and the customer- and facility-related obligation costs recovered in rates. The mechanism for disposing of this difference can be determined as part of this proceeding. Therefore, the final 2017 OEB-approved cap and trade charges shall continue until such time as the OEB completes its review and the OEB makes a determination of the approved 2018 cap and trade charges.[5]

All parties agree that Enbridge's delivery rates as agreed through this Amended Settlement Proposal may be implemented on a final basis through the January 1, 2018 QRAM, subject to the Board's Interim and/or Final Decisions in the 2018 Compliance Plan application (EB-2017-0224) which may result in prospective adjustments to Enbridge's Cap and Trade Unit Rates for 2018.

Enbridge is also filing a Draft Rate Order for rates effective as of January 1, 2018. The Draft Rate Order reflects Enbridge's Application, as updated to take account of the adjustments set out in this Amended Settlement Proposal.

[5] EB-2017-0224, Decision and Order dated November 30, 2017, at page 3.

Additionally, Enbridge will also file a draft Accounting Order for 2018 under separate cover. As noted, that draft Accounting Order is not part of this Amended Settlement Proposal.

The parties request that the Board consider and approve this Amended Settlement Proposal, including the Draft Rate Order, in sufficient time to permit the new 2018 rates to be implemented in conjunction with Enbridge's January 1, 2018 QRAM Application. The approval of the draft Accounting Order can be addressed in due course, as it is not required in order to implement 2018 rates.

APPENDIX A : 2018 TEST YEAR ALLOWED REVENUE AND SUFFICIENCY/DEFICIENCY

ALLOWED REVENUE AND SUFFICIENCY/(DEFICIENCY)
2018 TEST YEAR

Line No.		Col. 1 EB-2012-0459 Total 2018 Allowed Revenue Placeholder ($Millions)	Col. 2 2018 Required Updates ($Millions)	Col. 3 Total Final 2018 Test Year Allowed Revenue ($Millions)	Col. 4 2018 Amended Settlement Proposal Adjustments	Col. 5 Adjusted Total Final 2018 Test Year Allowed Revenue ($Millions)	Col. 6 Explanation See Page 2	Col. 7 Evidence Exhibit Reference
	Cost of capital							
1.	Rate base	6,152.6	93.5	6,246.1	-	6,246.1	a)	B Series of Exhibits
2.	Required rate of return	7.12	(0.97)	6.15	0.05	6.20	b)	E Series of Exhibits
3.		438.1	(54.0)	384.1	3.2	387.3		
	Cost of service							
4.	Gas costs	1,632.5	122.4	1,754.9	(1.9)	1,753.0	c)	D1-1-1 and D1-2-1 to D1-2-11
5.	Operation and maintenance	442.8	24.7	467.5	(0.1)	467.4	d)	D1-1-1 and D1-3-1 to D1-5-1
6.	Depreciation and amortization	305.5	-	305.5	-	305.5		
7.	Fixed financing costs	1.9	-	1.9	-	1.9		
8.	Municipal and other taxes	50.4	-	50.4	-	50.4		
9.		2,433.1	147.1	2,580.2	(2.0)	2,578.2		
	Misc. operating and non-operating revenue							
10.	Other operating revenue	(42.7)	-	(42.7)	-	(42.7)		
11.	Interest and property rental	-	-	-	-	-		
12.	Other income	(0.1)	-	(0.1)	-	(0.1)		
13.		(42.8)	-	(42.8)	-	(42.8)		
	Income taxes on earnings							
14.	Excluding tax shield	68.3	14.3	82.6	(13.1)	69.5	e)	D1-1-1 and D1-6-1 to D1-6-2
15.	Tax shield provided by interest expense	(54.6)	6.2	(48.4)	0.1	(48.3)	e)	D1-1-1 and D1-6-1 to D1-6-2
16.		13.7	20.5	34.2	(13.0)	21.2		
	Taxes on sufficiency / (deficiency)							
17.	Gross sufficiency / (deficiency)	(163.6)	82.1	(81.5)	12.4	(69.1)		
18.	Net sufficiency / (deficiency)	(120.3)	60.4	(59.9)	9.1	(50.8)		
19.		43.4	(21.8)	21.6	(3.3)	18.3	e)	D1-1-1 and D1-6-1 to D1-6-2
20.	**Sub-total revenue requirement**	2,885.5	91.8	2,977.3	(15.1)	2,962.2		
21.	Customer Care Rate Smoothing V/A Adjustment	5.0	(0.1)	4.9	-	4.9		
22.	**Allowed revenue**	2,890.5	91.7	2,982.2	(15.1)	2,967.1		
	Revenue at existing Rates							
23.	Gas sales	2,496.2	129.0	2,625.2	(2.7)	2,622.5	f)	C Series of Exhibits
24.	Transportation service	205.0	46.8	251.8	-	251.8	f)	C Series of Exhibits
25.	Transmission, compression and storage	1.8	17.4	19.2	-	19.2		
26.	Rounding adjustment	0.3	(0.3)	-	-	-		
27.	Revenue at existing rates	2,703.3	192.9	2,896.2	(2.7)	2,893.5		
28.	**Gross revenue sufficiency / (deficiency)**	(187.2)	101.2	(86.0)	12.4	(73.6)		F Series of Exhibits

