

ADMINISTRATIVE COSTS

1. Enbridge has been engaged in taking all the necessary steps to be business ready for the implementation of Ontario's Cap and Trade Program on January 1, 2017. As filed in EB-2015-0114, Exhibit I.D2.EDGI.CCC.3 on November 9, 2015, Enbridge's administrative costs will include, but not limited to: consulting costs; IT billing system changes; costs of completing measurement, verification and reporting of greenhouse gas ("GHG") emissions; costs for implementation of a carbon strategy; legal and consulting support; customer communication and education efforts; employee education; and Ontario Energy Board Framework Consultation costs.
2. This Exhibit will provide transparency around the administrative costs incurred and forecasted up until January 1, 2017. It will also forecast costs to be incurred during 2017.
3. As further discussed in Exhibit F, Tab 1, Schedule 1, the Board approved the Greenhouse Gas Emissions Impact Deferral Account ("GGEIDA") in Enbridge's Custom Incentive Regulation ("CIR") proceeding (EB-2012-0459) in recognition of the potential for a future government program to reduce GHG emissions.
4. Enbridge has and will continue to record administrative costs incurred until January 1, 2017 for implementation of its Cap and Trade program in the 2016 GGEIDA. Moreover, the Company will track administrative costs incurred from January 1, 2017 to December 31, 2017 in a 2017 GGEIDA, as discussed in Exhibit F, Tab 1, Schedule 1. Enbridge will seek approval from the Board for disposition of the 2016 GGEIDA in 2017 as part of its 2016 deferral and variance

Witnesses: A. Langstaff
D. McIlwraith
F. Oliver-Glasford
R. Small
E. Vangelova

account clearance application or when filing the next Compliance Plan application by August 1, 2017. Similarly, the Company will seek recovery of the 2017 GGEIDA in 2018 as part of its 2017 deferral and variance account clearance application or as part of the Company's 2019 Compliance Plan filing in August of 2018.

5. Recognizing that a Cap and Trade program is incremental to the Company's current business, but also recognizing that some costs around GHG reporting are already in place and captured through the existing rates, Enbridge is seeking to take a systematic approach to reviewing costs to determine if they are currently captured in existing rates.
6. Enbridge has applied a key criterion for the purpose of determining the appropriateness of including costs in the GGEIDA. The criterion is that all costs included in the GGEIDA be incremental to the Company's current business and required for the purposes of the Company meeting its Cap and Trade requirements.
7. At the time of this filing, Enbridge recognizes that it has and will incur administrative costs for both 2016 and 2017. Enbridge seeks to be as transparent as possible in identifying incremental Cap and Trade costs in this Exhibit. Section A below identifies the administrative costs that will be incurred or have been incurred in 2016. Section B outlines the estimated administrative costs that will be incurred in 2017.

A. 2016 Administrative Costs

8. Costs undertaken to date and through to the end of 2016 associated with business readiness include: IT billing system updates, resourcing for implementation, carbon

Witnesses: A. Langstaff
D. McIlwraith
F. Oliver-Glasford
R. Small
E. Vangelova

market knowledge, customer education and outreach, consulting support on carbon strategy development, and external counsel and regulatory support.

IT Billing System

9. In order to be business ready for January 1, 2017, Enbridge required an update to its IT billing systems for mass market, unbundled and bundled customers. The work involved development, coding and testing. The capital cost of the updates is forecasted to be \$516,000 in 2016, with an in-service date of January 1, 2017. The capital costs incurred in 2016 will not be sought for recovery through the 2016 GGEIDA. The annual revenue requirement associated with the IT billing system update will be captured and sought for recovery through the GGEIDA, until the impact can be incorporated into Enbridge's delivery rates, which is expected in 2019. The 2017 revenue requirement is further articulated in Section B: 2017 Administrative Costs.

Staffing Resources

10. Enbridge has devoted a significant amount of staff and managerial time and effort to ensure the business is ready on January 1, 2017. In 2016, Enbridge assembled a Cap and Trade focused team of four employees at a forecasted cost of \$750,000 which will be sought for recovery through the 2016 GGEIDA. The aforementioned costs cover governance development, Compliance Instrument Tracking System Service registration, overall portfolio development, business readiness, stakeholder relations and communications, regulation review and translation relative to Cap and Trade, and carbon procurement related accounting research.
11. Other employees from within the organization have provided part-time Cap and Trade readiness assistance. Additional assistance cannot be precisely quantified

Witnesses: A. Langstaff
D. McIlwraith
F. Oliver-Glasford
R. Small
E. Vangelova

but is estimated at approximately two to three FTEs, spread out between a number of employees in Regulatory, Finance, Gas Supply, Legal, IT, Public and Government Affairs and Customer Care. The Company is not seeking cost recovery in relation to the additional assistance through the GGEIDA but reserves the right to articulate the additional work absorbed by non-incremental employees as productivity gains.

