

GAS DISTRIBUTION ACCESS RULE IMPACT DEFERRAL ACCOUNT

1. Within the EB-2015-0114 Final Accounting Order, the Board approved the 2016 Gas Distribution Access Rule Impact Deferral Account (“GDARIDA”) to record impacts associated with the Company maintaining compliance with the Board’s Gas Distribution Access Rule (“GDAR”) directives.
2. While there were no amendments to GDAR directives during 2016, the Company has included for recovery within the 2016 GDARIDA, the 2016 revenue requirement impact resulting from the Low Income Customer Service Rule (“LICSR”) changes which came into effect on January 1, 2013 through an amendment to GDAR which the Board adopted on September 6, 2012.
3. Within Enbridge’s Clearance of 2013 Deferral and Variance Accounts and 2012 DSM Related Accounts proceeding, EB-2014-0195, the Company requested and received Board approval to credit to ratepayers the 2013 revenue requirement resulting from the capital spending incurred to implement the LICSR changes. As was indicated within that proceeding, at Exhibit B, Tab 3, Schedule 3, Enbridge was not able to include a forecast of the impacts of the change in the GDAR low income customer service rule at the time of forecasting its 2013 revenue requirement within its 2013 Test Year rate proceeding, EB-2011-0354, which also served as the base for the 2014 through 2018 Customized Incentive Regulation plan approved in EB-2012-0459. Within that proceeding, the Company also indicated that there would be 2014 through 2018 revenue requirement impacts resulting from the LICSR capital spending to be recovered through the GDAR deferral account.
4. Consistent with what was indicated within EB-2014-0195, as part of each of Enbridge’s 2014 and 2015 Earnings Sharing Mechanism and Deferral Account

Clearance proceedings, EB-2015-0122 and EB-2016-0142, the Company requested and received approval to recover the 2014 and 2015 revenue requirements resulting from the LICSR changes.

5. As mentioned above, within this proceeding the Company has included for recovery within the 2016 GDARIDA, the 2016 revenue requirement, determined through a cost of service type calculation, which results from the LICSR changes. The Company is proposing to recover from ratepayers \$0.280 million as part of the requested one time rate rider adjustment in October 2017, as shown in the proposed clearance balances at Exhibit C, Tab 1, Schedule 1, page 3, Columns 3 and 4.
6. The determination of the 2016 revenue requirement amount is shown on pages 3 through 7 of this schedule. Included within the revenue requirement calculation requested for recovery are the typical items included within a cost of service revenue requirement, such as depreciation, taxes, and total return on rate base (including interest and return on equity). The Company has used the 2016 actual required capital structure within the 2016 revenue requirement calculation. The approved 2013, 2014 and 2015 revenue requirement amounts credited to and recovered from ratepayers as part of the EB-2014-0195, EB-2015-0122 and EB-2016-0142 proceedings, are also shown for continuity.

UTILITY CAPITAL STRUCTURE
2016 GDARIDA IMPACTS

Line No.	2013 Actual Capital Structure		2014 Actual Capital Structure		2015 Actual Capital Structure		2016 Actual Capital Structure					
	Col. 1	Col. 2	Col. 3	Col. 4	Col. 5	Col. 6	Col. 7	Col. 8	Col. 9	Col. 10	Col. 11	Col. 12
	Component %	Indicated Cost Rate %	Return Component %	Component %	Indicated Cost Rate %	Return Component %	Component %	Indicated Cost Rate %	Return Component %	Component %	Indicated Cost Rate %	Return Component %
1. Long-term debt	56.16	5.84	3.28	57.55	5.41	3.11	58.78	5.15	3.03	58.77	4.95	2.91
2. Short-term debt	<u>5.51</u>	1.11	<u>0.06</u>	<u>4.32</u>	1.38	<u>0.06</u>	<u>3.25</u>	1.32	<u>0.04</u>	<u>3.54</u>	1.33	<u>0.05</u>
3.	61.67		3.34	61.87		3.17	62.03		3.07	62.31		2.96
4. Preference shares	2.33	2.40	0.06	2.13	2.40	0.05	1.97	2.24	0.04	1.69	2.16	0.04
5. Common equity	<u>36.00</u>	8.93	<u>3.21</u>	<u>36.00</u>	9.36	<u>3.37</u>	<u>36.00</u>	9.30	<u>3.35</u>	<u>36.00</u>	9.19	<u>3.31</u>
6. Required Return on Rate Base	<u>100.00</u>		<u>6.61</u>	<u>100.00</u>		<u>6.59</u>	<u>100.00</u>		<u>6.46</u>	<u>100.00</u>		<u>6.30</u>
			2013			2014			2015			2016
7. Ontario Utility Income			70.9			(63.7)			(181.5)			(183.1)
8. Rate base			238.4			736.0			550.0			364.0
9. Indicated rate of return			29.74 %			(8.65)%			(33.00)%			(50.30)%
10. (Def.) / suff. in rate of return			23.13 %			(15.24)%			(39.46)%			(56.60)%
11. Net (def.) / suff.			55.1			(112.2)			(217.0)			(206.0)
12. Gross (def.) / suff.			<u>75.0</u>			<u>(152.7)</u>			<u>(295.2)</u>			<u>(280.3)</u>

