

ALLOWED REVENUE AND SUFFICIENCY/(DEFICIENCY)

	Col. 1	Col. 2	Col. 3	Col. 4	
	2018 Total Updated Forecast Allowed Revenue (\$Millions)	EB-2016-0215 2017 Allowed Revenue (\$Millions)	Variance (\$Millions)	Note	
Cost of capital					
1.	Rate base	6,246.1	6,024.1	222.0	a)
2.	Required rate of return	6.15	6.21	(0.06)	b)
3.		384.1	374.0	10.1	c)
Cost of service					
4.	Gas costs	1,754.9	1,603.1	151.8	d)
5.	Operation and maintenance	467.5	459.9	7.6	e)
6.	Depreciation and amortization	305.5	297.7	7.8	f)
7.	Fixed financing costs	1.9	1.9	-	
8.	Municipal and other taxes	50.4	47.9	2.5	g)
9.		2,580.2	2,410.5	169.7	
Miscellaneous operating and non-operating revenue					
10.	Other operating revenue	(42.7)	(42.7)	-	
11.	Interest and property rental	-	-	-	
12.	Other income	(0.1)	(0.1)	-	
13.		(42.8)	(42.8)	-	
Income taxes on earnings					
14.	Excluding tax shield	82.6	62.5	20.1	
15.	Tax shield provided by interest expense	(48.4)	(48.1)	(0.3)	
16.		34.2	14.4	19.8	h)
Taxes on sufficiency / (deficiency)					
17.	Gross sufficiency / (deficiency)	(81.5)	-	(81.5)	
18.	Net sufficiency / (deficiency)	(59.9)	-	(59.9)	
19.		21.6	-	21.6	h)
20.	Sub-total revenue requirement	2,977.3	2,756.1	221.2	
21.	Customer Care Rate Smoothing V/A Adjustment	4.9	2.8	2.1	i)
22.	Allowed revenue	2,982.2	2,758.9	223.3	
Revenue at existing Rates					
23.	Gas sales	2,625.2	2,451.5	173.7	
24.	Transportation service	251.8	288.3	(36.5)	
25.	Transmission, compression and storage	19.2	19.1	0.1	
26.	Rounding adjustment	-	-	-	
27.	Revenue at existing rates	2,896.2	2,758.9	137.3	j)
28.	Gross revenue sufficiency / (deficiency)	(86.0)	-	(86.0)	

2017 UPDATED FORECAST VERSUS 2016 APPROVED VARIANCE EXPLANATIONS

Note: Explanation

a) Rate Base

As seen below, the increase in 2018 updated forecast ratebase is due to the increase in forecast net property plant and equipment that was reviewed and approved within Enbridge's CIR proceeding EB-2012-0459, reflecting an additional year of core capital spending. There were also increases in gas in storage and working cash allowance which were updated in accordance with CIR plan parameters, and reflect an updated volume forecast, gas supply plan, PGVA reference price, and O&M inputs.

	2018 Forecast	2017 Approved	Variance	
Net property, plant and equip.	5,899.9	5,695.9	204.0	Reviewed and approved in EB-2012-0459
A/R billable projects	1.4	1.4	-	Reviewed and approved in EB-2012-0459
Materials and supplies	34.6	34.6	-	Reviewed and approved in EB-2012-0459
Mortgages receivable	-	-	-	Reviewed and approved in EB-2012-0459
Customer security deposits	(64.6)	(64.6)	-	Reviewed and approved in EB-2012-0459
Prepaid expenses	1.0	1.0	-	Reviewed and approved in EB-2012-0459
Gas in storage	370.9	356.6	14.3	Updated per CIR plan parameters
Working cash allowance	2.9	(0.8)	3.7	Updated per CIR plan parameters
Total working capital	346.2	328.2	18.0	
Total rate base	6,246.1	6,024.1	222.0	

b) Required rate of return

weighted average cost of debt rate, which reflects updated actual and forecast debt issuances and cost rates, partially offset by the impact of an increase in the forecast ROE, 8.84% in 2018 versus 8.78% in 2017 Approved. ROE and cost of debt forecast updates are performed in accordance with CIR plan parameters.

c) Cost of capital

The increase in the 2018 updated forecast cost of capital results from financing a higher rate base (discussed in a) above), partially offset by a lower required rate of return (discussed in b) above).

d) Gas costs

The increase in 2018 updated forecast gas costs is primarily due to a higher PGVA reference price and higher storage and transportation costs, partially offset by a decrease in forecast volumes and lower T-Service transportation costs. The updated forecast 2018 gas costs reflect an adjusted July 2017 PGVA reference price of \$188.611, while 2017 approved gas costs reflect an adjusted July 2016 PGVA reference price of \$166.901. Gas costs were updated in accordance with CIR plan parameters. Corresponding updates for price and volumetric impacts are also reflected in updated forecast revenue at existing rates.

e) Operation and maintenance

The increase in 2018 updated forecast O&M is detailed below, but is primarily driven by a higher forecast DSM budget, which has been updated in accordance with CIR plan parameters and reflects the approved budget included within Enbridge's DSM Multi-Year Plan proceeding EB-2015-0049. Customer Care and CIS costs have been updated in accordance with CIR plan parameters to reflect the EB-2011-0226 settlement agreement, which requires annual updates for the forecast number of customers and the current year's approved cost per customer. Pension and OPEB costs have been updated to reflect current forecast costs provided by Mercer, as per CIR plan parameters. The RCAM and Other O&M increases reflect amounts approved as part of the EB-2012-0459 decision.

	2018 Forecast	2017 Approved	Variance	
Customer Care / CIS	105.9	102.5	3.4	Updated per CIR plan parameters
DSM	67.6	62.9	4.7	Updated per CIR plan parameters
Pension and OPEB	20.8	24.7	(3.9)	Updated per CIR plan parameters
RCAM	35.9	34.8	1.1	Reviewed and approved in EB-2012-0459
Other O&M	237.3	234.9	2.4	Reviewed and approved in EB-2012-0459
Total O&M	467.5	459.9	7.6	

f) Depreciation and amortization

The increase in 2018 updated forecast depreciation and amortization was reviewed and approved within Enbridge's CIR proceeding EB-2012-0459, and reflects the impact of growth in forecast gross property, plant, and equipment.

g) Municipal and other taxes

The increase in 2018 updated forecast municipal and other taxes was reviewed and approved within Enbridge's CIR proceeding EB-2012-0459, and reflects the impact of forecast capital growth an inflation.

h) Income taxes on earnings and deficiency

The increase in 2018 updated forecast income taxes is primarily attributable to a lower forecast income tax deduction for cash based pension and OPEB contributions (\$26.9M in 2018 versus \$51.4M in 2017), which was updated in conjunction with the updated forecast accrual based pension and OPEB costs, and the removal of the tax deduction related to the site restoration cost refund, as detailed in the Company's proposed Discontinuance of Site Restoration Cost Rider evidence at Exhibit D2, Tab 2, Schedule 1.

i) Customer Care Rate Smoothing V/A Adjustment

The Customer Care Rate Smoothing V/A Adjustment has been updated, similar to Customer Care & CIS O&M costs, to reflect the impact of the EB-2011-0226 settlement agreement which requires annual updates for the forecast number of customers, as well as the current year's approved cost per customer and normalized cost per customer.

j) Revenue at existing rates

The increase in 2018 updated forecast revenue at existing rates is due primarily to a higher gas commodity (PGVA) reference price embedded within rates (discussed in d) above), partially offset by the updated 2018 volumetric forecast.