

DEFERRAL AND VARIANCE ACCOUNTS

2017 Approved Deferral and Variance Accounts

1. The following list identifies Enbridge's 2017 Board Approved deferral and variance accounts ("DA" and "VA") which were approved within Enbridge's 2017 Rate Adjustment proceeding EB-2016-0215, Enbridge's 2015 to 2020 Multi-Year DSM Plan Proceeding EB-2015-0049, Enbridge's Dawn Access Application Proceeding EB-2014-0323, and by Board letter dated February 9, 2016, notifying all regulated entities of revisions to the Ontario Energy Board cost assessment model. For the 2017 deferral and variance accounts approved and listed below, Enbridge will file a separate application(s) requesting a process for the review and proposed clearance of the accounts as soon as feasibly possible following the public release of its fiscal 2017 year-end financial results (around April 2018).

2017 Purchased Gas Variance Account ("PGVA"),
2017 Transactional Services Deferral Account ("TSDA"),
2017 Unaccounted for Gas Variance Account ("UAFVA"),
2017 Storage and Transportation Deferral Account ("S&TDA")
2017 Deferred Rebate Account ("DRA"),
2017 Customer Care CIS Rate Smoothing Deferral Account ("CCCISRSDA"),
2017 Average Use True-Up Variance Account ("AUTUVA"),
2017 Manufactured Gas Plant Deferral Account ("MGPDA"),
2017 Gas Distribution Access Rule Impact Deferral Account ("GDARIDA"),
2017 Electric Program Earnings Sharing Deferral Account ("EPESDA"),
2017 Open Bill Revenue Variance Account ("OBRVA"),
2017 Ex-Franchise Third Party Billing Services Deferral Account ("EFTPBSDA"),
2017 Post-Retirement True-Up Variance Account ("PTUVA"),
2017 Transition Impact of Accounting Change Deferral Account ("TIACDA"),

Witness: R. Small

2017 Demand Side Management Variance Account (“DSMVA”),
2017 Lost Revenue Adjustment Mechanism Variance Account (“LRAM”),
2017 Demand Side Management Incentive Deferral Account (“DSMIDA”),
2017 Earnings Sharing Mechanism Deferral Account (“ESMDA”),
2017 Customer Care Services Procurement Deferral Account (“CCSPDA”),
2017 Greenhouse Gas Emissions Impact Deferral Account (“GGEIDA”),
2017 Constant Dollar Net Salvage Adjustment Deferral Account (“CDNSADA”),
2017 Dawn Access Costs Deferral Account (“DACDA”),
2017 Demand Side Management Cost-Efficiency Incentive Deferral Account
 (“DSMCEIDA”),
2017 OEB Cost Assessment Variance Account (“OEBCAVA”),
2017 Relocation Mains Variance Account (“RLMVA”),
2017 Replacement Mains Variance Account (“RPMVA”).

2. In addition to the approved accounts listed above, the Company expects the Board to approve of the 2017 Greenhouse Gas Emissions Customer and Facility Costs Variance Account (“GGECFCVA”) as part of its forthcoming decision in the Company’s 2017 Cap and Trade Compliance Plan Proceeding, EB-2016-0300.

2018 Approved and Proposed Deferral and Variance Accounts

3. Within the EB-2012-0459 Decision, the Board approved the use of a number of deferral and variance accounts for all or a portion of the 2014 through 2018 customized incentive regulation term. The following list identifies the accounts which were approved for 2018.

2018 Purchased Gas Variance Account (“PGVA”),
2018 Transactional Services Deferral Account (“TSDA”),

2018 Unaccounted for Gas Variance Account (“UAFVA”),
2018 Storage and Transportation Deferral Account (“S&TDA”),
2018 Deferred Rebate Account (“DRA”),
2018 Customer Care CIS Rate Smoothing Deferral Account (“CCCISRSA”),
2018 Average Use True-Up Variance Account (“AUTUVA”),
2018 Greenhouse Gas Emissions Impact Deferral Account (“GGEIDA”),
2018 Earnings Sharing Mechanism Deferral Account (“ESMDA”),
2018 Manufactured Gas Plant Deferral Account (“MGPPA”),
2018 Gas Distribution Access Rule Impact Deferral Account (“GDARIDA”),
2018 Electric Program Earnings Sharing Deferral Account (“EPESDA”),
2018 Open Bill Revenue Variance Account (“OBRVA”),
2018 Ex-Franchise Third Party Billing Services Deferral Account (“EFTPBSDA”),
2018 Constant Dollar Net Salvage Adjustment Deferral Account (“CDNSADA”),
2018 Transition Impact of Accounting Changes Deferral Account (“TIACDA”),
2018 Post-Retirement True-Up Variance Account (“PTUVA”),

2018 Demand Side Management Variance Account (“DSMVA”),
2018 Lost Revenue Adjustment Mechanism Variance Account (“LRAM”),
2018 Demand Side Management Incentive Deferral Account (“DSMIDA”),
2018 Relocation Mains Variance Account (“RLMVA”),
2018 Replacement Mains Variance Account (“RPMVA”).

3. As part of Enbridge’s Board Approved Settlement Agreement in its 2017 Rate Adjustment proceeding, EB-2016-0215, it was agreed that the Greater Toronto Area Incremental Transmission Capital Revenue Requirement Deferral Account (“GTAITCRRDA”) would be discontinued as a result of the implementation of Rate 332, which commenced as of November 2016.