Witnesses: D. McIlwraith
R. Small

UTILITY RATE BASE
2016 GDARIDA IMPACTS

(\$000's)					
Line No.		2013	2014	2015	2016
	Property, plant, and equipment				
1.	Cost or redetermined value	260.1	876.3	876.3	876.3
2.	Accumulated depreciation	<u>(21.7)</u>	<u>(140.3)</u>	<u>(326.3)</u>	<u>(512.3)</u>
3.		<u>238.4</u>	<u>736.0</u>	<u>550.0</u>	<u>364.0</u>
	Allowance for working capital				
4.	Accounts receivable merchandise finance plan	-	-	-	-
5.	Accounts receivable rebillable projects	-	-	-	-
6.	Materials and supplies	-	-	-	-
7.	Mortgages receivable	-	-	-	-
8.	Customer security deposits	-	-	-	-
9.	Prepaid expenses	-	-	-	-
10.	Gas in storage	-	-	-	-
11.	Working cash allowance	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
12.		<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
13.	Ontario utility rate base	<u>238.4</u>	<u>736.0</u>	<u>550.0</u>	<u>364.0</u>

UTILITY INCOME
2016 GDARIDA IMPACTS

(\$000's)					
Line No.		2013	2014	2015	2016
	Revenue				
1.	Gas sales	-	-	-	-
2.	Transportation of gas	-	-	-	-
3.	Transmission and compression	-	-	-	-
4.	Other operating revenue	-	-	-	-
5.	Other income	-	-	-	-
6.	Total revenue	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	Costs and expenses				
7.	Gas costs	-	-	-	-
8.	Operation and Maintenance	-	-	-	-
9.	Depreciation and amortization	47.3	186.0	186.0	186.0
10.	Municipal and other taxes	-	-	-	-
11.	Total costs and expenses	<u>47.3</u>	<u>186.0</u>	<u>186.0</u>	<u>186.0</u>
12.	Utility income before inc. taxes	(47.3)	(186.0)	(186.0)	(186.0)
	Income taxes				
13.	Excluding interest shield	(116.1)	(116.1)	-	-
14.	Tax shield on interest expense	<u>(2.1)</u>	<u>(6.2)</u>	<u>(4.5)</u>	<u>(2.9)</u>
15.	Total income taxes	<u>(118.2)</u>	<u>(122.3)</u>	<u>(4.5)</u>	<u>(2.9)</u>
16.	Ontario utility net income	<u>70.9</u>	<u>(63.7)</u>	<u>(181.5)</u>	<u>(183.1)</u>

