CARBON PRICE FOR RATE SETTING PURPOSES

1. This evidence summarizes the derivation of Enbridge's carbon price for rate setting purposes.

2. In the Board's Framework[1], Section 6.2 states that:

> The OEB has decided that the customer-related and facility-related charges will be set based on the annual weighted average cost of the Utilities' proposed compliance options.

3. Enbridge's annual weighted average cost of compliance ("WACC") is calculated by i) determining the number of emission units or equivalent compliance instruments required, ii) identifying the price of each compliance instrument, iii) multiplying the compliance instrument price by the quantity of each compliance instrument, and iv) summing the values calculated in iii) for each compliance instrument and dividing by total number of emission units or equivalent compliance instruments identified in i).

4. As explained in Exhibit A, Tab 3, Schedule 1, Enbridge notes that the information required to calculate the Company's WACC is strictly confidential, being either market or auction confidential as defined by the Board's Framework.

5. Since the inputs into the Company's WACC are strictly confidential, Enbridge notes that the use of the Company's WACC at this time for rate setting purposes is not appropriate.

[1] Report of the Board, Regulatory Framework for the Assessment of Costs of Natural Gas Utilities' Cap & Trade Activities, EB-2015-0363, September 26, 2016, p. 31.

Witnesses: A. Langstaff
J. Murphy
F. Oliver-Glasford

6. Enbridge suggests that the carbon price for rate setting purposes be set based on inputs that are publically available. The Company believes that this is the most transparent means of developing a price for carbon for rate setting purposes.

7. As noted in the Framework, the Board has instructed the Utilities to set their annual carbon price forecast using the average of the [Intercontinental Exchange] ICE daily settlement of a California Carbon Allowance ("CCA") for each day of the forecast period for each month of the forecast year. Furthermore, the Framework states that the forecasting period should be 21 business days and should be as close as possible to the forecast year.

8. The Intercontinental Exchange ("ICE") 21-day strip of a California Carbon Allowance ("CCA") for delivery in each month of the forecast period, 2018, (the "ICE Price") was calculated in US dollars ("USD"). The USD ICE Price was converted to Canadian dollars ("CAD") using a 21-day USD/CAD strip rate. The 21-day period was from September 1 to September 29, 2017. The derivation of the ICE Price in CAD is detailed in Table 1.

Table 1: ICE Price

Strip Period	ICE Price (USD)	USD/CAD Exchange Rate[2]	ICE Price (CAD)
September 1 to September 29, 2017	$15.46	1.2284	$18.99

9. The Company proposes to use the CAD ICE Price, as identified in Table 1, for rate setting purposes. While Enbridge acknowledges that the Board's EB-2016-0300

[2] Exchange rate based on a 21-day strip USD/CAD strip from September 1 to September 29, 2017.

Decision and Order indicates (at page 3) that the Utilities should use the Ontario auction reserve price (in an unlinked market) for the carbon price forecast in their next Compliance Plan, the Company believes that the CAD ICE Price is a better indicator of the likely costs that will be observed assuming that Ontario is linked with the WCI market on January 1, 2018.

10. In future Compliance Plan filings, Enbridge will consider alternate rate setting approaches as additional details and methodologies become available.

11. At Exhibit G, Tab 1, Schedule 1, Enbridge sets out the derivation of its Cap and Trade Unit Rates for customer-related and facility-related costs. These Cap and Trade Unit Rates are calculated based on a carbon price of $18.99 CAD.