Market Intelligence and Consulting Support

12. To assist Enbridge in the development of its Compliance Plan, inclusive of its procurement strategy, Enbridge has retained an expert third party Procurement Consultant (the "Consultant"). The Consultant provided the following: a Carbon Market Report and a Carbon Strategy Report. Enbridge will also be provided with one year of GHG Market and Regulatory Monitoring Services and expert witness support, as necessary. These costs will amount to \$84,000 USD, plus any relevant costs associated with expert witness support prior to December 31, 2016.
13. ICF International ("ICF") was retained to provide Enbridge assistance in the analysis and review of the Ontario government's Climate Change Mitigation and Low-carbon Economy Act, 2016 and related Cap and Trade Regulation. These services were retained to ensure that Enbridge had a strong foundational understanding and interpretation of the Ontario government's Climate Change Policy and Cap and Trade Regulation. The total cost for ICF's support is \$187,000.
14. In order to effectively implement a Cap and Trade program, Enbridge has developed a Cap and Trade market intelligence which will allow it to remain abreast of market and policy activity that impact both the Ontario and other Cap and Trade markets. To this end, Enbridge joined the International Emissions Trading

Witnesses: A. Langstaff
D. McIlwraith
F. Oliver-Glasford
R. Small
E. Vangelova

Association (“IETA”) in early 2016 in order to gain broad and market specific intelligence on carbon trading, offsets and related policy developments. These areas of knowledge will allow Enbridge to provide thoughtful input into the development of its Compliance Plan. Enbridge negotiated a prorated amount for its 2016 membership that took account of the March 1 start date at a cost of \$20,000 CAD. This membership is effective until December 31, 2016. Enbridge has taken full advantage of this membership in gaining market and offset insight through attendance at working group meetings and their recent conference, “Ontario’s Carbon Opportunity”.

15. Enbridge has also subscribed to a market intelligence service platform provided by Californiacarbon.info (“CC”). CC is a web based information platform that provides up to date information on California’s over-the-counter market, offsets, price forecasts, and carbon and environmental policy related news. Currently, the service focuses on the California market; however, in discussion with CC, it intends to incorporate Ontario-specific information once available. The prorated cost of this service in 2016 is \$4,500 USD.
16. As this new market in Ontario develops, Enbridge must remain current on carbon market and environmental related information as well as regulatory and legislative changes. The Company acknowledges that this market is complex and will continue to develop. Enbridge believes that CC and IETA will help the Company remain at the leading edge of the carbon market. This market knowledge will further lend to the development of a cost effective and flexible Compliance Plan.
17. Enbridge estimates an amount of \$16,000 for participation in educational events pertaining to the Ontario and other jurisdiction’s Cap and Trade programs. These

Witnesses: A. Langstaff
D. McIlwraith
F. Oliver-Glasford
R. Small
E. Vangelova

funds were/will be used to allow employees to attend conferences and trade shows, inclusive of incidental fees. Ontario's Cap and Trade program is new. It is important for Enbridge to remain current with industry information. Such trade shows and conferences will provide this avenue. Armed with most current information, Enbridge will be able to make informed decisions based on the current and future outlook of Ontario's Cap and Trade market.

Customer Education and Outreach

18. Enbridge has incurred approximately \$46,000 associated with its customer outreach and education activities in 2016. This cost is comprised of two components: 1) customer focus groups; and 2) design and printing of customer bill inserts. Focus groups were completed to gain knowledge regarding utility-specific Cap and Trade messaging. Such knowledge was used to help craft and communicate messages prior to implementation of the Ontario government's Cap and Trade program. The standalone Cap and Trade bill insert was provided with November bills to educate all customers about Cap and Trade.

External Legal Counsel

19. Enbridge estimates that it will incur approximately \$125,000 in external legal counsel fees in 2016. Services provided to Enbridge include: assistance with its Regulatory submissions and detailed analysis of all Cap and Trade regulatory documents.

OEB Cap and Trade Framework Regulatory Proceedings

20. No proceedings have taken place or are anticipated for the Cap and Trade file in 2016. As such, Enbridge has not anticipated any application of costs by the Board in the 2016 budget below.

