

Yesterday in your conversation with Mr. Shepherd, you indicated that of the 300 million, 130 million of the difference between your plan and the Union plan arose as a result of your treatment of ROE; did I get that correct?

MR. CULBERT: Yes. My conversation was obviously within the context of a view of what Union's model would produce as a revenue stream.

Regardless of that view, our application includes within it an amount of revenue requirement of \$130 million as a result of forecast ROE changes. That's correct.

MR. JANIGAN: And that would not be present in the Union -- using the Union model; is that what -- was that what you said?

[Witness panel confers]

MR. CULBERT: Yes. That is sort of my point. Union's model doesn't operate off of projections of any costs, as we all know. Its revenue stream is decoupled from costs.

So I couldn't tell you what is or is not resident inside of Union's I-X. As Mr. Fischer mentioned yesterday, one could assume that the ROE that is embedded in their base rates is being inflated by the I-X element of their application.

So they're kind of apples and oranges.

MR. JANIGAN: But that 130 million is above whatever inflation is in --

MR. CULBERT: Like I said, the \$130 million, I couldn't say what that amount would be relative to an I-X solution, because Union's model isn't calculating ROE as part of its -- its increases in allowed revenues.

But one could assume that their ROE, if it is at 893 like ours is in base rates, that it is really going up in terms of what the escalator amounts are. If they're getting -- I don't know what the number is. If they're getting 150- to \$200 million of increases in revenues over the term, one could assume that the ROE is being inflated to some degree relative to some rate base, but I don't know what that is.

MR. LISTER: It would very much depend on what Union's rate base is, what their spending plans are, as Mr. Culbert has just indicated.

The 130 may not be transferable to both utilities.

MR. CULBERT: The 130 is relative to our forecast rate base and equity levels and changes in ROE versus the 2013 Board-approved rate of return.

MR. JANIGAN: Thank you very much.

BOARD STAFF INTERROGATORY #55

INTERROGATORY

ISSUE: B18b: Is the rate base for each of 2014, 2015 and 2016 appropriate, including:

b. the forecast level of Capital expenditures;

Evidence Ref: B2/T1/S1/ Table 1 Summary of Capital Expenditures

- a) Please indicate which capital projects are 100% required versus any that are discretionary.
- b) What percentage of the total capital budget amount is discretionary? Can any amounts be deferred 1,2,3 or more years?
- c) If so, please identify these amounts and discuss the implications.

RESPONSE

- a) All projects are required. There are no discretionary projects contained within the Capital Budget. Through the budgeting process, the capital budget reflects changes and prioritizing that results in a final list that is made of only the necessary projects.
- b) The Capital Budget contains projects that represent the activities necessary for the period of 2014 to 2018. By proposing its Capital Budget in the level of detail it has done, the Company has outlined the non-discretionary work plan. The Company is accepting the risk of having to manage to the requested Capital Budget envelope given the likelihood that additional expenditures will be necessary for each of the years 2014 to 2018. As described in Table 8 of the Capital Overview Exhibit B2, Tab 1, Schedule 1, page 33, the Company has not included in its budget any amounts for potential "variable" or uncertain costs that may arise through the 2014 to 2018 period.

The table on the following page shows the details of the "variable" costs in the final budget (Review 5).

