

TIMELINE OF PENSION AND OPEB ACTUARIAL GAINS/LOSSES AND PRIOR SERVICE COSTS

PRE-MERGER	2017 Enbridge Inc/Spectra merger PRE-AMALGAMATION	2019 EGD/Union amalgamation DEFERRED REBASING PERIOD	2024 EGI rebasing REBASING
<p>Union rate zones</p> <p>Balance Sheet</p> <ul style="list-style-type: none"> Reflects incurred unamortized net actuarial gains/losses and past service costs not yet reflected in rates (i.e. <u>amounts recoverable/payable from/to ratepayers</u>) <p>Income Statement</p> <ul style="list-style-type: none"> Accrual based pension expense <u>recovered in rates</u> includes amortization of accumulated actuarial gains/losses and past service costs 	<p>No changes</p> <p>No changes</p>	<ul style="list-style-type: none"> Net incurred losses and past service costs incurred pre-merger and not yet reflected in rates (i.e. <u>amounts recoverable from ratepayers</u>) are transferred to Accounting Policy Changes Deferral Account (APCDA) Pension expense no longer includes amortization of pre-merger accumulated actuarial gains/losses and past service costs APCDA is drawn down in a manner identical to the pre-amalgamation pension accounting basis, mitigating any revenue requirement impacts during the deferred rebasing period 	<ul style="list-style-type: none"> EGI rebasing proposal is to recover the remainder of the APCDA balance from ratepayers. Amounts continue to represent net incurred actuarial losses and past service costs not yet reflected in rates (i.e. <u>costs incurred but not yet recovered from ratepayers</u>) Pension forecast no longer includes amortization of pre-merger accumulated actuarial gains/losses and past service costs
<p>EGD rate zone</p> <ul style="list-style-type: none"> Same accounting as described in Union rate zones above. 	<p>No changes</p>	<ul style="list-style-type: none"> No impact to EGD’s pension balances or accounting from the Merger or Amalgamation 	
<p>Enbridge Inc.</p>	<ul style="list-style-type: none"> At Merger, Union’s unamortized balance was initially reset to \$nil in EI’s records. Subsequently, the acquired net assets of Union were adjusted in EI’s records to include the cumulative balance. These adjustments did not impact Union’s stand alone financial records A new pension expense basis was established at EI that excluded the draw down of Union's unamortized pre-merger actuarial gains/losses 	<ul style="list-style-type: none"> At Amalgamation, the pension adjustments recognized by EI are required to be pushed down to EGI, aligning the accounting policies and presentation as a regulatory asset between both entities 	

Pension and OPEB Actuarial Gains/Losses and Prior Service Costs - Enbridge Gas

Line No.	Particulars (\$ millions)	Pre-Merger	Post-Merger	EGI Combined/ Amalgamated	Deferred Rebasing Period (4,5)				
		(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
		31-Dec 2016 Actual (a)	31-Dec 2017 Actual (b)	31-Dec/01-Jan 2018/2019 Actual (c)	31-Dec 2019 Actual (d)	31-Dec 2020 Actual (e)	31-Dec 2021 Actual (f)	31-Dec 2022 Actual (g)	31-Dec 2023 Forecast (h)
<u>Pension and OPEB Actuarial Gains/Losses and Prior Service Costs - Upon Amalgamation</u>									
Balance Sheet:									
1	Closing Balance Actuarial (Gain)/Loss and Prior Service Costs	573.0	572.0	372.7	475.7	613.7	266.7	(25.3)	(25.9)
2	Closing Balance Actuarial (Gain)/Loss and Prior Service Costs - APCDA (4)	-	-	211.3	193.8	181.5	169.4	160.2	156.0
Income Statement:									
3	Amortization of Actuarial Gain/(Loss) and Prior Service Costs	(32.0)	(33.0)	(37.0)	(15.0)	(19.0)	(28.0)	(7.0)	3.5
4	Amortization of Actuarial Gain/(Loss) and Prior Service Costs – APCDA (4)	-	-	-	(17.5)	(12.3)	(12.1)	(9.1)	(4.3)
<u>Pension and OPEB Actuarial Gains/Losses and Prior Service Costs - No Amalgamation (Illustrative Purposes Only) (6)</u>									
Balance Sheet:									
5	Closing Balance Actuarial (Gain)/Loss and Prior Service Costs	573.0	572.0	584.0	669.5	795.2	436.1	134.9	130.0
Income Statement:									
6	Amortization of Actuarial Gain/(Loss) and Prior Service Costs	(32.0)	(33.0)	(37.0)	(32.5)	(31.3)	(40.1)	(16.1)	(0.8)
7	Balance Sheet Differences (Line 1 + Line 2 - Line 5)	-	-	-	-	-	-	-	-
8	Income Statement Differences (Line 3 + Line 4 - Line 6)	-	-	-	-	-	-	-	-