App.A Pg.1 Ref.	Required adjustments to 2018 Placeholder Allowed Revenue per Appendix E of the EB-2012-0459 Final Rate Order, and other subsequent proceedings
a)	Adjustment to rate base arising from the gas cost and O&M updates and the related impact on gas in storage and working cash. The adjustment also reflects an allocation of base pressure gas to Unregulated Storage operations, as per the Board approved EB-2015-114 Settlement Proposal.
b)	Adjustment to forecast cost of capital rates, based upon the updated forecast ROE and updated forecast cost of debt.
c)	Adjustment to forecast gas cost based upon the updated gas cost forecast and the 2018 gas volume forecast. The adjustment also reflects an allocation of Lost and Unaccounted For (LUF) gas to Unregulated Storage operations, as per the Board approved EB-2015-114 Settlement Proposal.
d)	Adjustment to O&M in relation to updated forecasts of DSM, Pension/OPEB, and CIS/Customer Care costs.
e)	Adjustment to income taxes in relation to the Company's proposal to discontinue the site restoration cost Rider (Rider D), and all other Board required / permitted adjustments to achieve final 2018 Allowed Revenue.
f)	Adjustment to revenue forecasts resulting from updating the 2018 volume forecast and use of July 1, 2017 Board Approved rates.

APPENDIX B : AMENDED SETTLEMENT PROPOSAL FINANCIAL STATEMENTS

ALLOWED REVENUE AND SUFFICIENCY/(DEFICIENCY)
2018 FISCAL YEAR

Line No.		Col. 1 As Filed Excl. CIS 2018 Allowed Revenue ($Millions)	Col. 2 As Filed CIS 2018 Allowed Revenue ($Millions)	Col. 3 As Filed Total 2018 Allowed Revenue ($Millions)	Col. 4 Excl. CIS Amended Settlement Proposal Adjustments ($Millions)	Col. 5 CIS Amended Settlement Proposal Adjustments ($Millions)	Col. 6 Adjusted 2018 Allowed Revenue Excl. CIS ($Millions)	Col. 7 Adjusted 2018 CIS Allowed Revenue ($Millions)	Col. 8 Total Adjusted 2018 Allowed Revenue ($Millions)
	Cost of capital								
1.	Rate base	6,239.1	7.0	6,246.1	-	-	6,239.1	7.0	6,246.1
2.	Required rate of return	6.15	6.44	6.15	0.05	-	6.20	6.44	6.20
3.		383.6	0.5	384.1	3.2	-	386.8	0.5	387.3
	Cost of service								
4.	Gas costs	1,754.9	-	1,754.9	(1.9)	-	1,753.0	-	1,753.0
5.	Operation and maintenance	361.6	105.9	467.5	(0.1)	-	361.5	105.9	467.4
6.	Depreciation and amortization	292.8	12.7	305.5	-	-	292.8	12.7	305.5
7.	Fixed financing costs	1.9	-	1.9	-	-	1.9	-	1.9
8.	Municipal and other taxes	50.4	-	50.4	-	-	50.4	-	50.4
9.		2,461.6	118.6	2,580.2	(2.0)	-	2,459.6	118.6	2,578.2
	Miscellaneous operating and non-operating revenue								
10.	Other operating revenue	(42.7)	-	(42.7)	-	-	(42.7)	-	(42.7)
11.	Interest and property rental	-	-	-	-	-	-	-	-
12.	Other income	(0.1)	-	(0.1)	-	-	(0.1)	-	(0.1)
13.		(42.8)	-	(42.8)	-	-	(42.8)	-	(42.8)
	Income taxes on earnings								
14.	Excluding tax shield	75.4	7.2	82.6	(13.1)	-	62.3	7.2	69.5
15.	Tax shield provided by interest expense	(48.3)	(0.1)	(48.4)	0.1	-	(48.2)	(0.1)	(48.3)
16.		27.1	7.1	34.2	(13.0)	-	14.1	7.1	21.2
	Taxes on sufficiency / (deficiency)								
17.	Gross sufficiency / (deficiency)	(81.5)	-	(81.5)	12.4	-	(69.1)	-	(69.1)
18.	Net sufficiency / (deficiency)	(59.9)	-	(59.9)	9.1	-	(50.8)	-	(50.8)
19.		21.6	-	21.6	(3.3)	-	18.3	-	18.3
20.	**Sub-total revenue requirement**	2,851.1	126.2	2,977.3	(15.1)	-	2,836.0	126.2	2,962.2
21.	Customer Care Rate Smoothing V/A Adjustment	-	4.9	4.9	-	-	-	4.9	4.9
22.	**Allowed revenue**	2,851.1	131.1	2,982.2	(15.1)	-	2,836.0	131.1	2,967.1
	Revenue at existing Rates								
23.	Gas sales	2,508.2	117.0	2,625.2	(2.7)	-	2,505.5	117.0	2,622.5
24.	Transportation service	242.2	9.6	251.8	-	-	242.2	9.6	251.8
25.	Transmission, compression and storage	19.2	-	19.2	-	-	19.2	-	19.2
26.	Rounding adjustment	-	-	-	-	-	-	-	-
27.	Revenue at existing rates	2,769.6	126.6	2,896.2	(2.7)	-	2,766.9	126.6	2,893.5
28.	**Gross revenue sufficiency / (deficiency)**	(81.5)	(4.5)	(86.0)	12.4	-	(69.1)	(4.5)	(73.6)

