SEC INTERROGATORY #9

INTERROGATORY

Reference B/6/1

With respect to Incentive Stock Options ("ISOs"):

a. Please confirm that the value of each individual grant is established at the time of the grant, and is not subsequently adjusted. Please confirm that equal dollar amounts are included in stock-based compensation with respect to any given option grant in each of the four years of vesting.

b. Please describe what impact the termination of an option (including as a result of the employee ceasing to be employed by the Enbridge group, or as a result of options expiring unexercised) has on the stock-based compensation for the year. If there is a difference in impact between vested and unvested options, please describe that difference.

c. Please describe what adjustments, if any, are made to stock-based compensation at the time an option is exercised. If the impact of those adjustments for accounting and regulatory purposes is different, please describe that difference.

d. Please describe any other adjustments to the amount of stock-based compensation for regulatory purposes relating to ISOs, other than those described above.

e. Please describe how the Income Tax Act, whether in section 7 or otherwise, recognizes ISOs for the purpose of taxing the recipient employee, disaggregating your answer into consequences at the time of:

   i. Initial grant;
   ii. Vesting;
   iii. Exercise of the option;
   iv. Sale of the shares purchased under option;
   v. Termination of a vested option;
   vi. Termination of an unvested option.

Witnesses: K. Culbert
N. Kishinchandani
M. Weil

f. Please describe the extent to which the Income Tax Act recognizes ISOs as a deduction in computing taxable income by Enbridge, Inc. and/or the employer company, such as Enbridge Gas Distribution, again disaggregating your answer into consequences at the six different times listed above.

g. Please show the full calculation of stock-based compensation through ISOs for 2009 included in the financial statements of Enbridge Inc., the allocation of that amount for CAM purposes, and the adjustments to reduce that amount for RCAM purposes. Please provide aggregated information, not individual grant information. Please show separately the SBC arising out of direct allocations (i.e. for EGD employees) and the SBC arising out of EI and other employees whose compensation is allocated in whole or in part to the Applicant. Please include a breakdown of the ISO SBC arising out of grants in each relevant year, i.e. 2006, 2007, 2008, and 2009, and 2005 to the extent applicable, and show any adjustments as discussed above.

Response:

a. The basis of recognition and measurement of SBC is in alignment with the requirements of the CICA handbook.

   The value of each individual grant is established at the time of grant and is not subsequently adjusted. The value of the ISOs granted is expensed equally over the four year vesting period except for the treatment of costs related to employees who are eligible to retire in less than four years, where an accelerated expensing is used. This treatment is required by Canadian Generally Accepted Accounting Principles, as noted in Emerging Issues Committee Abstract 162.

b. An estimated forfeiture rate, based on historical information, is used in the calculation of the stock-based compensation expense for ISOs. Adjustments are made if there is a significant difference between actual and estimated forfeiture rates. For options that have fully vested and are subsequently forfeited – no change is made to expense.

c. No adjustments are made to the expense for accounting or regulatory purposes.

d. No other adjustments are made to the RCAM SBC costs, used for regulatory purposes.

Witnesses: K. Culbert
N. Kishinchandani
M. Weil

e. The purpose of the Enbridge Inc.'s Incentive Stock Plan (2002) (ISO) is to provide selected employees of Enbridge Gas Distribution with the opportunity to acquire a proprietary interest in the Enbridge group of companies and benefit from the long term growth of the Enbridge corporate brand. The plan involves the issuance of Enbridge Inc. common stock.

   i. Initial grant of option
   No tax impact on employee

   ii. Vesting
   No tax impact on employee

   iii. Exercise of the option
   As the ISO involves the issuance of Enbridge Inc. common stock, the employee benefit associated with the exercise of the option is subject to section 7(1) of the Income Tax Act ("ITA"). Under section 7(1)(a), a taxable employee benefit is conferred on the employee, the value of which is based on the difference between fair market value of the stock and the exercise price of the option. This benefit is taxable in the year the option is exercised. As Enbridge common stock is a prescribed share by virtue of Income Tax Regulation 6204, the employee is eligible for an income tax deduction of ½ of the amount of the section 7(1) benefit under section 110(1)(d)(i) of the ITA in the same year as the benefit is included in income. If the employee chooses to hold onto the stock, as the exercise of the option under the ISO meets the definition of a qualifying acquisition under section 7(9), the employee can elect under section 7(8) to defer the recognition of the employee benefit, up to a value of $100,000, until such time as the shares are sold. This election must be made by the employee by January 16 of the year following the year of option exercise to provide enough notice to Enbridge Gas Distribution, so that the benefit is not included in the employee's T4 for the effected taxation year.

   iv. Sale of the shares purchased under option
   By virtue of section 53(1)(j) of the ITA , the value of the section 7(1) employee benefit is added to the employee's adjusted cost base for the common shares acquired, along with the exercise price paid for the shares. In the year the shares are sold, the employee will either report a capital gain or capital loss on their income tax return, dependent upon the sale price of the share relative to weighted average adjusted cost base of the share. If the employee has elected to defer the employee benefit associated with the original exercise of the ISO, the employee benefit becomes taxable in the year of the sale.

