

COST OF SERVICE (INCLUDING CUSTOMER CARE & CIS)  
2016 ACTUAL

Line No.	Col. 1	Col. 2	Col. 3
	Utility Costs and Expenses (\$Millions)	Normalizing and Other Adjustments (\$Millions)	Adjusted Utility Costs and Expenses (\$Millions)
1. Gas costs	1,466.7	30.4	1,497.1
2. Operation and maintenance (incl. CC/CIS rate smoothing adj.)	449.7	-	449.7
3. Depreciation and amortization expense	292.7	-	292.7
4. Fixed financing costs	3.2	-	3.2
5. Municipal and other taxes	43.1	-	43.1
6. Operating costs	2,255.4	30.4	2,285.8
7. Income tax expense			17.3
8. Cost of service			2,303.1

Witness: R. Small

EXPLANATION OF ADJUSTMENTS TO UTILITY COSTS  
2016 ACTUAL

Line No. Adjusted	Adjustment Increase (Decrease) (\$Millions)	Explanation
1.	30.4	<u>Gas costs</u>  Adjustment required to gas costs to reflect normal weather.

Witness: R. Small

CALCULATION OF UTILITY TAXABLE INCOME AND INCOME TAX EXPENSE  
2016 ACTUAL

Line No.		Col. 1	Col. 2	Col. 3
		Federal (\$Millions)	Provincial (\$Millions)	Combined (\$Millions)
1.	Utility income before income taxes	394.6	394.6	
	Add			
2.	Depreciation and amortization	292.7	292.7	
3.	Accrual based pension and OPEB costs	34.6	34.6	
4.	Other non-deductible items	1.4	1.4	
5.	Total Add Back	<u>328.7</u>	<u>328.7</u>	
6.	Sub-total	723.3	723.3	
	Deduct			
7.	Capital cost allowance	313.9	313.9	
8.	Items capitalized for regulatory purposes	71.9	71.9	
9.	Deduction for "grossed up" Part VI.1 tax	3.0	3.0	
10.	Amortization of share/debenture issue expense	5.8	5.8	
11.	Amortization of cumulative eligible capital	3.0	3.0	
12.	Amortization of C.D.E. and C.O.G.P.E	0.2	0.2	
13.	Site Rest Costs adjustment	83.9	83.9	
14.	Cash based pension and OPEB costs	4.7	4.7	
15.	50% of capital gain on sale of assets	0.5	0.5	
16.	Total Deduction	<u>486.9</u>	<u>486.9</u>	
17.	Taxable income	236.4	236.4	
18.	Income tax rates	15.00%	11.50%	
19.	Provision	35.5	27.2	62.7
20.	Part VI.1 tax			<u>0.9</u>
21.	Total taxes excluding interest shield			63.6
	Tax shield on interest expense			
22.	Rate base	5,909.0		
23.	Return component of debt	2.96%		
24.	Interest expense	174.7		
25.	Combined tax rate	26.500%		
26.	Income tax credit			<u>(46.3)</u>
27.	Total utility income taxes			<u><u>17.3</u></u>

Witness: R. Small

COST OF SERVICE (INCLUDING CUSTOMER CARE & CIS)  
2016 ACTUAL

Line No.	Col. 1	Col. 2	Col. 3
	EGDI Ont. Corporate Costs and Expenses (\$Millions)	Adjustment (\$Millions)	Utility Costs and Expenses (\$Millions)
1. Gas costs	1,602.3	(135.6)	1,466.7
2. Operation and maintenance (incl. CC/CIS rate smoothing adj.)	460.5	(10.8)	449.7
3. Depreciation	293.6	(0.9)	292.7
4. Amortization	22.5	(22.5)	-
5. Depreciation and amortization	316.1	(23.4)	292.7
6. Fixed financing costs	3.2	-	3.2
7. Municipal and other taxes	43.3	(0.2)	43.1
8. Capital taxes	-	-	-
9. Municipal and other taxes	43.3	(0.2)	43.1
10. Interest on long-term debt	175.7	(175.7)	-
11. Amortization of preference share issue costs and debt discount and expense	5.7	(5.7)	-
12. Interest and financing amortization	181.4	(181.4)	-
13. Interest on short-term debt	9.0	(9.0)	-
14. Interest due affiliates	26.8	(26.8)	-
15. Other interest expense	35.8	(35.8)	-
16. Total operating costs	2,642.6	(387.2)	2,255.4
17. Current taxes	32.4	(32.4)	-
18. Deferred taxes	(24.1)	24.1	-
19. Income tax expense	8.3	(8.3)	-
20. Cost of service	2,650.9	(395.5)	2,255.4