Witnesses: S. Kancharla  
L. Lawler  
B. Misra  
J. Sanders

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Listing of Variable or Uncertain Projects/programs Excluded from the Final Capital					
(\$Ks)					
EXH REF	EXHIBIT DESCRIPTION	V2014	V2015	V2016	Sum 14-16
B2-3-1	Sombra Redundancy	2,000		17,850	19,850
B2-5-2-1	Plastic Mains (Incl Services) Study	-	11,143	10,925	22,068
B2-5-2-2	COMPR COUPLING PRGM		1,061	1,041	2,102
B2-5-2-3	LOAD SHED PLANNING		1,194	1,170	2,364
B2-5-2-4	MOP VERIFICATION	5,304	4,881	4,786	14,971
B2-5-2-5	ILI AND ASSESSMENT PRGM	6,200	6,450	6,324	18,974
B2-5-2-7	MAINS REPL LT \$2M		467	458	925
B2-5-3-2	AMP FITTING REPL	-	13,814	13,694	27,508
B2-5-3-3	Failure of Bonnet Bolts on Valves Study		212		212
B2-5-3-5	SVC REPL LT \$2M	2,254	5,147	5,254	12,655
B2-5-4-3	COMM IND LOW PRESSURE REG STN	1,530	2,387	2,341	6,258
B2-5-4-5	STN REPL LT \$2M		3,979	3,901	7,880
B2-5-6	Load Research Prgm	548	572	560	1,680
B2-6-1	STORAGE OVERVIEW	275	25	375	675
B2-6-1	MCC#1 Generator and Boiler	500			500
B2-6-1	meter boxes	179	186	182	547
B2-6-1	Misc Structures	50	100	100	250
B2-6-1	Engine Compressor Analyzer Automatic	50	50	50	150
B2-6-1	Misc. Wells	50	125	125	300
B2-6-1	Misc Field Lines	50	50	50	150
B2-6-1	Misc. Meas and Reg	50	200	100	350
B2-6-1	Roads	50	50	50	150
B2-6-1	Crowland Plant Automation	20	20	20	60
B2-6-1	SCADA Upgrade and Automation	20	20	20	60
B2-6-1	Farm Purchase (C of A)		100		100
B2-6-1	DSA Boundary changes (purchase leases)			750	750
B2-6-1	Horizontal Well replacement program		5,000		5,000
B2-6-1	High Deliverability Well Erosion		35		35
B2-6-1	Plant Roadways and Culverts		50		50
B2-6-1	Replacement Lines to Horizontal Wells		500		500
B2-6-1-3	WELL INTEGRITY PRGM			400	400
B2-7-1	BUS DEV & CUST STRATEGY	2,612	2,612	2,612	7,836
B2-8-1-7	IT PROJ LT \$2M	900	100	300	1,300
B2-9-1	FAC/GENL PL OVERVIEW	2,500	2,500	2,500	7,500
Grand Total		25,142	63,030	75,938	164,110

c) There are none.

Witnesses: S. Kancharla  
L. Lawler  
B. Misra  
J. Sanders

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SEC INTERROGATORY #99

INTERROGATORY

Issue B18: Is the rate base for each of 2014, 2015 and 2016 appropriate, including:

- a. Opening rate base;
- b. Forecast level of Capital expenditures;
- c. Forecast Customer additions;
- d. Proposed Capital additions;
- e. Allocation of the cost and use of capital assets between utility and nonutility (unregulated) operations;
- f. Working capital allowance; and
- g. All other components of and adjustments to rate base

[B2/8/1, Attach 1, p. 2] Please confirm that the Applicant did not spend money on CIS upgrades during IRM, but proposes to start upgrades once back on cost of service.

RESPONSE

The Company can confirm that it did not spend money on CIS upgrades during the 2008 through 2012 IRM period. Enbridge's CIS was put in Service in Q3 of 2009 and during the remainder of the first Incentive Regulation period Enbridge was involved in the stabilization of the CIS technology and related business processes. The Stabilization period prevented Enbridge from performing upgrades during the first 3 years. While the SAP software itself has not yet been upgraded Enbridge has implemented over 3,000 changes to its CIS at a total cost of \$13.4 Million since it was implemented in 2009. These changes have increased the usability of the system and addressed new requirements such as the Board's Customer Service Rules.

The Company completed the first phase of the CIS upgrade project in 2013 which entailed the replacement of the CIS hardware platform at a cost of \$3.5 Million. Further, as noted in the September 2, 2011 Customer Care/CIS Settlement Agreement (EB-2011-0226); there was a clear expectation that CIS upgrades would be required over the term of the Company's next IR period. The parties to the Settlement Agreement acknowledged that as the system aged enhancements to it would be required. Therefore the Settlement Agreement specified that a \$50 Million threshold

Witnesses: T. Adesipo  
S. McGill  
B. Misra

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with respect to such costs would need to be exceeded before the Company would be required to seek further approvals for spending with respect to its CIS over the course of the period ending in 2018.

To maintain the CIS system at a current SAP version, Enbridge will be moving to a two year upgrade cycle as was contemplated during the software implementation during this next IR term. In preparation for this ongoing upgrade cycle, work commenced in 2013 to build an extensive set of testing scripts to cover all areas of the CIS system which will be available for future upgrades. In conjunction with this the SAP software has already been upgraded in the first of EGD's test environments to enable training and impact analysis work related to the software upgrade to be completed in 2013. This initial work was foundational for the complete CIS Software upgrade project to be executed in 2014.