Witnesses: K. Culbert
N. Kishinchandani
M. Weil

v. Termination of a vested option
No tax impact on employee results, if options are not exercised.

vi. Termination of an unvested option
No tax impact on employee

f.

i. Initial grant of option
No tax impact on Enbridge Gas Distribution

ii. Vesting
No tax impact on Enbridge Gas Distribution

iii. Exercise of the option
No tax impact on Enbridge Gas Distribution

iv. Sale of the shares purchased under option
No tax impact on Enbridge Gas Distribution

v. Termination of a vested option
No tax impact on Enbridge Gas Distribution

vi. Termination of an unvested option
No tax impact on Enbridge Gas Distribution

g. The table shown below provides a breakdown of the 2009 RCAM SBC costs by grant year.

2009 RCAM SBC *($ millions)*	Year of Grant				
	2009	**2008**	**2007**	**2006**	**Total**
ISOs	1.0	0.1	0.3	0.2	1.6
RSUs	0.8	0.6	0.9	-	2.3
PSUs	0.1	0.1	0.2	-	0.4
	1.9	**0.8**	**1.4**	**0.2**	**4.3**

SBC amounts on the financial statements of Enbridge Inc. do not lend themselves to comparison with the RCAM amounts for reasons noted in Board Staff Interrogatory #12 at Exhibit I, Tab 1, Schedule 12.

Witnesses: K. Culbert
N. Kishinchandani
M. Weil

SEC INTERROGATORY #10

INTERROGATORY

Reference B/6/1

With respect to Restricted Stock Units ("RSUs"):

a. Please confirm that the value of each individual grant is first established at the time of the grant, but is subsequently adjusted each year. Please provide the formula used to calculate the amount expensed each month or each year. Please confirm that no payment obligation arises until 35 months from the date of grant.

b. Please describe what impact the termination of an RSU (including as a result of the employee ceasing to be employed by the Enbridge group) has on the stock-based compensation for the year.

c. Please describe what adjustments, if any, are made to stock-based compensation at the time an RSU is paid. If the impact of those adjustments for accounting and regulatory purposes is different, please describe that difference.

d. Please describe what adjustments, if any, are made to stock-based compensation relating to RSUs as a result of changes in the stock price of Enbridge Inc. prior to maturity of the RSU.

e. Please describe any other adjustments to the amount of stock-based compensation for regulatory purposes relating to RSUs, other than those described above.

f. Please describe how the Income Tax Act, whether in section 7 or otherwise, recognizes RSUs for the purpose of taxing the recipient employee, disaggregating your answer into consequences at the time of:

   i. Initial grant;
   ii. Accrual of accounting liability periodically prior to payment;
   iii. Accrual of the impact of changes in the stock price prior to payment;

Witnesses: K. Culbert
N. Kishinchandani
M. Weil

iv. Payment of the RSU;
v. Termination of an RSU.

g. Please describe the extent to which the Income Tax Act recognizes RSUs as a deduction in computing taxable income by Enbridge, Inc. and/or the employer company, such as Enbridge Gas Distribution, again disaggregating your answer into consequences at the five different times listed above.

h. Please show the full calculation of stock-based compensation through RSUs for 2009 included in the financial statements of Enbridge Inc., the allocation of that amount for CAM purposes, and the adjustments to reduce that amount for RCAM purposes. Please provide aggregated information, not individual grant information. Please show separately the SBC arising out of direct allocations (i.e. for EGD employees) and the SBC arising out of EI and other employees whose compensation is allocated in whole or in part to the Applicant. Please include a breakdown of the RSU SBC arising out of grants in each relevant year, i.e. 2007, 2008, and 2009, and 2006 to the extent applicable, and show any adjustments as discussed above.

<u>Response</u>:

a. The basis of recognition and measurement of SBC is in alignment with the requirements of the CICA handbook.

The value of each grant is established at the time of grant and is expressed on a per unit basis for the number of units issued. No payment obligation arises until maturity, 35 months after the date of grant. The units vest on maturity.