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4. Within Enbridge's Dawn Access Application Proceeding EB-2014-0323, its 2015 to 2020 Multi-Year DSM Plan Proceeding EB-2015-0049, by Board letter dated February 9, 2016, notifying all regulated entities of revisions to the Ontario Energy Board cost assessment model, and per the Board's EB-2015-0040 report to all regulated entities, titled "Regulatory Treatment of Pension and Other Post-employment Benefits ("OPEB"s) Costs", the Board also approved the establishment of the following accounts for use during 2018:

2018 Dawn Access Costs Deferral Account ("DACDA"),

2018 Demand Side Management Cost-Efficiency Incentive Deferral Account (DSMCEIDA"),

2018 OEB Cost Assessment Variance Account ("OEBCAVA"),

2018 Pension and OPEB Forecast Accrual Versus Actual Cash Payment Differential Variance Account ("2018 P&OPEBFAVACPDVA").

5. In addition to the approved accounts listed above, the Company expects the Board to approve of the 2018 Greenhouse Gas Emissions Customer and Facility Costs Variance Account ("GGECFCVA") as part of its upcoming 2018 Cap and Trade Compliance Plan Proceeding, EB-2017-0224.
6. Following the end of 2018, Enbridge will file a separate application(s) requesting a process for the review and proposed clearance of the 2018 deferral and variance accounts as soon as feasibly possible following the public release of its fiscal year-end financial results (around April of 2019).

Descriptions of Accounts

2018 Purchased Gas Variance Account ("2018 PGVA")

7. The purpose of the 2018 PGVA is to record the effect of price variances between actual 2018 gas purchase prices and the forecast prices that underpin the revenue rates to be charged in 2018. Without this deferral account, the ratepayers and the Company are exposed to the risk of purchased gas price variances, which could unduly penalize or benefit one party at the benefit or expense of the other. Lower than forecast gas purchase prices would result in an over recovery from the customers and higher prices would result in an under recovery to the Company. This deferral account ensures that such effects are eliminated.

2018 PGVA Methodology

8. The actual unit cost is determined by dividing the total commodity and transportation costs (less the demand charges related to unutilized TransCanada firm service transportation capacity, if any) plus any other costs associated with emerging gas pricing mechanisms incurred in the month by the actual volumes purchased in the month. The rate differential between the PGVA reference price and the actual unit cost of the purchases, multiplied by the actual volumes purchased, is recorded in the PGVA monthly.
9. The fixed cost component of the TransCanada firm service transportation costs (i.e., Transportation Demand Charge) is included in the determination of the reference price. However, any demand charges relating to unutilized transportation capacity, either forecast or actual, are excluded. This treatment of forecast and actual Transportation Demand Charges for unutilized transportation capacity is

consistent with the Board's concerns that these amounts be excluded from the PGVA.

10. Since all transportation costs on volumes purchased by the Company related to forecast utilized capacity are included in the determination of the PGVA reference price, any changes in the TransCanada tolls will be recorded in the PGVA. Any toll changes related to the cost of forecast unutilized capacity will not be recorded in the PGVA and therefore, requires separate adjustment. The inclusion of changes in TransCanada tolls in the PGVA is consistent with past practice.
11. Since the tolls for other transportation services, such as for the Vector, Link, and NEXUS pipelines, that were used in the determination of the PGVA reference price were based on an estimate, any variation between the actual transportation costs (including associated fuel costs) and the estimated transportation costs will be recorded in the PGVA.
12. Since transportation costs related to the transport of Western Canada Bundled T-service volumes are not included in the derivation of the PGVA reference price, changes in TCPL tolls will be recorded in the PGVA as a separate adjustment.
13. For the period January 1 to December 31, 2018, expenditures related to TCPL's Storage Transportation Services, including balancing fees related to TCPL's Limited Balancing Agreement, will be recorded in the 2018 PGVA. The 2018 PGVA will also record amounts related to a Limited Balancing Agreement with Union Gas.
14. The PGVA will record adjustments related to Transactional Services activities which are designed to record the impact of direct and avoided costs between the PGVA and the TSDA. These adjustments are required to ensure appropriate allocation of

Witness: R. Small

costs and benefits to the underlying transactions and appropriate recording of amounts in the 2018 PGVA and 2018 TSDA for purposes of deferral account dispositions.

15. In addition, the 2018 PGVA will record the amounts related to unforecast penalty revenues received from interruptible customers who do not comply with the Company's curtailment requirements, unauthorized overrun gas revenues, the use of electronic bulletin boards, and the unforecast Unabsorbed Demand Charge ("UDC") that arises as a consequence of the Company voluntarily leaving transportation capacity unutilized in order to gain a net benefit for the customer by purchasing lower priced unforecast discretionary delivered supplies.
16. The 2018 PGVA will also record an inventory valuation adjustment every time a recalculated "Utility Price" or PGVA Reference Price comes into effect at the beginning of a quarter within the fiscal year. The adjustment consists of the storage inventory valuation adjustment necessary to price actual opening inventory volumes at a rate equal to the Board approved quarterly PGVA reference price.
17. The 2018 PGVA will also record any refund/collection associated with Board approved Gas Cost Adjustment Riders.
18. The Company will record, at the time a Banked Gas Account Balance is purchased from a customer, the difference in the amount payable to the customer and the amount included in the PGVA (Transportation Service Rider A). This amount would be credited to a sub-account of the PGVA. In the event the Company incurs unforecast UDC costs as a result of having to purchase Banked Gas Account Balances then the amount in such sub-account will be used to offset corresponding

Witness: R. Small

UDC costs. All amounts remaining in this sub-account, after offsetting these UDC costs, will be rolled up into the PGVA.