Witnesses: T. Adesipo  
S. McGill  
B. Misra

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SEC INTERROGATORY #41

INTERROGATORY

Issue A9: Are the cost of capital parameters for 2014 to 2018 (ROE, debt rates) within Enbridge's Customized IR plan appropriate?

[A2/5/1, p. 2] Please explain why the Applicant is planning to reduce its reliance on lower cost short-term debt, and increase its reliance on higher cost long term debt, in the years 2015 and 2016.

RESPONSE

Enbridge's use of short term debt during the IR term is in line with historic levels (2004 to 2012 average = 4.1% of Rate Base, range 0.2% to 11.5% of Rate Base). Enbridge's use of short term debt as well as long term debt and preferred shares during the IR term have been developed according to the pace of required capital spending and the timing for cash flow needs, while maintaining prudent financing flexibility.

ENERGY PROBE INTERROGATORY #25

INTERROGATORY

Ref: Exhibit C1, Tab 2, Schedule 1, Appendix B & Exhibit A2, Tab 3, Schedule 1

Paragraph 1 in Exhibit C1, Tab 2, Schedule 1, Appendix B refers to the "preliminary" customer forecast for 2015 and 2016. Paragraph 18 in Exhibit A2, Tab 3, Schedule 1 discusses the streamlining of the volumetric forecast by approving the customer additions within this proceeding for 2014 through 2016.

Is EGD proposing the Board approve customer additions for 2015 and 2016 in this proceeding, or that the customer additions for 2015 and 2016 would be approved on a preliminary basis and replaced with more current forecasts as part of the annual filing process for 2015 and 2016 rates?

RESPONSE

Enbridge is seeking approval for customer additions for 2015 to 2018 in this proceeding as explained within updated evidence. The approved customer additions for 2015 through 2018, will be used as inputs to update the 2015 through 2018 customer forecasts. The Company will provide updated forecast volumes based on the updated forecasts of customer unlocks budget and latest economic assumptions as part the annual Rate Adjustment process to derive the final rates for 2015 through 2018.

Witnesses: R. Cheung  
K. Culbert  
R. Fischer  
A. Kacicnik  
M. Lister  
S. Qian

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SEC INTERROGATORY #43

INTERROGATORY

Issue A9: Are the cost of capital parameters for 2014 to 2018 (ROE, debt rates) within Enbridge's Customized IR plan appropriate?

[A2/5/1, p. 3] Please provide a calculation showing the Allowed Revenue for each of 2014, 2015 and 2016 on the assumption that the cost of capital and ratios of capital components are identical to those approved by the Board in EB-2011-0354. Please provide the calculation of the cost of capital for each of 2014 through 2016 using that basis.

RESPONSE

The following table calculates 2014 to 2018 Allowed Revenues, in a format comparable to those shown in Exhibits F3, F4, F5, F6, & F7, Tab 1, Schedule 1, page 2, Column 4, assuming that in each year the cost of capital cost rates and component ratios are equivalent to amounts approved for 2013 in EB-2011-0354. The result of maintaining fixed cost rates and component ratios is a fixed overall required rate of return % equivalent to 2013.

While the Company is able to perform these scenarios for interrogatory response purposes, it would not be able to actually maintain a fixed overall required rate of return for 2014 to 2018. As the Company's financing requirements grow, it would not be practical to assume it would be able to issue debt or preferred shares at fixed rates, or in increments which would be required to maintain a constant overall required rate of return.

Witness: K. Culbert

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2014 - 2018 ALLOWED REVENUE AMOUNTS