The expense for these grants occurs over the vesting period and is adjusted quarterly as the units are Marked to Market (“MTM”). The calculation is based on the end of period share price multiplied by the number of units outstanding. The number of units outstanding may change each quarter due to any cancellations/forfeitures, and due to the addition of units representing notional dividends.

Witnesses: K. Culbert
N. Kishinchandani
M. Weil

b. The number of units outstanding is updated on a quarterly basis and takes into account any cancellations or forfeitures. This factor, in isolation reduces the overall stock-based compensation expense related to RSUs for purposes of CAM, other things being equal.

c. Upon maturity, no special adjustments are made to RSU costs for accounting purposes, other than the MTM adjustment based on the final share price for the outstanding RSU units. The cumulative expense accrued typically equals the total amount due to be paid out.

   For regulatory purposes, on maturity, no adjustments are made.

d. Expense, for accounting purpose, is adjusted quarterly based on the share price at the end of each period. The regulatory treatment is described in part e below.

e. Expense, for regulatory purpose, is not adjusted quarterly for share price changes or for cancellations / forfeitures. Instead, RCAM SBC amounts are determined annually on a lagged basis.

f. The purpose of the Enbridge Inc's Restricted Stock Unit Plan (2006) is to assist in attracting and retaining select employees, while providing a competitive total compensation for such employees. The plan does not involve the selling or issuing of Enbridge Stock nor of its affiliate, Enbridge Gas Distribution.

   i. Initial grant of RSU
      No tax impact on employee

   ii. Accrual of accounting liability periodically prior to payment.
      No tax impact on employee

   iii. Accrual of the impact of changes in the stock price prior to payment.
      No tax impact on employee

   iv. Payment of the RSU.
      The RSU plan does not meet the requirement for stock option treatment under Section 7 of the Income Tax Act ("ITA"). Payments received under the plan represent a benefit received by the employee by virtue of his or her employment and therefore are taxable when received by the employee by virtue of section 6 (1) (a) of the ITA.

Witnesses: K. Culbert
N. Kishinchandani
M. Weil

v. Termination of an RSU
Any unpaid and matured RSU would be paid to the employee and is taxable under Section 6 (1) (a) of the ITA when received. Any unmatured RSU would be cancelled with no tax consequences to the employee.

g.

i. Initial grant of RSU.
No tax impact on Enbridge Gas Distribution

ii. Accrual of accounting liability periodically prior to payment;
For tax purposes, Enbridge Gas Distribution deducts the accrued expense for RSU on the same basis as accounting, as it physically pays Enbridge Inc for such benefits accrued for its employees. These costs represent part of Enbridge Gas Distributions' competitive compensation package used to attract and retain employees and promote its long term success. Such payments are deductable for Enbridge Gas Distribution under the following sections of the ITA:

- Section 18(1)(a) – payment is made for the purpose of gaining income from a business as it helps retain employees who perform services to gain business income;
- Section 67 – payment is not unreasonable as it is based on competitive compensation rates; and
- Section 18(1) (b) – payment is not made on account of capital.

iii. Accrual of the impact of changes in the stock price prior to payment;
Any change is reflected in the charge which Enbridge Gas Distribution pays to Enbridge Inc.

i. Payment of the RSU;
No tax impact on Enbridge Gas Distribution.

ii. Termination of an RSU
No tax impact on Enbridge Gas Distribution.

h. The table shown below provides a breakdown of the 2009 RCAM SBC costs by grant year.

2009 RCAM SBC
($ millions)

	Year of Grant				
	2009	**2008**	**2007**	**2006**	**Total**
ISOs	1.0	0.1	0.3	0.2	1.6
RSUs	0.8	0.6	0.9	-	2.3
PSUs	0.1	0.1	0.2	-	0.4
	1.9	**0.8**	**1.4**	**0.2**	**4.3**

SBC amounts on the financial statements of Enbridge Inc. do not lend themselves to comparison with the RCAM amounts for reasons noted in Board Staff Interrogatory #12 at Exhibit I, Tab 1, Schedule 12.