19. The commodity sale price on the disposition of Banked Gas Account Balances, the incentive sale price, is set at 120% of an average Empress price over the 12 months of the contractual year. Any amount in excess of 100% of the gas supply charge stated in the applicable rate schedule, net of the commodity related bad debt, will be included in the PGVA for each fiscal year.
20. Simple interest is to be calculated on the opening monthly balance of the 2018 PGVA using the Board Approved EB-2006-0117 interest rate methodology.

2018 Transactional Services Deferral Account ("2018 TSDA")

21. The purpose of the 2018 TSDA is to record the incremental ratepayer share of net revenue from transportation and storage related Transactional Services, to be shared 90/10 between Enbridge's ratepayers and shareholders.
22. In the event that the ratepayer share of 2018 TS net revenue exceeds \$12.0 million, then such amounts over \$12.0 million will be credited to the TSDA. In the event that the ratepayer share of 2017 TS net revenue is less than \$12.0 million, then Enbridge will be credited with the difference between the actual ratepayer share of 2018 TS net revenue and \$12.0 million, which would be reflected as a debit in the TSDA.
23. Net revenue is defined as gross revenues for providing these services less any direct incremental costs incurred, plus, any avoided costs. Direct incremental costs represent those direct costs incurred as a result of a transactional service activity and avoided costs are those costs that have been avoided as a result of a

Witness: R. Small

transactional service activity. Typical direct incremental costs and avoided costs would include transportation costs, fuel costs, charges for name changes, and re-direct charges.

24. Simple interest is to be calculated on the opening monthly balance of the 2018 TSDA using the Board Approved EB-2006-0117 interest rate methodology. The balance of this account, together with carrying charges, will be disposed of in a manner designated by the Board in a future rate hearing.

2018 Unaccounted for Gas Variance Account ("2018 UAFVA")

25. The purpose of the 2018 UAFVA is to record the cost of gas that is associated with volumetric variances between the actual volume of Unaccounted for Gas ("UAF") and the 2018 Board approved UAF volumetric forecast. The 2018 UAF volumetric forecast is described at Exhibit D1, Tab 2, Schedule 4.
26. The gas costs associated with the UAF variance will be calculated at the end of calendar 2018 based on the estimated volumetric variance between the 2018 Board approved level of UAF and the estimate of the 2018 actual UAF. An adjustment will be made to the UAFVA in the subsequent year to record any differences between the estimated UAF and actual UAF.
27. The UAF annual variance will be allocated on a monthly basis in proportion to actual sales and costed at the monthly PGVA reference price.
28. Where there are recoveries of gas loss amounts invoiced as part of 3rd party damages, the gas loss amounts will be removed from the UAFVA balance.

Witness: R. Small

29. Carrying costs for the UAFVA will be calculated using the Board Approved EB-2006-0117 interest rate methodology. The balance of the UAFVA, together with the carrying charges, will be disposed of in a manner designated by the Board in a future rate hearing.

2018 Storage and Transportation Deferral Account ("2018 S&TDA")

30. The purpose of the 2018 S&TDA is to record the difference between the forecast of Storage and Transportation rates (both cost of service and market based pricing) included in the Company's approved rates and the final Storage and Transportation rates (both cost of service and market based pricing) incurred by the Company. It will also be used to record variances between the forecast Storage and Transportation rebate programs and the final rebates received by the Company. The accounting treatment for the S&TDA is in line with that established for the 2008 S&TDA, which recognized that storage and transportation services may be provided to the Company by suppliers other than Union Gas and at market based rates.
31. The 2018 S&TDA will also record the variance between the forecast Storage and Transportation demand levels and the actual Storage and Transportation demand levels. In addition, this account will be used to record amounts related to deferral account dispositions received or invoiced from Storage and Transportation suppliers.
32. The 2018 S&TDA will also record the variance between the forecasted commodity cost for fuel and the updated QRAM Reference Price.
33. Simple interest is to be calculated on the opening monthly balance of the 2018 S&TDA using the Board Approved EB-2006-0117 interest rate methodology.

Witness: R. Small

The balance of this account, together with carrying charges, will be disposed of in a manner designated by the Board in a future rate hearing.

2018 Deferred Rebate Account ("2018 DRA")

34. The purpose of the 2018 DRA is to record any amounts payable to, or receivable from, customers of the Company as a result of the clearing of deferral and variance accounts authorized by the Board which remain outstanding due to the Company's inability to locate such customers.
35. Simple interest is to be calculated on the opening monthly balance of this account using the Board approved EB-2006-0117 interest rate methodology. The balance of this account, together with carrying charges, will be disposed of in a manner designated by the Board in a future rate hearing.

2018 Customer Care CIS Rate Smoothing Deferral Account ("2018 CCCISRSDA")

36. The purpose of the 2018 CCCISRSDA is to capture the difference between the Board approved customer care and CIS costs versus the smoothed amount to be collected in revenues as approved by the Board in the EB-2011-0226 CIS Customer Care Settlement Agreement and proceeding. The amount to be debited or credited to the deferral account, for each of 2013 through 2018 years, will be calculated by multiplying the difference in Board approved cost per customer and smoothed cost per customer by the updated customer forecast for that year. The balances in the accounts will not be cleared during the 2013 through 2018 period. The cumulative balance will build up during the years 2013 to 2015 when the Board approved cost per customer exceeds the smoothed cost per customer being collected in rates, and then will be drawn down during the years 2016 to 2018 when the Board approved cost per customer is lower than the smoothed cost per customer being collected in rates. After 2018, any remaining balance in the

account is to be cleared along with the clearance of other deferral and variance accounts.

37. As determined in the EB-2011-0226 Settlement Agreement, interest is to be calculated on the balance of this account at a fixed annual rate of 1.47%, and will not change during the period the deferral account is allowed to continue through 2018. The interest carrying charges will be disposed of annually at the same time of clearance of all other deferral and variance accounts.

