

VECC INTERROGATORY #2

INTERROGATORY

Reference: Exhibit B/Tab 1 Schedule 3/pg.1

The following statement is made at page 128 of Enbridge Inc.'s 2016 Annual Report: *EGD's after-tax rate of return on common equity embedded in rates was 9.2% for the year ended December 31, 2016 (2015 – 9.3%) based on a 36% (2015 – 36%) deemed common equity component of capital for regulatory purposes.*

- a) Please reconcile the 9.2% reported above for EGD with the 9.42% reported in Schedule 3.

RESPONSE

The return on equity ("ROE") of 9.2%, referenced to at page 128 of Enbridge Inc.'s 2016 Annual Report, refers to Enbridge Gas Distribution's ("EGD") 2016 utility ROE of 9.19% (rounded to 1 decimal place), which was utilized in determining 2016 allowed revenues and distribution rates, as was approved by the Board in EGD's 2016 Rate Adjustment proceeding, EB-2015-0114, referenced at Exhibit B, Tab 1, Schedule 2, page 1, Row 39.

The ROE of 9.42% reported in Exhibit B, Tab 1, Schedule 3, page 1, Column 1, Row 21, as well as in Exhibit B, Tab 5, Schedule 1, page 1, Column 4, Row 17, reflects EGD's actual normalized achieved 2016 utility ROE, before reflecting the impact of earnings sharing. The variance between the actual and approved ROE values, results from the combined impact of the actual versus approved utility income, rate base, and capital structure variances. Refer to Exhibit B, Tab 1, Schedule 3, pages 2 to 3 for the high level earnings variance drivers.

Witness: R. Small