ENERGY PROBE INTERROGATORY #3

INTERROGATORY

E – Cost of Capital
Issue E2: Is the proposed change in capital structure increasing Enbridge's deemed common equity component from 36% to 42% appropriate?

Ref: Exhibit M1, Tab 1, Schedule 5

a) If the Board determined that the equity ratio should be maintained at 36%, what other changes to the capital structure would EGD propose? In particular, what long term and short term debt components would be proposed by EGD?

b) If the long term debt component of the capital structure would be increased, please provide a forecast of the incremental long-term debt that would be issued in 2012 and/or 2013 and provide the forecast rate for this incremental debt and show the forecast of the total cost of the long term debt in the 2013 test year.

c) Please provide a version of the deficiency calculation showing the deficiency if the common equity component remained at 36% and the other components of the capital structure were adjusted to reflect the changes noted above.

RESPONSE

a) The required timing of the initial response to this interrogatory, on 2012-08-03, did not permit a reasonable opportunity for the Company to review what it would likely need to do to meet its capital needs, including determining any required incremental long term debt issuances, should the Board determine that the deemed equity ratio should be maintained at 36%. Having had an opportunity to consider the potential consequences of the circumstances as presented in the part a) question, the Company has determined that it would look to issue a $400 million of debt in August 2013 at the forecast long term debt rate of approximately 4.10% which was provided in response to interrogatory Issue E1, Schedule 7.1. If the Board were to determine that the deemed equity ratio should be some other percentage, the forecast required debt issue noted above would need to be revised to take into consideration the capital availability consequences of that deemed equity ratio decision.

Witnesses: K. Culbert
M. Lister
D. Yaworsky

b) Please see the response to part a) above.

c) Upon applying an approximate debt cost rate of 4.10% which is a general assumption noted in the updated response to part a) above, the version of the deficiency calculation impact requested information is provided below.

UTILITY CAPITAL STRUCTURE
2013 TEST YEAR

Line No.		Col. 1 Principal Excl. CC/CIS ($Millions)	Col. 2 Component %	Col. 3 Cost Rate %	Col. 4 Return Component %
1.	Long and Medium-Term Debt	2,461.9	59.99	5.80	3.479
2.	Short-Term Debt	64.4	1.57	3.70	0.058
3.		2,526.3	61.56		3.537
4.	Preference Shares	100.0	2.44	4.16	0.102
5.	Common Equity	1,477.3	36.00	9.03	3.251
6.		4,103.6	100.00		6.890
7.	Rate Base	($Millions)			4,103.6
8.	Utility Income	($Millions)			237.9
9.	Indicated Rate of Return				5.797
10.	Deficiency in Rate of Return				(1.093)
11.	Net Deficiency	($Millions)			(44.9)
12.	Gross Deficiency	($Millions)	(other than CC - CIS)		(61.1)
13.	Customer Care/CIS Deficiency	($Millions)	($110.2 vs $99.2)		(11.0)
14.	Total Gross Revenue Deficiency	($Millions)			(72.1)
15.	Revenue at Existing Rates	($Millions)			2,319.6
16.	Revenue Requirement	($Millions)			2,391.7
17.	Gross Revenue Deficiency	($Millions)			(72.1)

Witnesses: K. Culbert
M. Lister
D. Yaworsky