Line No.	Col. 1 2014 EGD Total	Col. 2 2015 EGD Total	Col. 3 2016 EGD Total	Col. 4 2017 EGD Total	Col. 5 2018 EGD Total
	(\$Millions)	(\$Millions)	(\$Millions)	(\$Millions)	(\$Millions)
<b>Cost of Capital</b>					
1. Rate base	4,431.6	4,797.6	5,524.4	5,736.6	5,906.1
2. Required rate of return	6.81%	6.81%	6.81%	6.81%	6.81%
3.	301.6	326.5	376.1	390.6	402.2
<b>Cost of Service</b>					
4. Gas costs	1,455.9	1,606.8	1,632.5	1,632.5	1,632.5
5. Operation and maintenance	425.3	428.5	439.5	450.5	461.8
6. Depreciation and amortization	262.8	276.6	303.9	313.4	322.1
7. Fixed financing costs	1.9	1.9	1.9	1.9	1.9
8. Municipal and other taxes	41.2	43.1	45.5	47.9	50.4
9.	2,187.1	2,356.9	2,423.3	2,446.2	2,468.7
<b>Miscellaneous operating rev. &amp; income</b>					
10. Other operating revenue	(40.5)	(40.9)	(41.2)	(41.2)	(41.2)
11. Other income	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)
12.	(40.6)	(41.0)	(41.3)	(41.3)	(41.3)
<b>Income taxes on earnings</b>					
13. Excluding tax shield	73.0	56.3	52.9	58.8	67.9
14. Tax shield provided by interest expense	(41.5)	(44.9)	(51.6)	(53.5)	(55.1)
15.	31.5	11.4	1.3	5.3	12.8
<b>Taxes on sufficiency / (deficiency)</b>					
16. Gross sufficiency / (deficiency) - with CIS/CC	34.4	(11.7)	(86.5)	(125.4)	(164.5)
17. Net sufficiency / (deficiency) - with CIS/CC	25.3	(8.6)	(63.5)	(92.2)	(120.9)
18.	(9.1)	3.1	22.9	33.2	43.6
19. Sub-total Allowed Revenue	2,470.5	2,656.9	2,782.3	2,834.0	2,886.0
20. Customer Care Rate Smoothing Var. Adj.	(2.9)	(1.1)	0.8	2.9	5.0
21. <b>Allowed Revenue</b>	<u>2,467.6</u>	<u>2,655.8</u>	<u>2,783.1</u>	<u>2,836.9</u>	<u>2,891.0</u>
<b>Revenue at existing Rates</b>					
22. Gas sales	2,253.5	2,404.3	2,464.5	2,480.3	2,496.2
23. Transportation service	242.8	229.6	217.1	211.1	205.0
24. Transmission, compression and storage	1.8	1.8	1.8	1.8	1.8
25. Rounding adjustment	-	(0.1)	(0.1)	(0.1)	(0.1)
26. Total	<u>2,498.1</u>	<u>2,635.6</u>	<u>2,683.3</u>	<u>2,693.1</u>	<u>2,702.9</u>
27. <b>Gross revenue sufficiency / (deficiency)</b>	<u>30.5</u>	<u>(20.2)</u>	<u>(99.8)</u>	<u>(143.8)</u>	<u>(188.1)</u>

Witness: K. Culbert

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SEC INTERROGATORY #86

INTERROGATORY

Issue B18: Is the rate base for each of 2014, 2015 and 2016 appropriate, including:

- a. Opening rate base;
- b. Forecast level of Capital expenditures;
- c. Forecast Customer additions;
- d. Proposed Capital additions;
- e. Allocation of the cost and use of capital assets between utility and nonutility (unregulated) operations;
- f. Working capital allowance; and
- g. All other components of and adjustments to rate base

[B2/1/1, p. 4] Please expand Table 2 to add columns for 2007 through 2012 actual, and 2013 forecast (9+3 or 10+2).

RESPONSE

Please see the table on the following page which includes a 9+3 forecast for 2013.

Witnesses: J. Sanders  
P. Squires



COMPARISON OF CAPITAL EXPENDITURES  
2007 THROUGH 2012 ACTUAL AND 2016 FORECAST  
(\$'M)