Witnesses: A. Langstaff
D. McIlwraith
F. Oliver-Glasford
R. Small
E. Vangelova

21. Table 1 below outlines each cost element and the forecasted amount.

Table 1: 2016 Cost Elements and Forecasted Amounts¹

Cost Element	Forecasted Amount
IT billing system	\$516,000
Staffing resources	\$750,000
Market Intelligence, and Consulting Support	\$335,000
Customer Education and Outreach	\$46,000
External Legal Counsel	\$125,000
OEB Cap and Trade Framework Regulatory Proceedings	\$0
TOTAL	\$1,772,000

B. 2017 Administrative Costs

22. Enbridge is proposing to record administrative costs incurred, commencing January 1, 2017, in the 2017 GGEIDA. While certain costs are unknown at this time (for example, costs payable in respect of this Cap and Trade Compliance Plan proceeding), the Company is in a position to estimate certain administrative costs that will be incurred in 2017. Given that there are certain costs which cannot be identified or fully known, Enbridge is proposing the continuance of the GGEIDA, which is appropriate as Enbridge's CIR did not include any administrative costs in respect of Cap and Trade. As stated above, the Company will seek approval for disposition of all 2017 GGEIDA costs in 2018 as part of its 2017 deferral and

¹ Where costs have been converted from USD to CAD, a 1.2959 exchange rate has been applied.

Witnesses: A. Langstaff
D. McIlwraith
F. Oliver-Glasford
R. Small
E. Vangelova

variance account clearance application or as part of the Company's 2019 Compliance Plan filing in August of 2018.

Revenue Requirement Implication of IT Billing System Upgrades and Potential Future Changes

23. As outlined in respect of 2016 administrative costs, Enbridge incurred costs to reconfigure its IT billing systems to be business ready for January 1, 2017. It is proposed that Enbridge record in the 2017 GGEIDA, the 2017 revenue requirement implications of these 2016 capital upgrades, which has been estimated at \$76,100. Consistent with other IT billing system upgrades, these costs will be depreciated over approximately five years, beginning January 1, 2017. The Company notes that additional IT system changes may be required in 2017. At this time, the extent of these costs is unknown. Any revenue requirement implications of any eligible spending would also be recorded in the 2017 GGEIDA.
24. Following the implementation of the IT billing system on January 1, 2017, the Company will enter the warranty period. The costs associated with this warranty period are not included in Table 1. Warranty costs cannot be estimated.

Staff Resources

25. As noted in respect of 2016 administrative costs, the Company has a team dedicated to the Cap and Trade program. Although some activity will start to evolve as Enbridge moves from business readiness activity to implementation and sustainment, Cap and Trade devoted staff are still necessary to maintain statutory compliance and there will be a requirement to hire additional staff.

Witnesses: A. Langstaff
D. McIlwraith
F. Oliver-Glasford
R. Small
E. Vangelova

26. Enbridge estimates that it will require seven full time equivalents (“FTEs”). Most of these staff were in place in 2016 and their ongoing effort will be needed in 2017 and beyond. The salary and benefits of these staff to ensure statutory compliance will be added to the 2017 GGEIDA. This staff will have responsibility of overall portfolio management and monitoring, customer outreach and communication, Cap and Trade related policy engagement, incremental GHG reporting and verification, development and continuous improvement of an emission allowance procurement strategies, Board required monitoring and reporting activity, related accounting, and administrative functions. This will also include future Board regulatory filings and proceedings that require Cap and Trade intelligence. The Company notes that these positions are critical to the sustainment of Enbridge’s Cap and Trade program. The launch of the Cap and Trade program represents a new complex financial market. In order for Enbridge to continue to develop and maintain an effective portfolio for its customers, the Company must maintain diligent and dedicated oversight of the developing carbon market and any associated regulation. Enbridge maintains that this can only be completed provided that a dedicated team is assigned to the Cap and Trade program.

Implementation, Market Intelligence and Consulting Support

27. Enbridge recognizes that it will incur implementation, market intelligence and consulting support for the continued evolution of its carbon strategy in 2017. It is important to note that these activities have been estimated, based on experience in 2016, and the anticipation of future costs in 2017, at \$561,000. In 2017, the Company will continue all market intelligence and monitoring services initiated in 2016. Additionally, Enbridge has identified implementation components that include development of a Company specific marginal abatement cost curve, brokerage services, assistance with offset regulations and implementation, administrative

Witnesses: A. Langstaff
D. McIlwraith
F. Oliver-Glasford
R. Small
E. Vangelova

support including additional IT upgrades for carbon procurement tracking, attendance at applicable Cap and Trade conferences, and consulting support in the development of a procurement strategy for its 2018 Compliance Plan. Enbridge acknowledges that administrative costs will be captured in the 2017 GGEIDA and will be sought for clearance to rates in 2018 as part of its 2017 deferral and variance account clearance application or as part of the Company's 2019 Compliance Plan filing in August of 2018.