2018 Average Use True-Up Variance Account ("2018 AUTUVA")

38. The purpose of the 2018 AUTUVA is to record ("true-up") the revenue impact, exclusive of gas costs, of the difference between the forecast of average use per customer, for general service rate classes (Rate 1 and Rate 6), embedded in the volume forecast that underpins Rates 1 and 6 (see Exhibit C1, Tab 2, Schedule 1) and the actual weather normalized average use experienced during the year. The calculation of the volume variance between forecast average use and actual normalized average use will exclude the volumetric impact of Demand Side Management programs in that year. The revenue impact will be calculated using a unit rate determined in the same manner as for the derivation of the Lost Revenue Adjustment Mechanism ("LRAM"), extended by the average use volume variance per customer and the number of customers.
39. Simple interest is to be calculated on the opening monthly balance of this account using the Board approved EB-2006-0117 interest rate methodology. The balance of this account, together with carrying charges, will be disposed of in a manner designated by the Board in a future rate hearing.

2018 Greenhouse Gas Emissions Impact Deferral Account (“2018 GGEIDA”)

40. In EB-2012-0459 (the 2014 through 2018 rate application), the Board approved the GGEIDA. As stated in the Board’s Decision with Reasons (p. 70):

[t]he GGEIDA would be used to record the impacts of provincial and federal regulations related to greenhouse gas emission requirements along with the impacts resulting from the sale of, or other dealings in, earned carbon dioxide offset credits.

41. The Ontario Government has passed *The Climate Change Mitigation and Low-carbon Economy Act, 2016* (“Climate Change Act”) and the related Cap and Trade Regulation which outline Ontario’s cap and trade program and the new legal obligations required of Enbridge in support of the Government of Ontario’s Greenhouse Gas (“GHG”) reduction initiative. The cap and trade program began on January 1, 2017.

42. The OEB released its *Regulatory Framework for the Assessment of Costs of Natural Gas Utilities’ Cap and Trade Activities – Report of the Board* on September 26, 2016 (EB-2015-0363). Enbridge filed evidence within its 2017 Compliance Plan application (EB-2016-0300) requesting appropriate deferral and variance account treatment for costs and revenues associated with Cap and Trade. The Company is currently awaiting the Board’s decision on its 2017 Compliance Plan application including approval of the 2017 Greenhouse Gas Emissions Customer and Facility Costs Variance Account (“GGECFCVA”). Subsequent to the release of the Board’s decision in the 2017 Compliance Plan proceeding, the Company will be filing its 2018 Compliance Plan application, in which it will again include appropriate deferral and variance account treatment for costs and revenues associated with Cap and Trade along with a request to clear the 2016 GGEIDA. If there is no approval for new Cap and Trade accounts in the 2018 Compliance Plan proceeding prior to January 1, 2018, then Enbridge will use the 2018 GGEIDA (or the 2017

GGEIDA if the 2018 account is not approved by January 1st) to record all impacts of Cap and Trade until such time as the Board orders otherwise.

2018 Earnings Sharing Mechanism Deferral Account ("2018 ESMDA")

43. The purpose of the 2018 ESMDA is to record the ratepayer share of utility earnings that result from the application of the Earnings Sharing Mechanism ("ESM"). If the 2018 actual utility Return On Equity ("ROE"), calculated on a weather normalized basis, exceeds the Board's approved formula ROE utilized in determining 2018 Allowed Revenues, the resultant amount will be shared equally (i.e., 50 / 50) between the Company's ratepayers and shareholders. The calculation of a utility return for earnings sharing determination purposes, will include all revenues that would otherwise be included in earnings and only those expenses (whether operating or capital) that would otherwise be allowable deductions from earnings as within a cost of service application. In addition, the following are examples of shareholder incentives and other amounts which are outside of the ambit of the ESM: amounts related to Demand Side Management incentives ("DSMIDA") and Lost Revenue Adjustment Mechanism ("LRAM"), amounts related to Transactional Services incentives, amounts related to Open Bill program incentives, and amounts related to Electric Program Earnings Sharing incentives ("EPESDA"). The ESM is non-symmetrical, such that ratepayers will not be responsible for sharing any level of under-earnings.

44. Simple interest is to be calculated on the opening monthly balance of this account using the Board approved EB-2006-0117 interest rate methodology. The balance of this account, together with carrying charges, will be disposed of in a manner designated by the Board in a future rate hearing.

Witness: R. Small

2018 Manufactured Gas Plant Deferral Account ("2018 MGPDA")

45. The purpose of the 2018 MGPDA is to capture all costs incurred in managing and resolving issues related to the Company's Manufactured Gas Plant ("MGP") legacy operations. Costs charged to the account could include, but are not limited to:

- Responding to all enquiries, demands and court actions relating to former MGP sites;
- All oral and written communications with existing and former third party liability and property insurers of the Company;
- Conducting all necessary historical research and reviews to facilitate the Company's responses to all enquiries, demands, court actions and communications with claimants, third parties and insurers;
- Engaging appropriate experts (for example, environmental, insurance archivists, engineers, etc.) for the purposes of evaluating any alleged contamination that may have resulted from former MGP operations and providing advice regarding the appropriate steps to remediate/contain/ monitor such contamination, if any;
- Engaging legal counsel to respond to all demands and court actions by claimants, and to take appropriate steps in relation to the Company's existing and former third party liability and property insurers; and
- Undertaking appropriate research into the regulatory treatment of costs resulting from former MGP operations in the United States.

46. The MGPDA would also be used to record any amounts which are payable to any claimant following settlement or trial, including any damages, interest, costs and disbursements and any recoveries from insurers or third parties.