Witnesses: K. Culbert
N. Kishinchandani
M. Weil

SEC INTERROGATORY #11

INTERROGATORY

Reference B/6/1

With respect to Performance Stock Units ("PSUs"):

a. Please confirm that the value of each individual grant is first established at the time of the grant, but is subsequently adjusted each year. Please provide the formula used to calculate the amount expensed each month or each year. Please confirm that no payment obligation arises until three years from the date of grant.

b. Please describe what impact the termination of a PSU (including as a result of the employee ceasing to be employed by the Enbridge group) has on the stock-based compensation for the year.

c. Please describe what adjustments, if any, are made to stock-based compensation at the time a PSU is paid. If the impact of those adjustments for accounting and regulatory purposes is different, please describe that difference.

d. Please describe what adjustments, if any, are made to stock-based compensation relating to PSUs as a result of changes in the stock price of Enbridge Inc. prior to maturity of the PSU.

e. Please describe any other adjustments to the amount of stock-based compensation for regulatory purposes relating to PSUs, other than those described above.

f. Please provide a copy of the performance criteria applicable to PSUs, and divide those criteria by impact between those primarily benefiting the shareholder and those primarily benefiting the ratepayers.

g. Please describe how the Income Tax Act, whether in section 7 or otherwise, recognizes PSUs for the purpose of taxing the recipient employee, disaggregating your answer into consequences at the time of:

Witnesses: K. Culbert
N. Kishinchandani
M. Weil

i. Initial grant;
ii. Accrual of accounting liability periodically prior to payment;
iii. Accrual of the impact of changes in the stock price prior to payment;
iv. Payment of the PSU;
v. Termination of a PSU.

h. Please describe the extent to which the Income Tax Act recognizes PSUs as a deduction in computing taxable income by Enbridge, Inc. and/or the employer company, such as Enbridge Gas Distribution, again disaggregating your answer into consequences at the five different times listed above.

i. Please show the full calculation of stock-based compensation through PSUs for 2009 included in the financial statements of Enbridge Inc., the allocation of that amount for CAM purposes, and the adjustments to reduce that amount for RCAM purposes. Please provide aggregated information, not individual grant information. Please show separately the SBC arising out of direct allocations (i.e. for EGD employees) and the SBC arising out of EI and other employees whose compensation is allocated in whole or in part to the Applicant. Please include a breakdown of the PSU SBC arising out of grants in each relevant year, i.e. 2007, 2008, and 2009, and 2006 to the extent applicable, and show any adjustments as discussed above.

Response

a. The basis of recognition and measurement of SBC is in alignment with the requirements of the CICA handbook.

The value of each grant is established at the time of grant and is expressed on a per unit basis for the number of units issued. No payment obligation arises until maturity, three years after the date of grant. The units vest on maturity.

The expense for these grants occurs over the vesting period and is adjusted quarterly as the units are Marked to Market (“MTM”). This quarterly adjustment also takes into account any change in the performance multiplier. The calculation is based on the end of period share price multiplied by the number of units outstanding, which is then multiplied by the value of the performance multiplier

Witnesses: K. Culbert
N. Kishinchandani
M. Weil

(maximum of 2.0). The number of units outstanding may change each quarter due to any cancellations / forfeitures, and due to the additions of units representing notional dividends.

b. The number of units outstanding is updated on a quarterly basis and takes into account any cancellations or forfeitures. This factor, in isolation, reduces the overall stock-based compensation expense related to PSUs for purposes of CAM, other things being equal.

c. Upon maturity, for accounting purposes, the final share price and performance multiplier are calculated and used to determine the total stock-based compensation expense for the outstanding PSU units. The cumulative expense accrued typically equals the total amount due to be paid out.

   For regulatory purposes, on maturity, no adjustments are made.

d. Expense, for accounting purpose, is adjusted quarterly based on the share price and performance multiplier at the end of each period. The regulatory treatment is described in part e below.

e. Expense, for regulatory purpose, is not adjusted quarterly for share price changes, cancellations / forfeitures or performance multiplier data. Instead, RCAM SBC amounts are determined annually on a lagged basis.

f. <u>Performance Unit Plan</u>
   The performance unit plan is a three-year phantom stock plan which is used to focus the executives and align their interests with shareholders over the medium-term. The value of the units fluctuates with the price of Enbridge common shares ("Enbridge Shares"). Performance measures and targets are established at the start of the term to reflect Enbridge's mid-term objectives in the execution of the strategic plan. Achievement of the performance targets can decrease or increase the final award value in a range of 0 to 200%. Performance units do not involve the issuance of any Enbridge Shares. Awards are granted annually and paid in cash at the end of the three-year term.

   <u>2009 Performance Unit Grant</u>
   For 2009, two performance criteria, each weighted 50%, were established for the grant: Enbridge's earnings per share and price-to-earnings ratio.

   The earnings per share criteria reflect Enbridge's commitment to achieve earnings that meet or exceed industry growth rates. The target was established to reflect performance that would be consistent with the average growth rate forecasted of peer companies over a comparable time period. The earnings per share required to achieve a two multiplier (the maximum) would demonstrate achievement of the long-range strategic plan and a growth rate that is 50% or more than the forecast average of peer companies. Performance must at least meet 3% compound annual growth in earnings per share for a threshold payment, below which the multiplier would be zero.