External Legal Counsel & OEB Cap and Trade Framework and Other Regulatory Proceedings

28. Enbridge acknowledges that it will incur external legal costs in respect of the Cap and Trade Framework proceeding. This amount has been estimated at \$125,000 based on forecasted 2016 costs and will be recorded in the 2017 GGEIDA when realized. Additional external legal costs may be incurred in respect of the Cap and Trade Framework proceeding as well as costs payable to the Board and other participating parties. These additional costs are unknown and hence not forecasted at this time.

Incremental Cap and Trade related GHG Reporting and Verification

29. *Ontario Regulation 143/16, Quantification, Reporting and Verification of Greenhouse Gas Emissions* require that natural gas distribution companies begin quantifying, verifying and reporting customer-related and operational GHG emissions. In 2017, Enbridge will report emission associated with combustion (ON.20), emissions from venting/flaring/fugitive (ON.350) and customer-related emissions (ON.400). The Ministry only requires that combustion emissions (ON.20) are verified in 2017; however, Enbridge intends to complete a pre-assurance verification audit of customer-related emissions to ensure readiness for subsequent

Witnesses: A. Langstaff
D. McIlwraith
F. Oliver-Glasford
R. Small
E. Vangelova

years' third party verification audits. To enable this pre-assurance audit, Enbridge forecasts to incur an additional cost of \$20,000 in 2017.

Customer Education and Outreach

30. As detailed in Exhibit E, Tab 1, Schedule 1, Enbridge will continue to communicate with its customers regarding the impacts of Cap and Trade in 2017. In order to assist customers in reducing their GHG footprint and ultimately assist in achieving the Province's GHG reduction goal, Enbridge will continue to inform customers about energy efficiency programs and opportunities. A communication plan is available at Appendix B, to Exhibit E, Tab 1, Schedule 1.
31. The Company estimates that it will incur approximately \$115,000 in customer outreach and education costs during 2017. This forecast amount includes call centre training, bill inserts and/or messaging, customer research including focus groups around Cap and Trade messaging, and miscellaneous outreach activity (e.g., printing materials for trade shows, etc.). The continuation of Enbridge's customer outreach and education initiatives will help ensure that customers are kept informed about the program and its greater impacts.

Bad Debt Provision

32. In Enbridge's 2014-2018 CIR proceeding (EB-2012-0459), the Company did not anticipate or forecast any bad debt expense that will arise due to the Cap and Trade regime. Given the material impact that customer and facility-related costs will necessarily have on customer bills, Enbridge has estimated the forecast impact on the bad debt expense at \$900,000. This estimate is based upon a 10% increase in billed revenue as a result of Cap and Trade, and then applying that 10% increase to the Company's forecasted bad debt for 2017 of \$9.796 million as filed in

Witnesses: A. Langstaff
D. McIlwraith
F. Oliver-Glasford
R. Small
E. Vangelova

EB-2012-0459. Enbridge proposes that incremental bad debt amounts be recorded in the 2017 GGEIDA.

Income Tax Implication

33. Enbridge recognizes that there may be income tax implications associated with the Company's Cap and Trade program. To the extent that any income tax implications are realized that need to be reflected through the rate-setting process, Enbridge will seek to address such amounts through a future Compliance Plan filing. In effect, Enbridge will seek to address any required income tax implications associated with its 2017 Cap and Trade activities, through its 2019 Compliance Plan filing, in August 2018. With respect to the 2017 administrative costs the following elements are anticipated: revenue requirements for billing system changes, staff resources, market intelligence and consulting support, conference, trade shows and incidental fees, external legal counsel, regulatory proceedings, customer education and outreach, bad debt and income tax implications. Table 2 summarizes the most current estimate of such costs, recognizing that there are still costs that are unknown and subject to change.

Witnesses: A. Langstaff
D. McIlwraith
F. Oliver-Glasford
R. Small
E. Vangelova

Table 2: 2017 Forecasted Cost Elements and Amounts²

Cost Element	Forecasted Amount
Revenue requirement implications of IT billing system upgrades and potential future changes	\$76,100
Staffing Resources	\$1,120,000
Implementation, Market Intelligence, and Consulting Support ³	\$561,000
External Legal Counsel	\$125,000
OEB Cap and Trade Framework and Other Regulatory Proceedings	Unknown at this time
Incremental Cap and Trade related GHG Reporting and Verification	\$20,000
Customer Education and Outreach	\$115,000
Bad Debt Provision	\$900,000
Income Tax Implication	Unknown at this time
TOTAL	\$2,917,100

² Where costs have been converted from USD to CAD, a 1.2959 exchange rate has been applied.

³ Implementation, Market Intelligence and Consulting Support have been provided on a best guess basis, recognizing that the Company does not have experience with implementing Cap and Trade and thus may have under or over forecasted at this time.

Witnesses: A. Langstaff
 D. McIlwraith
 F. Oliver-Glasford
 R. Small
 E. Vangelova