Witness: R. Small

47. In the event that Enbridge does not request clearance of amounts recorded in the 2017 MGPDA at the same time as other 2017 accounts are requested for clearance, then the balance in the account will be transferred to the 2018 MGPDA.
48. Simple interest is to be calculated on the opening monthly balance of the MGPDA in each fiscal year using the Board approved EB-2006-0117 interest rate methodology. The balance of this account, together with carrying charges, will be disposed of in a manner designated by the Board in a future rate hearing.

2018 Gas Distribution Access Rule Impact Deferral Account ("2018 GDARIDA")

49. The purpose of the 2018 GDARIDA is to record all incremental unbudgeted capital and operating impacts associated with the development, implementation, and operation of the Gas Distribution Access Rule ("GDAR") and any ongoing amendments to the rule. Such impacts would include, but not be limited to, market restructuring oriented customer education and communication programs, legal or expert advice required, operating costs or revenue changes in relation to the establishment of contractual agreements and developing revised business processes and related computer hardware and software required to meet the requirements of the GDAR.
50. Simple interest is to be calculated on the opening monthly balance of this account using the Board approved EB-2006-0117 interest rate methodology. The balance of this account, together with carrying charges, will be disposed of in a manner designated by the Board in a future rate hearing.

2018 Electric Program Earnings Sharing Deferral Account ("2018 EPESDA")

51. The purpose of the 2018 EPESDA is to track and account for the ratepayer share of all net revenues generated by DSM services provided for electric CDM activities. The ratepayer share is 50% of net revenues, using fully allocated costs, as was determined in DSM guidelines proceeding EB-2008-0346.

52. Simple interest will be calculated on the opening monthly balance of the account using the Board approved EB-2006-0117 interest rate methodology. The balance of this account, together with carrying charges, will be disposed of in a manner designated by the Board in a future rate hearing.

2018 Open Bill Revenue Variance Account ("2018 OBRVA")

53. The purpose of the OBRVA is to track and record the ratepayer share of net revenue for Open Bill Services. The account allows for net annual revenue amounts in excess of \$7.389 million to be shared 50 / 50 with ratepayers, and allows for a credit to Enbridge in the event that net annual revenues are less than \$4.889 million, equal to the shortfall between actual net revenues and \$4.889 million. The net revenue amounts will be determined in accordance with the EB-2009-0043 Board Approved Open Bill Access Settlement Proposal dated October 15, 2009, with updated fees and costs as determined in the EB-2013-0099 proceeding.

54. Simple interest is to be calculated on the opening monthly balance of this account using the Board approved EB-2006-0117 interest rate methodology. The balance of this account, together with carrying charges, will be disposed of in a manner designated by the Board in a future rate hearing.

2018 Ex-Franchise Third Party Billing Services Deferral Account ("2018 EFTPBSDA")

55. The purpose of the 2018 EFTPBSDA is to record and track the ratepayer portion of revenues, net of incremental costs, generated from third party billing services provided to ex-franchise parties. The net revenue is to be shared on a 50 / 50 basis with ratepayers. The net revenue amounts will be determined in accordance with the EB-2009-0043 Board Approved Open Bill Access Settlement Proposal dated October 15, 2009, with updated Fees and Costs as determined in the EB-2013-0099 proceeding.
56. Simple interest is to be calculated on the opening monthly balance of this account using the Board Approved EB-2006-0117 interest rate methodology. The balance of this account, together with carrying charges, will be disposed of in a manner designated by the Board in a future rate hearing.

2018 Constant Dollar Net Salvage Adjustment Deferral Account ("2018 CDNSADA")

57. In accordance with the Board's EB-2012-0459 Decision (Enbridge's 2014 to 2018 Rate Application), the purpose of the 2018 CDNSADA was to record and clear the 2018 credit to ratepayers that resulted from the adoption of the Constant Dollar Net Salvage ("CDNS") approach for determining the net salvage percentages to be included within Enbridge's depreciation rates.
58. As a result of the adoption of the CDNS approach, the Company had an estimated excess net salvage reserve when compared to the reserve which accumulated while the Company employed the Traditional Method for determining net salvage percentages. The net salvage reserve is recorded within a liability account which, for utility rate base determination purposes, is accounted for as an offset against specific property, plant and equipment asset category balances as part of accumulated depreciation. Within the EB-2012-0459 decision

, the Board ordered the refund to ratepayers of \$379.8 million in net salvage reserve (also referred to as “Site Restoration Costs” or “SRC”) over the 2014 to 2018 period, through Rate Rider D. The annual refund amounts were: 2014 - \$96.8 million, 2015 - \$90.4 million, 2016 - \$83.9 million, 2017 - \$77.5 million, and 2018 - \$31.1 million.

59. On a monthly basis each year, the net salvage liability (or accumulated depreciation for utility rate base purposes) was to be debited by the forecast monthly rider amount, with a corresponding credit recorded in the CDNSADA. Within the same month, the CDNSADA was to be debited, with a corresponding credit to accounts receivable, for the actual amount refunded to customers through Rate Rider D.
60. In each year, the final balance in the account was to be the cumulative variance between the amounts proposed for clearance and the actual amounts cleared. The balance was to be transferred to the following year’s CDNSADA, and at the end of 2018 any residual balance was to be cleared in a post 2018 true up, ensuring the actual amount cleared was equivalent to the required \$379.8 million. As such, the final balance in the 2017 CDNSADA was to be transferred to the 2018 CDNSADA.
61. No interest was to be calculated on the balance in this account.
62. As explained at Exhibit D2, Tab 2, Schedule 1, by the end of 2017 Enbridge will have refunded more than the Board-approved total of \$379.8 million to ratepayers. Accordingly, Enbridge is proposing to discontinue Rider D (return of SRC to ratepayers) in 2018. This will ensure that there is no over-refund to ratepayers that would have to be recovered in subsequent years. At the same time, Enbridge is proposing to move the tax deductibility credit associated with the forecast return of SRC from Allowed Revenue to the 2018 CDNSADA. This treatment will effect a

Witness: R. Small

final true up of the CDNSADA as approved by the Board, such that the deferral account and all of the SRC completion implications are dealt with and completed by the time that Enbridge's 2017 Deferral and Variance Accounts are cleared.