Witness: R. Small

EXPLANATION OF ADJUSTMENTS TO EGDI CORPORATE  
 COSTS AND EXPENSES  
2016 ACTUAL

Line No. Adjusted	Adjustment Increase (Decrease) (\$Millions)	Explanation	
1	(135.6)	<u>Gas costs</u>  US GAAP adjustment elimination, deferral & variance clearance recognition.	
2.	(10.8)	<u>Operation and maintenance expense</u>  Interest paid on security deposits held during the year and included in the elimination of interest expense. The expense is incurred to reduce bad debts. The average amount of the security deposits held during the year is applied as a reduction to the allowance for working capital in rate base.	0.6
		To eliminate donations (EBRO 490).	(0.9)
		To eliminate non-utility costs and expenses relating to the support of the ABC T-service program.	(0.8)
		US GAAP adjustment elimination, deferral & variance clearance recognition.	(3.9)
		To eliminate Corporate Cost allocations above RCAM amount.	(2.6)
		To eliminate earnings sharing recorded in the financial statements	<u>(3.2)</u>
			<u>(10.8)</u>
3.	(0.9)	<u>Depreciation expense</u>  Removal of depreciation on disallowed Mississauga Southern Link amounts (EBRO 473 & 479).	(0.1)
		Removal of depreciation related to shared assets (RP-2002-0133).	<u>(0.8)</u>
			<u>(0.9)</u>
4.	(22.5)	<u>Amortization expense</u>  To eliminate the amortization of PPD.	
7.	(0.2)	<u>Municipal and other taxes</u>  Removal of municipal taxes related to shared assets (RP-2002-0133).	

Witness: R. Small

EXPLANATION OF ADJUSTMENTS TO EGDI CORPORATE  
 COSTS AND EXPENSES  
2016 ACTUAL

Line No. Adjusted	Adjustment	
	Increase (Decrease)	Explanation
<hr/>		
	(\$Millions)	
10.	(175.7)	<u>Interest on long-term debt</u>  Expense of capital.
11.	(0.7)	<u>Amortization of preference share issue costs and debt discount and expense</u>  Expense of capital.
13.	(14.0)	<u>Interest on short-term debt</u>  Expense of capital.
14.	(26.8)	<u>Interest due affiliates</u>  To eliminate non-utility inter-company interest expense from the financing transaction (EBO 179-16).
17.	(32.4)	<u>Income taxes - current</u>  Income tax expense related to corporate earnings.
18.	24.1	<u>Income taxes - deferred</u>  Income tax expense related to corporate earnings.

Witness: R. Small

SUMMARY OF UTILITY CAPITAL COST ALLOWANCE  
2016 ACTUAL

Capital Cost Allowance - Federal

Col 1	Col 2	Col 3	Col 4	Col 5	Col 6	Col 7	Col 8
Class No.	UCC AT Beginning of year	Cost of Additions	Lessor of Costs or Proceeds	Less 50 % of net [ Cols 3 - 4 ]	Rate %	CCA F2016	UCC Carry Forward
1	1,647,857,868	-	-	-	4.00%	(65,914,315)	1,581,943,553
51	2,013,965,195	1,139,268,571	-	569,634,286	6.00%	(155,015,969)	2,998,217,797
2	98,491,322	-	-	-	6.00%	(5,909,479)	92,581,843
6	9,950	-	-	-	10.00%	(995)	8,955
8	9,025,525	13,071,097	-	6,535,549	20.00%	(3,112,215)	18,984,407
10	25,021,951	4,391,069	-	2,195,535	30.00%	(8,165,246)	21,247,774
12	5,565,757	106,565,766	-	53,282,883	100.00%	(28,848,640)	53,282,883
17	25,218	-	-	-	8.00%	(2,017)	23,201
38	5,313,839	-	-	-	30.00%	(1,594,152)	3,719,687
41	25,724,943	30,482,233	-	15,241,117	25.00%	(10,241,515)	45,965,661
13	994,190	-	-	-	-	(249,000)	745,190
3	202,957	-	-	-	5.00%	(10,148)	192,809
45	81,482	-	-	-	45.00%	(36,667)	44,815
50	5,695,071	9,203,126	-	4,601,563	55.00%	(5,663,149)	9,235,048
Total	3,837,975,268	1,302,981,862	-	141,853,377		(314,763,506)	4,826,193,624

Non-utility and shared asset eliminations  
 Utility Federal CCA

875,385  
(313,888,121)

Capital Cost Allowance - Ontario

Class No.	UCC AT Beginning of year	Cost of Additions	Lessor of Costs or Proceeds	Less 50 % of net [ Cols 3 - 4 ]	Rate %	CCA F2016	UCC Carry Forward
1	1,647,857,868	-	-	-	4.00%	(65,914,315)	1,581,943,553
51	2,013,965,195	1,139,268,571	-	569,634,286	6.00%	(155,015,969)	2,998,217,797
2	98,491,322	-	-	-	6.00%	(5,909,479)	92,581,843
6	9,950	-	-	-	10.00%	(995)	8,955
8	9,025,525	13,071,097	-	6,535,549	20.00%	(3,112,215)	18,984,407
10	25,021,951	4,391,069	-	2,195,535	30.00%	(8,165,246)	21,247,774
12	5,565,757	106,565,766	-	53,282,883	100.00%	(28,848,640)	53,282,883
17	25,218	-	-	-	8.00%	(2,017)	23,201
38	5,313,839	-	-	-	30.00%	(1,594,152)	3,719,687
41	25,724,943	30,482,233	-	15,241,117	25.00%	(10,241,515)	45,965,661
13	994,190	-	-	-	-	(249,000)	745,190
3	202,957	-	-	-	5.00%	(10,148)	192,809
45	81,482	-	-	-	45.00%	(36,667)	44,815
50	5,695,071	9,203,126	-	4,601,563	55.00%	(5,663,149)	9,235,048
Total	3,837,975,268	1,302,981,862	-	141,853,377		(314,763,506)	4,826,193,624

Non-utility and shared asset eliminations  
 Utility Provincial CCA and UCC

375,385  
(314,388,121)

Witness: R. Small