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UTILITY TAXABLE INCOME AND INCOME TAX EXPENSE
2016 GDARIDA IMPACTS

		(\$000's)			
Line No.		2013	2014	2015	2016
1.	Utility income before income taxes	(47.3)	(186.0)	(186.0)	(186.0)
	Add Backs				
2.	Depreciation and amortization	47.3	186.0	186.0	186.0
3.	Large corporation tax	-	-	-	-
4.	Other non-deductible items	-	-	-	-
5.	Any other add back(s)	-	-	-	-
6.	Total added back	<u>47.3</u>	<u>186.0</u>	<u>186.0</u>	<u>186.0</u>
7.	Sub total - pre-tax income plus add backs	-	-	-	-
	Deductions				
8.	Capital cost allowance - Federal	438.2	438.1	-	-
9.	Capital cost allowance - Provincial	438.2	438.1	-	-
10.	Items capitalized for regulatory purposes	-	-	-	-
11.	Deduction for "grossed up" Part V1.1 tax	-	-	-	-
12.	Amortization of share and debt issue expense	-	-	-	-
13.	Amortization of cumulative eligible capital	-	-	-	-
14.	Amortization of C.D.E. & C.O.G.P.E.	-	-	-	-
15.	Any other deduction(s)	-	-	-	-
16.	Total Deductions - Federal	<u>438.2</u>	<u>438.1</u>	<u>-</u>	<u>-</u>
17.	Total Deductions - Provincial	<u>438.2</u>	<u>438.1</u>	<u>-</u>	<u>-</u>
18.	Taxable income - Federal	(438.2)	(438.1)	-	-
19.	Taxable income - Provincial	(438.2)	(438.1)	-	-
20.	Income tax provision - Federal	(65.7)	(65.7)	-	-
21.	Income tax provision - Provincial	<u>(50.4)</u>	<u>(50.4)</u>	<u>-</u>	<u>-</u>
22.	Income tax provision - combined	(116.1)	(116.1)	-	-
23.	Part V1.1 tax	-	-	-	-
24.	Investment tax credit	-	-	-	-
25.	Total taxes excluding tax shield on interest expense	<u>(116.1)</u>	<u>(116.1)</u>	<u>-</u>	<u>-</u>
	Tax shield on interest expense				
26.	Rate base as adjusted	238.4	736.0	550.0	364.0
27.	Return component of debt	3.34%	3.17%	3.07%	2.96%
28.	Interest expense	8.0	23.3	16.9	10.8
29.	Combined tax rate	<u>26.500%</u>	<u>26.500%</u>	<u>26.500%</u>	<u>26.500%</u>
30.	Income tax credit	(2.1)	(6.2)	(4.5)	(2.9)
31.	Total income taxes	<u>(118.2)</u>	<u>(122.3)</u>	<u>(4.5)</u>	<u>(2.9)</u>

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**UTILITY REVENUE REQUIREMENT
 2016 GDARIDA IMPACTS**

((\$000's))					
Line No.		2013	2014	2015	2016
Cost of capital					
1.	Rate base	238.4	736.0	550.0	364.0
2.	Required rate of return	<u>6.61%</u>	<u>6.59%</u>	<u>6.46%</u>	<u>6.30%</u>
3.	Cost of capital	15.8	48.5	35.5	22.9
Cost of service					
4.	Gas costs	-	-	-	-
5.	Operation and Maintenance	-	-	-	-
6.	Depreciation and amortization	47.3	186.0	186.0	186.0
7.	Municipal and other taxes	-	-	-	-
8.	Cost of service	<u>47.3</u>	<u>186.0</u>	<u>186.0</u>	<u>186.0</u>
Misc. & Non-Op. Rev					
9.	Other operating revenue	-	-	-	-
10.	Other income	-	-	-	-
11.	Misc, & Non-operating Rev.	-	-	-	-
Income taxes on earnings					
12.	Excluding tax shield	(116.1)	(116.1)	-	-
13.	Tax shield provided by interest expense	<u>(2.1)</u>	<u>(6.2)</u>	<u>(4.5)</u>	<u>(2.9)</u>
14.	Income taxes on earnings	(118.2)	(122.3)	(4.5)	(2.9)
Taxes on (def) / suff.					
15.	Gross (def.) / suff.	75.0	(152.7)	(295.2)	(280.3)
16.	Net (def.) / suff.	<u>55.1</u>	<u>(112.2)</u>	<u>(217.0)</u>	<u>(206.0)</u>
17.	Taxes on (def.) / suff.	(19.9)	40.5	78.2	74.3
18.	Revenue requirement	(75.0)	152.7	295.2	280.3
Revenue at existing Rates					
19.	Gas sales	0.0	0.0	0.0	0.0
20.	Transportation service	0.0	0.0	0.0	0.0
21.	Transmission, compression and storage	0.0	0.0	0.0	0.0
22.	Rounding adjustment	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
23.	Revenue at existing rates	0.0	0.0	0.0	0.0
24.	Gross revenue (def.) / suff.	<u>75.0</u>	<u>(152.7)</u>	<u>(295.2)</u>	<u>(280.3)</u>

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