Notes:

- Prior to the Spectra-Enbridge (EI) "Merger" both EGD and Union accumulated pension actuarial gains/losses and past service costs on their respective balance sheets, which are subsequently amortized (or drawn down) through annual accrual based pension expense recovered through rates. The balance sheet amount represents net incurred gains/losses that have not been reflected in rates. [references: JT3.29 & JT3.37]
- As a result of the Merger, at the EI level, Union's cumulative actuarial gains/losses were reset to nil, which resulted in a new pension expense basis that excluded the draw down of Union's unamortized pre-merger actuarial gains/losses. The recognition of Union's net assets acquired in the Merger initially failed to include the regulatory and recoverable nature of the cumulative actuarial gains/losses. Subsequently, the fair value of acquired Union net assets was updated, resulting in a lower purchase price excess attributed to goodwill.
At the time of the Merger, the pension adjustment was only required at EI. Union continued to operate as stand-alone entity and continued to amortize the gains/losses, through accrual based pension expense, which were reset at EI. [reference: JT3.30]
- After December 31, 2018, upon the "Amalgamation" of EGD and Union, the two reporting entities filed a combined set of financial statements that reflected the implications of the amalgamation and the required push down of the pension adjustments recognized by its parent EI (EGD's balances were unaltered in any way). The net loss balance (Column C, Line 2) was transferred to the APCDA, reflecting the ongoing recoverable nature of the balance in light of the pension accounting basis change. [reference: JT3.29]
- Beginning in 2019, EGI amortized the APCDA balance pertaining to Union's pre-merger losses in a manner identical to the pre-amalgamation pension accounting basis, thereby mitigating any revenue requirement impact in accordance with the APCDA. This treatment continued throughout the deferred rebasing period, with the balance in the APCDA being drawn down (Line 4) to the forecast balance as brought forward in this proceeding (Line 2). [references: Ex 9, Tab 2, Sch 1, Att 2 and Ex 14.4-STAFF-133, Ex 1.9.2-LPMA-50]
- EGI has brought forward for approval the proposal to dispose of the remaining forecast December 31, 2023 balance in the APCDA (\$156M - Column H, Line 2) in 2024. Beginning in 2024, EGI's forecast for accrual-based pension costs excludes the drawdown of Union's gains/losses which accumulated prior to the Enbridge/Spectra merger, and therefore separate regulatory approval is required to continue to recover the remainder of the balance either as a one time adjustment or over a period of time. [references: Ex 9, Tab 2, Sch 1 / JT3.33]
- In the absence of an amalgamation, both EGD and Union would have continued to separately account for the balances and amortization in a manner that would have resulted in the same financial impacts (Line 7 and Line 8). As such, the balance reflected in the APCDA is consistent with what Union's outstanding unamortized pre-merger actuarial gains/losses would have been, to be drawn down through future accrual based pension expenses recovered in rates, absent the amalgamation. [reference: JT3.30]