63. As a result of the Company's proposal to discontinue the 2018 SRC rider (2018 Rider D), as detailed in Exhibit D2, Tab 2, Schedule 1, the Company proposes that the 2018 CDNSADA will work as follows:
- The final balance in the 2017 CDNSADA will be transferred to the 2018 CDNSADA account. At present, the forecast 2017 ending balance is an approximate \$35 million debit/receivable, inclusive of an over refund versus the amount which was to be refunded through 2017, of approximately \$4.0 million in excess of the additional \$31.1 million that was expected to be refunded through Rider D during 2018.
 - On a monthly basis during 2018, the net salvage liability (or accumulated depreciation for utility rate base purposes) will continue to be debited by the EB-2012-0459 2018 approved forecast monthly rider amount (totaling \$31.1million), with a corresponding credit recorded in the CDNSADA. With the plan to discontinue Rider D in 2018, there will be no monthly debit to the CDNSADA, with corresponding credit to accounts receivable, for the actual amounts refunded to customers through Rate Rider D. The impact of this will be to reduce the forecast over refund (or debit/receivable) of \$35.1 million, to \$4.0 million by the end of 2018, which is the net forecast over refund versus the Board ordered refund of \$379.8 million.
 - In January 2018, a credit of \$11.2 million, payable to ratepayers, will be recorded in the 2018 CDNSADA to reflect the allowed revenue impact resulting from the proposed removal of the forecast \$31.1 million tax deduction from the determination of updated forecast 2018 allowed revenues requested in this proceeding.

Witness: R. Small

- A forecast net credit/payable balance of \$7.2 million (\$11.2 million payable reflecting the tax deduct impact payable to ratepayers, partially offset by the forecast \$4.0 million net Rider D over refund) will be sought for clearance as part of the 2017 ESM and Deferral Clearance application. Subject to clearance occurring during 2018, the 2018 CDNSADA balance at the end of 2018 will be \$0.
- Note, the forecast 2017 ending CDNSADA balance utilized to illustrate the proposed methodology, will be replaced by the actual 2017 ending CDNSADA balance.

2018 Transition Impact of Accounting Changes DA (“2018 TIACDA”)

64. The purpose of the 2018 TIACDA is to track and roll forward un-cleared amounts recorded in the 2017 TIACDA. In EB-2011-0354, the Board approved the recovery of Other Post Employment Benefit (“OPEB”) costs, forecast to be \$90 million at the end of 2012, over a 20 year period, commencing in 2013. The OPEB costs needed to be recognized as a result of Enbridge having to account for post-employment expenses on an accrual basis, upon transition to USGAAP for corporate reporting purposes in 2012. The use of USGAAP for regulatory purposes was approved within the 2013 rate proceeding, EB-2011-0354. The final estimate of OPEB costs to be recovered over 20 years, which was recorded in the TIACDA at the end of 2012, was \$88.7 million. The first five installments of \$4.4 million each (1/20 of \$88.7 million), were approved for recovery in EB-2013-0046, EB-2014-0195, EB-2015-0122, EB-2016-0142, and EB-2017-0102. The balance in the account will continue to be drawn down and cleared to ratepayers by \$4.4 million annually, with the un-cleared balance to be rolled forward to the subsequent year’s TIACDA, until clearance is complete.
65. Interest is not applicable to the balance of this account.

Witness: R. Small

2018 Post-Retirement True-Up VA ("2018 PTUVA")

66. The purpose of the 2018 PTUVA is to record the differences between forecast 2018 pension and post-employment benefit expenses of \$20.8 million (see Exhibit D1, Tab 5, Schedule 1), and actual 2018 pension and post-employment benefit expenses (both determined on an accrual basis). The 2018 PTUVA will be cleared in a manner that will allow for all variances between \$20.8 million and actual pension and OPEB expenses to be recorded and cleared, subject to the condition that any amounts in excess of \$5 million (credit or debit) will be cleared in subsequent years, so that large variances can be cleared over time (smoothed). Under this approach, the maximum amount (debit or credit) that will be cleared from the 2018 PTUVA will be \$5 million. If there is a remaining balance, the treatment of such balance will be determined in an appropriate future proceeding.
67. Simple interest is to be calculated on the opening monthly balance of this account using the Board approved EB-2006-0117 interest rate methodology. The balance of this account, together with carrying charges, will be disposed of in a manner designated by the Board in a future rate hearing.

2018 Demand Side Management Variance Account ("2018 DSMVA")

68. The purpose of the 2018 DSMVA is to record the difference between the actual 2018 DSM spending and the budgeted \$67.6 million included within 2018 rates (as outlined within Exhibit D1, Tab 4, Schedule 1 of this proceeding). Amounts determined to be over or under the budget included within Allowed Revenue will be recorded in the DSMVA, subject to the DSMCEIDA. In addition, any further variance in 2018 DSM spending and results, beyond the budget included within rates, which occurs as a result of Board decisions in ongoing or upcoming DSM proceedings, will be included within the DSMVA.

