ENBRIDGE GAS DISTRIBUTION
CONTRIBUTORS TO UTILITY EARNINGS
AND EARNINGS SHARING AMOUNTS (INCLUDING CUSTOMER CARE & CIS)
2016 ACTUAL

Line No.		Col. 1 2016 Actual Normalized $Millions	Col. 2 2016 Board Approved $Millions	Col. 3 Over/ (Under) Earnings Impact $Millions	Col. 4 Attached Pages Refer.
1.	Sales revenue	2,311.8	2,624.8		
2.	Transportation revenue	319.2	279.7		
3.	Transmission, compression & storage (incl. Rate 332)	6.4	6.7		
4.	Gas costs	1,497.1	1,764.8		
5.	Distribution margin	1,140.3	1,146.4	(6.1)	a)
6.	Other revenue	41.9	42.7	(0.8)	b)
7.	Other income	1.1	0.1	1.0	b)
8.	O&M (incl. CC/CIS rate smoothing adj.)	449.7	457.4	7.7	c)
9.	Depreciation expense	292.7	288.9	(3.8)	d)
10.	Other expense	46.3	47.4	1.1	e)
11.	Income taxes	17.3	23.6	6.3	f)
12.	Utility Income	377.3	371.9	5.4	
13.	LTD & STD costs	174.7	177.8	3.1	g)
14.	Preference share costs	2.2	2.2	0.0	
15.	Return on Equity @ 9.19% in 2016 Board Approved	195.5	191.9	(3.6)	
16.	Net Earnings Over / (Under) (aft. prov for taxes)	5.0	(0.0)	5.0	
17.	Provision for taxes on Earnings Over / (Under)	1.8	(0.0)	1.8	
18.	Gross Earnings Over / (Under)	6.8	(0.0)	6.8	
19.	EGD Equity Level @ 36% (B-5-1, Col.1. line 5)	2,127.2			
20.	EGD normalized Earnings (Line12 - line 13 - line 14)	200.5			
21.	EGD normalized Return on Equity	9.42%			

Witness: R. Small

2016 EARNINGS SHARING AMOUNT AND CONTRIBUTORS

The following are explanations of the Utility Normalized Earnings results as compared to the 2016 Board approved amounts. The reference letters are in relation to those identified on page 1 of this Schedule.

a) The distribution margin decrease of $6.1M was driven primarily due to a lower than forecast average number of customer unlocks attributable to lower than forecast customer additions, and, lower than forecast gas in storage carrying charges reflected in rates as a result of lower than forecast PGVA reference prices approved through the 2016 Quarterly Rate Adjustment Mechanism ("QRAM") proceedings. The unfavourable variances were partially offset by lower fuel costs required to manage storage operations and the transmission of volumes on Union's system, and higher Large Volume customer contract demand revenues resulting from higher than forecast migration from interruptible to firm rate classes. Lower margin resulted in a negative earnings impact.

b) The net increase in other revenue and other income of $0.2M was mainly due to the gain on sale of land recognized during 2016. This resulted in a positive earnings impact. Details of other revenue and other income are presented in Exhibit B, Tab 3, Schedule 5.

c) Utility O&M was $7.7M lower than the 2016 Board approved level which resulted in a positive earnings impact. Explanations of the major changes between actual O&M and Board approved are presented in Exhibit B, Tab 4, Schedule 2.

Witness: R. Small

d) The increase in depreciation expense of $3.8M was predominantly due to the cumulative impact of capital variances (level and mix of capital spending and level of retirements) from prior years (2012 to 2015) which were not reflected in the 2016 depreciable balances approved by the Board for rate setting as part of the customized incentive rate proceeding. The increase in depreciation resulted in a negative earnings impact.

e) The decrease in other expenses of $1.1M was due to lower municipal taxes of $2.4M, partially offset by higher fixed financing charges of $1.3M. The favourable municipal tax variance was attributable to lower than forecast municipal tax rate increases, and due to the impact of the delayed GTA project in-service timing. The unfavourable variance in fixed financing charges was attributable to the unforecast increase in the Company's credit facility which occurred in 2014. The net decrease resulted in a positive earnings impact.

f) The decrease in income taxes of $6.3M was primarily attributable to higher than forecast tax deductible amounts, predominantly due to higher cost of retirements. The decrease resulted in a positive earnings impact.

g) The interest cost of utility long and short term debt decreased by $3.1M primarily as a result of a lower than forecast average of monthly average long-term debt balance outstanding (or component % of capital structure), partially offset by a higher short term debt balance outstanding (or component % of capital structure). The lower average long term debt balance resulted from issuing debt later in the year, August 2016 as compared to March 2016 as forecast, but partially offset by a higher issuance amount, $300M as compared to $250M as forecast. The net decrease has a positive earnings impact.

Witness: R. Small