The second performance criterion is Enbridge's price-to-earnings ratio relative to a selected comparator group of companies. Enbridge's price-to-earnings performance has historically been very strong, therefore performance below the median of the peer group results in a multiplier of zero, performance between the median and 75th percentile results in a multiplier of one and performance above the 75th percentile results in a multiplier of two. The following table presents the comparator group for the price-to-earnings ratio.

Oneok Inc.	TransCanada Corporation
Sempra Energy	Spectra Energy Corp.
PG&E Corp.	TransAlta Corp.
Centerpoint Energy Inc.	National Fuels Gas Corp.
Nisource Inc.	Canadian Utilities
Ameren Corp.	Fortis Inc.
OGE Energy Corp.	Emera Inc.

Financial metrics, such as EPS and P/E Ratios, are lagging indicators which are typically used to gauge the overall effectiveness the Company's current work processes and other initiatives undertaken to enhance the long-term performance of the Company.

A well managed Company benefits all stakeholders, including ratepayers and shareholders.

g. The purpose of the Enbridge Inc.'s Performance Stock Unit Plan (2007) is to assist in attracting and retaining senior executives, while providing a competitive total compensation package for such employees. The plan does not involve the selling or issuing of Enbridge Stock nor of its affiliate, Enbridge Gas Distribution.

   i. Initial grant of PSU.
      No tax impact on employee.

Witnesses: K. Culbert
N. Kishinchandani
M. Weil

ii. Accrual of accounting liability periodically prior to payment.
No impact on employee.

iii. Accrual of the impact of changes in the stock price prior to payment.
No tax impact on employee.

iv. Payment of the PSU.
The PSU plan does not meet the requirement for stock option treatment under Section 7 of the Income Tax Act (“ITA”). Payments received under the plan represent a benefit received by the employee by virtue of his or her employment and therefore are taxable when received by the employee by virtue of section 6(1)(a) of the ITA.

v. Termination of an PSU
Any unpaid and matured PSU would be paid to the employee and is taxable under Section 6(1)(a) of the ITA when received. Any unmatured PSU would be cancelled with no tax consequences to the employee.

h.

i. Initial grant of PSU.
No tax impact on Enbridge Gas Distribution.

ii. Accrual of accounting liability periodically prior to payment;
For tax purposes, Enbridge Gas Distribution deducts the accrued expense for PSU on the same basis as accounting, as it physically pays Enbridge Inc. for such benefits accrued for its senior executives. These costs represent part of Enbridge Gas Distributions’ competitive compensation package used to attract and retain such senior executives and promote its long term success. Such payments are deductible for Enbridge Gas Distribution under the following sections of the ITA:

- Section 18(1)(a) – payment is made for the purpose of gaining income from a business as it helps retain senior executive who provide the strategic direction of the company in gaining such business income;
- Section 67 – payment is not unreasonable as it is based on competitive compensation rates; and
- Section 18(1)(b) – payment is not made on account of capital.

iii. Accrual of the impact of changes in the stock price prior to payment;
Any change is reflected in the charge which Enbridge Gas Distribution pays to Enbridge Inc.

Witnesses: K. Culbert
N. Kishinchandani
M. Weil

iv. Payment of the PSU;
No tax impact on Enbridge Gas Distribution.

v. Termination of an PSU
No tax impact Enbridge Gas Distribution.

i. The table shown below provides a breakdown of the 2009 RCAM SBC costs by grant year.

2009 RCAM SBC ***($ millions)***	**Year of Grant**				
	2009	**2008**	**2007**	**2006**	**Total**
ISOs	1.0	0.1	0.3	0.2	1.6
RSUs	0.8	0.6	0.9	-	2.3
PSUs	0.1	0.1	0.2	-	0.4
	1.9	**0.8**	**1.4**	**0.2**	**4.3**

SBC amounts on the financial statements of Enbridge Inc. do not lend themselves to comparison with the RCAM amounts for reasons noted in Board Staff Interrogatory #12 at Exhibit I, Tab 1, Schedule 12.

Witnesses: K. Culbert
N. Kishinchandani
M. Weil

SEC INTERROGATORY #12

INTERROGATORY

Reference B/6/1

Please confirm the year in which the Applicant first started including stock-based compensation in OM&A and thus revenue requirement for regulatory purposes. Please advise what regulatory accounting treatment was used for this expense prior to that time.

RESPONSE

Please see the response to VECC Interrogatory #14 at Exhibit I, Tab 4, Schedule 14.

Witnesses: K. Culbert
N. Kishinchandani
M. Weil