EXPLANATION OF ADJUSTMENTS TO ALLOWED REVENUE AND REVENUE AT EXISTING RATES
2018 FISCAL YEAR

Line No. Adj'd	Adjustments ($Millions)	Explanation
3.	3.2	Cost of capital The column 4 increase results from an increase in the required rate of return, which had a net increase as a result of the update to reflect the 2018 Board determined ROE of 9.00%, partially offset by updates to the forecast LTD issuance rates, as described in Adjustment 2 of the Amended Settlement Proposal.
4.	(1.9)	Gas costs The column 4 decrease results from volumetric reductions related to the removal of GIF impacts, and the impact of removing the use of "dummy variables" for 2016 in the 2018 average use forecast, as described in Adjustment 1 of the Amended Settlement Proposal.
5.	(0.1)	Operation and maintenance The column 4 decrease results from the update of pension and OPEB costs to remove the impact of expected changes in pension legislation, as described in Adjustment 3 of the Amended Settlement Proposal.
16.	(13.0)	Income taxes on earnings The column 4 decrease is due to a lower taxable income resulting from: volumetric reductions related to the removal of GIF impacts and the use of "dummy variables" in the 2018 average use forecast, as described in Adjustment 1 of the Amended Settlement Proposal; the update of pension and OPEB costs to remove the impact of expected changes in pension legislation, as described in Adjustment 3 of the Amended Settlement Agreement; the inclusion of the 2018 SRC tax deduction, as described in Adjustment 4 of the Amended Settlement Agreement; partially offset by a reduction in the tax shield provided by interest expense, which resulted from updates to the forecast LTD issuance rates, as described in Adjustment 2(b) of the Amended Settlement Proposal.
23.	(2.7)	Gas sales The column 4 decrease results from volumetric reductions related to the removal of GIF impacts, and the impact of removing the use of "dummy variables" for 2016 in the 2018 average use forecast, as described in Adjustment 1 of the Amended Settlement Proposal.

