2017 UTILITY TAXABLE INCOME AND INCOME TAX EXPENSE

1. This evidence addresses the change in utility taxable income and income tax expense, excluding CIS and Customer Care impacts, and excluding any taxes on gross deficiency amounts, between the 2017 placeholder amounts (EB-2012-0459) and the 2017 Updated Forecast amounts presented within this proceeding. The calculation of the 2017 Updated Forecast utility taxable income and income tax, and the change from 2017 placeholder amounts is provided at Exhibit D1, Tab 6, Schedule 2.

2. The calculation of utility taxable income and income tax expense begins with utility income before income taxes. As seen in Line 1 of Exhibit D1, Tab 6, Schedule 2, utility income before income tax has increased by $24.4 million, from $326.0 million in the 2017 placeholder, to $350.4 million in the 2017 Updated Forecast. The increase is the net impact of updating revenue and cost elements which are subject to annual updates throughout Enbridge's customized incentive regulation term, as identified within Appendix E of the EB-2012-0459 Decision and Rate Order, as well as impacts resulting from adjustments made in accordance with the 2016 Rate Adjustment proceeding (EB-2015-0114) Board approved Settlement Agreement which required an allocation of base pressure gas and Lost and Unaccounted for gas ("LUF") to Unregulated Storage operations, as a result of the adoption of fully allocated costing for those items. Revenues have been updated to reflect the impact of the updated 2017 volume forecast and July 1, 2016 Board Approved rates, as detailed in the C series of exhibits. Gas costs and operation and maintenance costs have been updated to reflect impacts of the updated 2017 volume forecast (inclusive of the allocation of LUF to Unregulated Storage), the updated 2017 gas supply plan, July 1, 2016 Board Approved rates, pension and OPEB cost updates, DSM cost updates, and CIS and Customer Care cost updates

(in accordance with the EB-2011-0226 approved Settlement Agreement), as detailed in the D series of exhibits. Once updated revenues and costs were derived, updated CIS and Customer Care costs, which are subject to a separately approved recovery mechanism, were removed to allow taxes and a deficiency excluding CIS and Customer Care impacts to be calculated.

3. Having updated utility income before taxes, corresponding tax add back and deduction updates, related to the updated revenues and costs, must be made in order to determine utility taxable income. Updates to tax add backs and deducts are detailed in Rows 2 through 17 of Exhibit D1, Tab 6, Schedule 2. The pension and OPEB tax add back (Row 3) was updated in conjunction with the updated forecast accrual based cost included within operation and maintenance costs, and therefore utility income before taxes, while the tax deduct (Row 15) was updated to reflect the updated forecast cash based cost. Updated forecast pension and OPEB costs are found in Exhibit D1, Tab 5, Schedule 1. The tax deductions for "grossed up" part VI.1 tax (Row 10) and the amortization of share/debenture issue expenses (Row 11) have been updated in conjunction with updates to the preferred share and long-term debt components of capital structure, to reflect the impact of actual results and updated forecasts as identified in the E series of exhibits.

4. The net impact of updating utility income before tax, and tax add backs and deducts, is a $3.0 million increase in taxable income (Rows 18 and 19 of Exhibit D1, Tab 6, Schedule 2) and corresponding $0.9 million increase in income tax expense (Rows 22 to 24 of Exhibit D1, Tab 6, Schedule 2).

5. Utility income tax is then reduced by $1.0 million as a result of lower part VI.1 tax (Row 25 of Exhibit D1, Tab 6, Schedule 2), which similar to the deduction for

"grossed up" part VI.1 has been updated to reflect the updated preferred share cost component of capital structure.

6. The final update to utility income tax is to reflect an updated tax shield on interest expense, shown in Rows 27 to 31 of Exhibit D1, Tab 6, Schedule 2. The change in the interest tax shield is impacted by a higher net rate base value, offset by a lower return component of debt. The higher net rate base value results from the 2017 volumes, gas supply plan, pricing, and allocation of base pressure gas to Unregulated Storage updates, which are detailed in the B series of exhibits. The lower return component of debt results from updates which reflect the impact of actual debt issuances, as well as updated 2017 forecast issuances and cost rates, as identified in the E series of exhibits. The net impact is a $3.9 million reduction in the tax shield on interest expense.

7. The combined impact of all the above mentioned updates is a $3.8 million increase in the 2017 Updated Forecast utility income tax expense, excluding CIS and Customer Care impacts, and excluding any taxes on gross deficiency amounts, as shown on Row 32 of Exhibit D1, Tab 6, Schedule 2, and on Row 16, Column 4, of Exhibit F1, Tab 2, Schedule 1.

8. The Updated Forecast utility income tax expense does not include any potential impact associated with Cap and Trade greenhouse gas emissions requirements. Income tax impacts or requirements arising from Cap and Trade will be addressed in the proceeding that considers Enbridge's 2017 Compliance Plan for Cap and Trade obligations and/or recorded in the 2017 GGEIDA for future disposition.