69. Simple interest is to be calculated on the opening monthly balance of this account using the Board Approved EB-2006-0117 interest rate methodology. The balance in this account, together with carrying charges, will be disposed of in a manner designated by the Board in a future rate hearing.

2018 Lost Revenue Adjustment Mechanism (“2018 LRAM”)

70. The purpose of the 2018 LRAM is to record the amount of distribution margin gained or lost when the Company’s DSM programs are less or more successful than budgeted, for the period January 1, 2018 to December 31, 2018.

71. When the utility’s DSM programs are less successful than budgeted in the fiscal year, the utility gains distribution margin. Similarly, the utility loses distribution margin in the fiscal year when its DSM programs are more successful than budgeted.

72. Simple interest is to be calculated on the opening monthly balance of this account using the Board Approved EB-2006-0117 interest rate methodology. The balance in this account, together with carrying charges, will be disposed of in a manner designated by the Board in a future rate hearing.

2018 Demand Side Management Incentive Deferral Account (“2018 DSMIDA”)

73. The purpose of the 2018 DSMIDA is to record the actual amount of the shareholder incentive earned by the Company as a result of its DSM programs. The criteria and formula used to determine the amount of any shareholder incentive, to be recorded in the DSMIDA, will be in accordance with the methodology established in the DSM Framework and Guidelines proceeding EB-2014-0134, and Enbridge’s 2015 to 2020 DSM Plan proceeding EB-2016-0049.

74. Simple interest is to be calculated on the opening monthly balance of this account using the Board Approved EB-2006-0117 interest rate methodology. The balance in this account, together with carrying charges, will be disposed of in a manner designated by the Board in a future rate hearing.

2018 Relocation Mains Variance Account ("2018 RLMVA")

75. The establishment of the RLMVA, for each of 2017 and 2018, was approved by the Board within its Decision With Reasons in Enbridge's 2014 to 2018 Customized Incentive Rate Application, EB-2012-0459.

76. The purpose of the 2018 RLMVA is to record the cumulative revenue requirement impact of capital spending on mains relocation activities which varies from \$12.6 million in each of 2017 and 2018 (which is the forecast capital cost for relocations included in each of the Board approved 2017 and 2018 capital budgets), if the cumulative revenue requirement impact is \$5 million or greater.

77. The amount to be recorded within the 2018 RLMVA will be determined as follows:

- a) First, an amount (which may be positive or negative) related to the 2017 capital spending on relocations will be determined. That will be done by taking the difference (positive or negative) between actual capital spending and \$12.6 million, and then determining the revenue requirement implications of that amount in 2018.
- b) Second, the relevant revenue requirement amount related to 2018 capital spending on relocations will be added to the number determined in (a).

- i. If the spending for relocations activities in 2018 is more than the \$12.6 million forecast, then Enbridge will eliminate the first \$12.6 million to arrive at the remaining capital spend for use within a revenue requirement calculation, to account for the fact that the impact of the \$12.6 million is already included within Allowed Revenue for 2018. The revenue requirement for 2018 will be calculated using the remaining capital spending for that year.
 - ii. If the spending for relocations activities in 2018 is less than the \$12.6 million forecast, then Enbridge will determine the 2018 revenue requirement that would have resulted had the unspent portion of that amount been spent.
- c) If the sum of the amounts calculated under (a) and (b) above is more than \$5.0 million (positive or negative), then that amount will be recorded in the 2018 RLMVA for future recovery.

78. Simple interest is to be calculated on the opening monthly balance of this account using the Board Approved EB-2006-0117 interest rate methodology. The balance in this account, together with carrying charges, will be disposed of in a manner designated by the Board in a future rate hearing.

2018 Replacement Mains Variance Account (“2018 RPMVA”)

79. The establishment of the RPMVA, for each of 2017 and 2018, was approved by the Board within its Decision With Reasons in Enbridge’s 2014 to 2018 Customized Incentive Rate Application, EB-2012-0459.

Witness: R. Small

80. The purpose of the 2018 RPMVA is to record the cumulative revenue requirement impact of capital spending on miscellaneous mains replacement activities which varies from \$5.1 million in each of 2017 and 2018 (which is the forecast capital cost for miscellaneous replacements included in each of the Board approved 2017 and 2018 capital budgets), if the cumulative revenue requirement impact is \$5 million or greater.
81. The amount to be recorded within the 2018 RPMVA will be determined as follows:
- a) First, an amount (which may be positive or negative) related to the 2017 capital spending on miscellaneous replacements will be determined. That will be done by taking the difference (positive or negative) between actual capital spending and \$5.1 million, and then determining the revenue requirement implications of that amount in 2018.
 - b) Second, the relevant revenue requirement amount related to 2018 capital spending on miscellaneous replacements will be added to the number determined in (a).
 - i. If the spending for miscellaneous replacement activities in 2018 is more than the \$5.1 million forecast, then Enbridge will eliminate the first \$5.1 million to arrive at the remaining capital spend for use within a revenue requirement calculation, to account for the fact that the impact of the \$5.1 million is already included within Allowed Revenues for 2018. The revenue requirement for 2018 will be calculated using the remaining capital spending for that year.

- ii. If the spending for miscellaneous replacement activities in 2018 is less than the \$5.1 million forecast, then Enbridge will determine the revenue requirement that would have resulted had the unspent portion of that amount been spent.
 - c) If the sum of the amounts calculated under (a) and (b) above is more than \$5.0 million (positive or negative), then that amount will be recorded in the 2018 RPMVA for future recovery
82. Simple interest is to be calculated on the opening monthly balance of this account using the Board Approved EB-2006-0117 interest rate methodology. The balance in this account, together with carrying charges, will be disposed of in a manner designated by the Board in a future rate hearing.