UTILITY RATE BASE
2018 FISCAL YEAR

Line No.		Col. 1 As Filed Excl. CIS 2018 Rate Base ($Millions)	Col. 2 As Filed CIS 2018 Rate Base ($Millions)	Col. 3 As Filed Total 2018 Rate Base ($Millions)	Col. 4 Excl. CIS Amended Settlement Proposal Adjustments ($Millions)	Col. 5 CIS Amended Settlement Proposal Adjustments ($Millions)	Col. 6 Adjusted 2018 Rate Base Excl. CIS ($Millions)	Col. 7 Adjusted 2018 CIS Rate Base ($Millions)	Col. 8 Total Adjusted 2018 Rate Base ($Millions)
	Property, Plant, and Equipment								
1.	Cost or redetermined value	9,142.2	127.1	9,269.3	-	-	9,142.2	127.1	9,269.3
2.	Accumulated depreciation	(3,249.3)	(120.1)	(3,369.4)	-	-	(3,249.3)	(120.1)	(3,369.4)
3.		5,892.9	7.0	5,899.9	-	-	5,892.9	7.0	5,899.9
	Allowance for Working Capital								
4.	Accounts receivable rebillable projects	1.4	-	1.4	-	-	1.4	-	1.4
5.	Materials and supplies	34.6	-	34.6	-	-	34.6	-	34.6
6.	Mortgages receivable	-	-	-	-	-	-	-	-
7.	Customer security deposits	(64.6)	-	(64.6)	-	-	(64.6)	-	(64.6)
8.	Prepaid expenses	1.0	-	1.0	-	-	1.0	-	1.0
9.	Gas in storage	370.9	-	370.9	-	-	370.9	-	370.9
10.	Working cash allowance	2.9	-	2.9	-	-	2.9	-	2.9
11.	Total Working Capital	346.2	-	346.2	-	-	346.2	-	346.2
12.	Utility Rate Base	6,239.1	7.0	6,246.1	-	-	6,239.1	7.0	6,246.1

WORKING CAPITAL COMPONENTS - WORKING CASH ALLOWANCE
2018 FISCAL YEAR

Line No.			Col. 1 Reference	Col. 2 Disburs-ements ($Millions)	Col. 3 Net Lag-Days (Days)	Col. 4 Allowance ($Millions)
1.	Gas purchase and storage and transportation charges			1,747.7	2.0	9.6
2.	Items not subject to working cash allowance	(Note 1)		5.3		
3.	Gas costs charged to operations			1,753.0		
4.	Operation and Maintenance			361.5		
5.	Less: Storage costs			(8.4)		
6.	Operation and maintenance costs subject to working cash			353.1		
7.	Ancillary customer services			-		
8.				353.1	(10.9)	(10.5)
9.	Sub-total					(0.9)
10.	Storage costs			8.4	58.4	1.3
11.	Storage municipal and capital taxes			1.4	22.9	0.1
12.	Sub-total					1.4
13.	Harmonized sales tax					2.4
14.	Total working cash allowance					2.9

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

UTILITY INCOME
2018 FISCAL YEAR

Line No.		Col. 1 As Filed Excl. CIS 2018 Utility Income ($Millions)	Col. 2 As Filed CIS 2018 Utility Income ($Millions)	Col. 3 As Filed Total 2018 Utility Income ($Millions)	Col. 4 Excl. CIS Amended Settlement Proposal Adjustments ($Millions)	Col. 5 CIS Amended Settlement Proposal Adjustments ($Millions)	Col. 6 Adjusted 2018 Utility Income Excl. CIS ($Millions)	Col. 7 Adjusted 2018 CIS Utility Income ($Millions)	Col. 8 Total Adjusted 2018 Utility Income ($Millions)
1.	Gas sales	2,508.2	117.0	2,625.2	(2.7)	-	2,505.5	117.0	2,622.5
2.	Transportation of gas	242.2	9.6	251.8	-	-	242.2	9.6	251.8
3.	Transmission, compression and storage revenue	19.2	-	19.2	-	-	19.2	-	19.2
4.	Other operating revenue	42.7	-	42.7	-	-	42.7	-	42.7
5.	Interest and property rental	-	-	-	-	-	-	-	-
6.	Other income	0.1	-	0.1	-	-	0.1	-	0.1
7.	Total operating revenue	2,812.4	126.6	2,939.0	(2.7)	-	2,809.7	126.6	2,936.3
8.	Gas costs	1,754.9	-	1,754.9	(1.9)	-	1,753.0	-	1,753.0
9.	Operation and maintenance	361.6	105.9	467.5	(0.1)	-	361.5	105.9	467.4
10.	Depreciation and amortization expense	292.8	12.7	305.5	-	-	292.8	12.7	305.5
11.	Fixed financing costs	1.9	-	1.9	-	-	1.9	-	1.9
12.	Municipal and other taxes	50.4	-	50.4	-	-	50.4	-	50.4
13.	Interest and financing amortization expense	-	-	-	-	-	-	-	-
14.	Other interest expense	-	-	-	-	-	-	-	-
15.	Total costs and expenses	2,461.6	118.6	2,580.2	(2.0)	-	2,459.6	118.6	2,578.2
16.	Ontario utility income before income taxes	350.8	8.0	358.8	(0.7)	-	350.1	8.0	358.1
17.	Income tax expense	27.1	7.1	34.2	(13.0)	-	14.1	7.1	21.2
18.	Utility net income	323.7	0.9	324.6	12.3	-	336.0	0.9	336.9