	Col. 1	Col. 2	Col. 3	Col. 4	Col. 5	Col. 6	Col. 7	Col. 8	Col. 9	Col.10	Col. 11
	Actual 2007	Actual 2008	Actual 2009	Actual 2010	Actual 2011	Actual 2012	Forecast 2013	Budget 2013	Forecast 2014	Forecast 2015	Forecast 2016
<u>Customer Related</u>											
Sales Mains **	83.9	60.6	48.2	46.7	72.1	65.3	61.7	44.6	39.6	42.1	49.1
Services	40.9	49.3	48.7	52.6	55.9	71.8	70.0	68.1	69.0	73.7	76.3
Meters and Regulation	11.4	9.7	11.9	8.3	7.6	14.7	11.6	10.3	10.4	11.0	11.7
Customer Related Distribution Plant	136.2	119.6	108.8	107.6	135.6	151.8	143.3	123.0	119.0	126.8	137.1
NGV Rental Equipment	0.1	0.3	0.2	0.2	-	0.2	0.2	0.3	3.4	3.6	3.7
<b>TOTAL CUSTOMER RELATED CAPITAL</b>	<b>136.3</b>	<b>119.9</b>	<b>109.0</b>	<b>107.8</b>	<b>135.6</b>	<b>152.0</b>	<b>143.5</b>	<b>123.3</b>	<b>122.4</b>	<b>130.4</b>	<b>140.8</b>
<u>System Improvements and Upgrades</u>											
Mains	11.2	14.8	8.0	13.2	15.5	13.0	39.9	27.5	28.6	24.9	26.0
- Relocations	49.7	58.8	49.9	55.7	54.8	49.1	69.3	71.0	105.6	94.2	82.5
- Replacement	17.1	16.7	16.8	14.0	9.8	37.5	23.4	27.0	21.3	31.6	18.1
- Reinforcement	78.0	90.3	74.7	82.9	79.8	99.8	132.7	125.5	155.5	150.7	125.8
Total Improvement Mains	35.8	30.4	37.0	45.8	45.9	48.1	28.5	17.3	29.8	34.5	52.1
Services - Relays	3.1	3.5	7.7	6.4	5.6	11.3	19.7	9.7	9.8	10.0	10.1
Regulators - Refits	15.6	13.4	9.2	10.3	11.4	17.1	15.1	24.3	31.5	34.1	32.6
Measurement and Regulation	19.3	18.9	15.9	13.1	17.8	20.0	17.0	16.0	16.6	18.6	20.8
Meters											
<b>TOTAL SYSTEM IMPROVEMENTS AND UPGRADES</b>	<b>151.8</b>	<b>156.5</b>	<b>144.5</b>	<b>158.5</b>	<b>160.5</b>	<b>196.1</b>	<b>213.0</b>	<b>192.8</b>	<b>243.2</b>	<b>247.8</b>	<b>242.2</b>
<u>General and Other Plant</u>											
Land, Structures and Improvements	2.7	3.4	2.9	14.0	20.9	18.0	8.0	7.8	12.9	11.2	6.8
Office Furniture and Equipment	0.9	1.0	0.9	1.9	5.1	1.4	1.3	1.6	4.6	4.7	4.4
Transp/Heavy Work/NGV Compressor Equipment	7.4	11.0	11.4	6.5	7.4	3.1	5.1	4.8	4.6	4.7	4.7
Tools and Work Equipment	1.4	3.8	2.3	2.5	1.9	2.0	1.4	1.4	1.5	1.5	1.5
Computers and Communication Equipment	17.5	18.3	24.8	32.0	37.7	42.9	42.4	32.0	32.7	30.8	31.0
<b>TOTAL GENERAL AND OTHER PLANT</b>	<b>29.9</b>	<b>37.3</b>	<b>42.3</b>	<b>56.9</b>	<b>73.0</b>	<b>67.4</b>	<b>58.2</b>	<b>47.6</b>	<b>56.3</b>	<b>52.7</b>	<b>48.4</b>
<b>Underground Storage Plant</b>	<b>4.5</b>	<b>5.9</b>	<b>4.6</b>	<b>14.7</b>	<b>30.1</b>	<b>22.4</b>	<b>23.9</b>	<b>22.4</b>	<b>21.9</b>	<b>15.7</b>	<b>10.5</b>
<b>Sub total "CORE" CAPITAL EXPENDITURES</b>	<b>322.5</b>	<b>319.6</b>	<b>300.4</b>	<b>337.9</b>	<b>399.2</b>	<b>437.9</b>	<b>438.6</b>	<b>386.1</b>	<b>443.8</b>	<b>446.6</b>	<b>441.9</b>
Customer Information System (CIS) /WAMS		46.4	48.7	(0.3)			0.6	0.5	36.3	25.7	8.1
<u>Leave to Construct</u>											
Ottawa Reinforcement							62.4	44.0	5.1		
GTA Reinforcement							23.7	19.3	197.1	359.7	-
<b>TOTAL LEAVE TO CONSTRUCT</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>86.1</b>	<b>63.3</b>	<b>202.2</b>	<b>359.7</b>	<b>-</b>
<b>TOTAL CAPITAL EXPENDITURES</b>	<b>322.5</b>	<b>366.0</b>	<b>349.1</b>	<b>337.6</b>	<b>399.2</b>	<b>437.9</b>	<b>525.3</b>	<b>449.9</b>	<b>682.3</b>	<b>832.0</b>	<b>450.0</b>
Power Generation Projects Included in Sales Mains	21.1	13.0	5.7	4.6	19.8	0.3	0.4				

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