2018 Dawn Access Costs Deferral Account ("2018 DACDA")

83. Approval for the establishment of the DACDA was granted by the Board on November 20, 2014 in its approval of the Dawn Access Application and Settlement Agreement within proceeding EB-2014-0323.
84. The purpose of the 2018 DACDA is to record for recovery, the revenue requirement impact of the incremental costs incurred to implement the Dawn Transportation Service ("DTS"), including the costs for required system changes. Under the terms of the Settlement Agreement, recovery of amounts recorded in the DACDA will be from all bundled customers, regardless of whether they are system or direct purchase and regardless of the service to which they currently subscribe, because all have the option of taking DTS if they so choose. Further details explaining the DACDA, including the recovery method, are included within Section 2.7 of the

Settlement Agreement filed at Exhibit B, Tab 2, Schedule 1 of the EB-2014-0323 proceeding.

85. Simple interest is to be calculated on the opening monthly balance of this account using the Board Approved EB-2006-0117 interest rate methodology. The balance in this account, together with carrying charges, will be disposed of in a manner designated by the Board in a future rate hearing.

2018 Demand Side Management Cost-Efficiency Incentive Deferral Account ("2018 DSMCEIDA")

86. Approval for the establishment of the DSMCEIDA during the Company's 2015 - 2020 multi-year demand side management plan was granted by the Board within its Decisions and Orders in proceeding EB-2015-0049. As outlined, the Board ordered that Enbridge establish the DSMCEIDA for each year of the DSM plan beginning January 1, 2016.
87. The purpose of the 2018 DSMCEIDA is to record any differences between Enbridge's 2018 approved DSM budget and the actual amount spent to achieve the 2018 total aggregate annual lifetime savings (cumulative cubic metres of natural gas, or CCM) target, made up of all 100% CCM targets across all programs, in accordance with the program evaluation results. Any OEB-approved DSMCEIDA amounts will be available to use in meeting the Company's targets in a subsequent year over the 2015 - 2020 DSM term.
88. Simple interest is to be calculated on the opening monthly balance of this account using the Board Approved EB-2006-0117 interest rate methodology. The balance in this account, together with carrying charges, will be disposed of in a manner designated by the Board in a future rate hearing.

Witness: R. Small

2018 OEB Cost Assessment Variance Account ("2018 OEBCAVA")

89. As indicated in the OEB's letter to all regulated entities, dated February 9, 2016, titled "*Revisions to the Ontario Energy Board Cost Assessment Model*", the Board has updated its allocation of costs to regulated entities, which may result in "material shifts" in the costs that are allocated. The Board's letter authorized the establishment of an OEB Cost Assessment Variance Account for regulated entities, including the natural gas utilities.
90. The purpose of the 2018 OEBCAVA will be to record any variance between the OEB costs assessed to Enbridge under the prior cost assessment model, which were included in rates during the Custom IR term, and the OEB costs assessed to Enbridge under the new OEB cost assessment model. Entries into the variance account will be made on a quarterly basis when the OEB's cost assessment invoice is received.
91. Simple interest is to be calculated on the opening monthly balance of this account using the Board Approved EB-2006-0117 interest rate methodology. The balance in this account, together with carrying charges, will be disposed of in a manner designated by the Board in a future rate hearing.

2018 Pension and OPEB Forecast Accrual versus Actual Cash Payment Differential Variance Account ("2018 P&OPEBFAVACPDVA")

92. As detailed in the OEB's EB-2015-0040 report to all regulated entities, dated September 14, 2017, titled "Regulatory Treatment of Pension and Other Post-employment Benefits (OPEBs) Costs", the Board ordered the establishment of the Pension and OPEB Forecast Accrual versus Actual Cash Payment Differential Variance Account ("P&OPEBFAVACPDVA"), effective January 1st, 2018, to be

used by utilities that are approved to recover their pension and OPEB costs on an accrual basis. Enbridge recovers its pension and OPEB costs on an accrual basis.

93. The P&OPEBFAVACPDVA will track the differences between forecast accrual pension and OPEB amounts recovered in rates, and the actual cash payments made for both pension and OPEBs in one account, on a go-forward basis from the date the account is established. As such, the 2018 P&OPEBFAVACPDVA will track the differences between Enbridge's 2018 forecast accrual pension and OPEB amounts recovered in rates, and the actual cash payments made.

94. The forecast accrual reference amount that will be used to calculate the entries recorded in this new account assumes that the total gross accrual cost as determined by an actuarial valuation is what is recorded in a utility's total OM&A expense. The actual cash payments would include all cash payments a utility makes for its pension and OPEB obligations. The approved accrual amount embedded in rates is not to change or escalate during an IRM or Custom IR term except in cases where in a Custom IR term, updated forecasts for subsequent years of the term were approved.

95. A primary sub-account and a second contra sub-account enable book-keeping with offsetting entries to be established. When the cumulative accrual amount exceeds the cumulative cash payments, the primary account will hold a credit balance. When the cumulative cash payments exceed the cumulative accrual amount, the primary account will hold a debit balance. The primary account will accrue carrying charges asymmetrically, to be returned to ratepayers, when the cumulative opening monthly balance of the account is in a credit position. The contra account will not accrue carrying charges. When applicable, carrying charges calculated on the

Witness: R. Small

primary sub-account will be calculated using simple interest applied to the monthly opening balance. The interest rate shall be the CWIP rate prescribed by the OEB.

96. As the primary sub-account and second contra sub-account are offsetting, only the carrying charges will be disposed of in a manner designated by the Board in a future rate hearing.