CALCULATION OF UTILITY TAXABLE INCOME AND INCOME TAX EXPENSE
2018 FISCAL YEAR

Line No.		Col. 1 As Filed Excl. CIS 2018 Utility Tax ($Millions)	Col. 2 Excl. CIS Amended Settlement Proposal Adjustments ($Millions)	Col. 3 Adjusted 2018 Excl. CIS Utility Tax ($Millions)
1.	Utility income before income taxes	350.8	(0.7)	350.1
	Add			
2.	Depreciation and amortization	292.8	-	292.8
3.	Accrual based pension and OPEB costs	20.8	(0.1)	20.7
4.	Other non-deductible items	1.0	-	1.0
5.	Total Add Back	314.6	(0.1)	314.5
6.	Sub total	665.4	(0.8)	664.6
	Deduct			
7.	Capital cost allowance - Federal	298.5	-	298.5
8.	Capital cost allowance - Provincial	298.5	-	298.5
9.	Items capitalized for regulatory purposes	46.6	-	46.6
10.	Deduction for "grossed up" Part VI.1 tax	3.4	-	3.4
11.	Amortization of share/debenture issue expense	4.7	-	4.7
12.	Amortization of cumulative eligible capital	4.5	-	4.5
13.	Amortization of C.D.E. and C.O.G.P.E	0.1	-	0.1
14.	Site restoration cost adjustment	-	31.1	31.1
15.	Cash based pension and OPEB costs	26.9	17.7	44.6
16.	Total Deduction - Federal	384.7	48.8	433.5
17.	Total Deduction - Provincial	384.7	48.8	433.5
18.	Taxable income - Federal	280.7	(49.6)	231.1
19.	Taxable income - Provincial	280.7	(49.6)	231.1
20.	Income tax rate - Federal	15.00%	0.00%	15.00%
21.	Income tax rate - Provincial	11.50%	0.00%	11.50%
22.	Income tax provision - Federal	42.1	(7.4)	34.7
23.	Income tax provision - Provincial	32.3	(5.7)	26.6
24.	Income tax provision - combined	74.4	(13.1)	61.3
25.	Part V1.1 tax	1.0	-	1.0
26.	Total taxes excluding tax shield on interest expense	75.4	(13.1)	62.3
	Tax shield on interest expense			
27.	Rate base	6,239.1	-	6,239.1
28.	Return component of debt	2.922%	-0.01%	2.915%
29.	Interest expense	182.3	(0.4)	181.9
30.	Combined tax rate	26.50%	0.00%	26.50%
31.	Income tax credit	(48.3)	0.1	(48.2)
32.	Total income taxes	27.1	(13.0)	14.1

UTILITY CAPITAL STRUCTURE
2018 FISCAL YEAR

Line No.		Col. 1 Principal Excl. CC/CIS	Col. 2 Component	Col. 3 Indicated Cost Rate	Col. 4 Return Component
		($Millions)	%	%	%
1.	Long term debt	3,858.2	61.84	4.70	2.906
2.	Short term debt	34.8	0.56	1.60	0.009
3.		3,893.0	62.40		2.915
4.	Preference shares	100.0	1.60	2.72	0.044
5.	Common equity	2,246.1	36.00	9.00	3.240
6.		6,239.1	100.00		6.199
7.	Utility income	($Millions)			336.0
8.	Rate base	($Millions)			6,239.1
9.	Indicated rate of return				5.385%
10.	(Deficiency) in rate of return				(0.814)%
11.	Net (deficiency)	($Millions)			(50.8)
12.	Gross (deficiency)	($Millions)			(69.1)
13.	Customer Care/CIS deficiency	($Millions)			(4.5)
14.	Total gross (deficiency)	($Millions)			(73.6)
15.	Revenue at existing rates	($Millions)			2,893.5
16.	Allowed revenue	($Millions)			2,967.1
17.	Total gross revenue (deficiency)	($Millions)			(73.6)

APPENDIX C: DRAFT RATE ORDER

Filed Separately

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