BOMA INTERROGATORY #30

INTERROGATORY

Ref: Exhibit D1, Tab 6, Schedule 2, p1

Please explain in line 3, the reduction in accrued pension and OPEB costs by $5.4 million for the 2018 placeholder account of $26.2 million. Please show the calculation.

RESPONSE

The 2018 placeholder value of $26.2 million was previously estimated in 2013, and the reduction in accrued pension and OPEB costs is due to several significant factors:

1. a change in the approach for calculating the interest on benefit obligations and service costs ("split rate approach") for pension and OPEB plans;

2. changes in membership data and plan assets;

3. changes in the provisions of the pension plans; and

4. changes in the assumptions used to determine the pension costs.

A brief discussion on the material factors follows.

As of January 1, 2016, Enbridge chose to implement a split rate approach for purposes of determining the benefit obligations and service cost as well as a spot rate approach for the calculation of interest on these items in the determination of the net periodic benefit cost. Separate discount rates are determined for the benefit obligations and service cost. Interest on benefit obligations and service cost, for purposes of determining the interest cost is calculated by applying interest to the present value of the payment expected at each payment date. Prior to January 1, 2016 a single rate was used to determine all applicable pension and benefit cost values. This estimate refinement decreased the current service cost and interest cost components of pension and OPEB costs.

The 2018 placeholder values were projections based on membership data as at December 31, 2012 and asset data as at February 28, 2013 for the pension plans, and membership data as at September 1, 2012 for the OPEB Plan. The membership data and plan assets data has been updated as described in the Mercer Report.

Changes to the provisions of the pension plans have been described in the Mercer Report and further in the interrogatories. No additional explanation is included here.

Witnesses: Mercer
R. Small

There were several changes to key assumptions which have decreased the pension cost including, but not limited to:

- The inflation rate decreased (decrease of 0.25%). This decreased the current service cost, interest cost and amortization components.
- Refinements to the termination and retirement rate tables. This decreased the current service cost, interest cost and amortization components, including increasing the period over which actuarial losses are amortized.
- The long-term expected return on assets assumption increased for some plans (increase of 0.50%). This increased the expected return on assets component (and decreases the accrual cost).

The decrease in EGDI's DC Expense is due to the new plan design changes taking effect January 1, 2018.

Witnesses: Mercer
R. Small