VECC INTERROGATORY #1

INTERROGATORY

E - Cost of Capital
Issue E1: Is the forecast of the cost of debt for the Test Year, including the mix of short and long term debt and preference shares, and the rates and calculation methodologies for each, appropriate?

Reference: Exhibit E1 Tab 2 Schedule 1 Page 5

a) Please provide the Government of Canada bond rates and the company specific spreads used to derive the debt rates shown in paragraph 21.

b) Please update the table in paragraph 21 to reflect the most recent forecasts available for 2012 and 2013.

c) Please show/discuss the influence of the change on equity thickness on the 2013 LT debt rate forecast.

RESPONSE

a) Please see the table below (the 2013 figures are updated):

	2011	2012	2013
Forecasted 10-Year Government of Canada Bond Rate	3.30%	3.80%	4.20%
Forecasted 10-Year New Issuance Spread for EGDI	1.05%	1.00%	1.00%
Forecasted Long Term Debt Rate	4.35%	4.80%	5.20%

b) Please see the table below (updated):

	2012	2013
Forecasted 10-Year Government of Canada Bond Rate	2.40%	3.00%
Forecasted 10-Year New Issuance Spread for EGDI	1.10%	1.10%
Forecasted Long Term Debt Rate	3.50%	4.10%

Witness: D. Yaworsky

c) It is Enbridge's position that the deemed common equity component should increase from 36% to 42%. The increased deemed equity level will be viewed positively by the rating agencies and Canadian debt capital market participants. Directionally, an increase could result in a modest reduction to Enbridge's long term debt costs versus the current 2013 long term debt cost forecast.