

ENBRIDGE GAS DISTRIBUTION INC. AND UNION GAS LIMITED

Undertaking of Mr. Kitchen
To Mr. Aiken

REF: Tr.3 p.99.

To clarify the response to Board Staff 57 regarding the 2019 reduction in revenue requirement.

Response:

The statement “Union Gas estimates that the impact to the 2019 revenue requirement to be a reduction of less than \$1 million” is correct.

The Net Benefit Cost is made up of the following five components:

1. Current Service Costs
2. Interest Cost
3. Expected Return on Assets
4. Amortization of Net Actuarial Losses
5. Amortization of Prior Service Costs

Prior to the January 1, 2018 effective date of ASU 2017-07, the total net benefit cost was eligible for capitalization in assets, where applicable. Beginning January 1, 2018, ASU 2017-07 permits the capitalization of the Current Service Cost component only.

Current Service Cost is an expense component. Currently, the net total of the other four components is in a net revenue position. Excluding other components (net revenue) from capitalization results in an increase to the amount eligible for capitalization in assets and a reduction to the revenue requirement.