ENBRIDGE GAS DISTRIBUTION INC. RESPONSE TO
BOARD STAFF INTERROGATORY #16

INTERROGATORY

Issue: A-3
Are the costs of the facilities and the rate impacts to customers appropriate?

REF: EB-2012-0451, Exhibit E, Tab 1, Schedule 1, Attachment Page 1 of 5

Preamble
This section speaks specifically to Enbridge's Exhibit E on Project Benefits and Economics. This attachment provides the feasibility parameters.

Questions
a) How is the discount rate of 5.88% derived? How does this compare with the Company's 2013 regulated Cost of Capital?

b) With respect to the annual volumes assumed (line 7), how is declining average use taken into account in the 40-year time horizon of the Economic Feasibility

RESPONSE

a) The discount rate of 5.88% is the Company's 2013 after-tax weighted average cost of capital. It is derived from the Board Approved 2013 Capital Structure (Excluding CIS/Customer Care) as found in the EB-2011-0354 Final Rate Order, Appendix A, Page 7.

Please see table below for a breakdown of the calculation.

Witnesses: K. Culbert
S. Murray

Enbridge Gas Distribution
Utility Capital Structure
2013 Test Year

	Principal	Component	Cost Rate	Return Component	After-Tax ATWACC	
	($millions)	%	%	%		
Long term debt	2,461.9	60.17	5.80	3.49 (A)	2.57	= (A) * (1-T)
Short term debt	56.7	1.39	2.00	0.03 (B)	0.02	= (B) * (1-T)
	2,518.6	61.56		3.52		
Preference shares	100.0	2.44	3.20	0.08 (C)	0.08	= (C)
Common equity	1,472.9	36.00	8.93	3.22 (D)	3.22	= (D)
	4,091.5	100.0	ROR	6.81	5.88	

Tax Rate in 2013 26.5% (T)

b) The economic feasibility assumes all feasibility parameters including revenue rates are held constant in current year terms. Thus, average use has been held constant over the 40-year time horizon of the Economic Feasibility. This is consistent with past LTC applications.

Witnesses: K. Culbert
S. Murray