

FORECAST OF 2018 ADMINISTRATIVE COSTS

1. Enbridge forecasts its 2018 Administrative Costs that will be captured in the 2018 Greenhouse Gas Emissions Impact Deferral Account (“GGEIDA”) to be a total of \$5.2 million. Of that amount, \$2.0 million is related to the Low Carbon Innovation Fund (“LCIF”) as detailed in Exhibit C, Tab 5, Schedule 1. The current forecast of \$5.3 million represents less than 1.4% of Enbridge’s forecast overall compliance cost for 2018.¹ Enbridge anticipates that there will be additional currently unquantified costs (such as OEB proceeding costs) that will be recorded in the GGEIDA in addition to the current forecast as further discussed later in this exhibit.
2. As detailed in Enbridge’s 2017 Compliance Plan (EB-2016-0300, Exhibit C, Tab 3, Schedule 6), administrative costs associated with the Company’s participation in the Cap and Trade program were not contemplated or included in Enbridge’s 2014-2018 Customized Incentive Regulation (“CIR”) application; therefore, any incremental administrative costs related to the Cap and Trade program will be accounted for in the GGEIDA.
3. Enbridge will continue to use the GGEIDA to record actual incremental 2018 administrative costs associated with the ongoing sustainment and operation of Enbridge’s Cap and Trade activities. Enbridge will seek disposition of the actual 2018 GGEIDA costs with the annual monitoring and reporting filing on August 1, 2019.
4. Enbridge will continue to apply the same criteria as the Company did in 2016 and 2017 when determining the appropriateness and subsequent tracking of costs in

¹ As noted in Exhibit G, Tab 1, Schedule 1, the forecasted compliance plan cost at the proxy price is \$382 million.

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the GGEIDA. The criteria are that all costs included in the GGEIDA are to be incremental to the Company's current business and required for the purposes of fulfilling the Company's Cap and Trade obligations. Additionally, these costs must not have been included in the forecasts of costs upon which the rates for the CIR term were set.

5. In the EB-2016-0300 Decision on Enbridge's 2017 Compliance Plan, the OEB found that the 2017 costs proposed by Enbridge (and the other Gas Utilities) to meet cap and trade compliance obligations were consistent with the expectations established in the Cap and Trade Framework.²
6. This Exhibit provides information about the applicable Cap and Trade administrative costs forecasted for the 2018 calendar year.
7. A forecast of the 2018 administration costs is set out in Table 1.

Table 1: 2018 Forecasted Administrative Costs

Cost Element	Forecasted Amount
Revenue requirement implications of IT billing system upgrades	\$191,000
Staffing Resources	\$1,500,000
Low Carbon Initiative Fund ("LCIF")	\$2,000,000
Consulting Support and Market Intelligence	\$400,000
OEB Cap and Trade related Consultation ³	\$100,000
Incremental Cap and Trade related GHG Reporting and Verification Audit	\$40,000

² EB-2016-0300 Decision and Order, pg. 16

³ Includes any required updates to the MACC, LTCPF and any costs associated with the OEB's Cap and Trade Working Group.

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Cost Element	Forecasted Amount
Bad Debt Provision	\$960,000
Other Miscellaneous Costs	\$60,000
Applicable Compliance Plan Proceeding Costs	TBD
Total 2018 Forecast Administrative Costs for GGEIDA	\$5,251,000

8. The amounts set out in Table 1 are the Company's current forecasts of relevant costs. The actual amounts incurred and thus sought for clearance may differ.
9. A discussion of each cost element is contained in the paragraphs below.

Revenue requirement implications of IT billing system upgrades

10. In 2016, Enbridge implemented billing system changes to allow for the collection of Cap and Trade charges. As noted in EB-2016-0300, Exhibit C, Tab 3, Schedule 6, Enbridge will seek an annual revenue requirement associated with these billing system changes until the cost can be incorporated into delivery rates.
11. For 2018, Enbridge anticipates a revenue requirement of \$191,000 to recover the costs associated with the billing system changes implemented in 2016. This amount will be recorded in the GGEIDA.

Staffing Resources

12. Enbridge's estimate for 2018 staffing resources is \$1.5 million. This cost is fully allocated and includes pension, benefits and related overheads.

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13. Enbridge recognizes the importance of further developing an internal team to effectively manage the Company's Cap and Trade related obligations on behalf of its ratepayers. As explained in EB-2016-0300, the Company's core Cap and Trade staffing resources in 2016 totaled four full time resources.
14. The Company notes that the Cap and Trade file affects and interacts with a variety of groups within the existing organization. Wherever reasonable to do so, Enbridge has leveraged existing staff and managerial time and effort from persons outside of the Company's Cap and Trade group, highlighting a commitment to cost effectiveness, productivity gains and continuous improvement. These ancillary resources' time and related costs will not be recorded in the GGEIDA.
15. Moving forward, Enbridge will continue to optimize resources, where possible, recognizing that as some activities decrease and others increase, incremental resources may become necessary to adequately manage the Company's Cap and Trade obligations. Any incremental resources required for Cap and Trade will be articulated in the respective Compliance Plan and captured in the GGEIDA for subsequent clearance.
16. In 2017, staffing resources evolved to reflect the changing demands on the business to meet its Cap and Trade obligations. In particular, focus has shifted from the earlier days of business system and infrastructure readiness to carbon market expertise and program implementation. To this end, during 2017 Enbridge added one formal role around Carbon Market Financial/Offset Instrument Procurement, as well as a Document Control Administrator. The Business Implementation and Compliance Reporting role was an evolution from the Business Readiness role and is in the process of being filled.

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17. This evolution will continue into 2018 with the result being a team of eight with increased sophistication and targeted accountabilities in the combined task of planning for and implementing all aspects of the Compliance Plan.

Table 2: Cap and Trade Roles/Accountabilities in 2018

Role/Accountability	Number of FTEs
Manager	1
Cap and Trade and Related Regulation Senior Advisor	1
Carbon Market Financial/Offset Instrument Procurement Specialists	2 (1 new for 2018)
Business Implementation and Compliance Reporting Lead	1
Document Control Administrator	1
Abatement Initiative Identification, Development and Reporting Specialists	2 (new for 2018)
Total	8

18. For 2018, it is evident that the Company's roles and responsibilities will become more complex as linkage with the WCI market occurs (bringing a diversity of available compliance instruments) and as Enbridge increases its focus on carbon abatement activities. A more complete team with targeted and an increasingly sophisticated skills will be required as assessments of instruments and advancement of abatement initiatives become more complex. While Enbridge has reassessed the need for a full time Communications Lead, the Company Group has determined that a second carbon market financial instrument procurement resource as well as the two new abatement initiative resources are necessary to effectively

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navigate the increasingly complex carbon markets, meet Compliance Plan and related deliverables and meet the increased expectations around abatement initiative assessment and low/no carbon technology deployment.

19. Refer to Exhibit C, Tab 5, Schedules 1 to 3 for details about the Enbridge's abatement plans for 2018, which includes a request for approval or endorsement of the two new Abatement Initiative Identification, Development and Reporting Specialists.

Low Carbon Initiative Fund ("LCIF")

20. As detailed in Enbridge's Abatement Activities evidence at Exhibit C, Tab 5, Schedules 1 to 3, the Company is requesting approval for (or endorsement of) a "Low Carbon Initiative Fund" ("LCIF") of up to \$2 million accessible each year starting in 2018 in order to provide funding for carbon abatement activities.
21. Details about the specific projects that would be funded from the LCIF are set out at Exhibit C, Tab 5, Schedules 1 to 3. As with other Administrative Costs, only the LCIF-related amounts actually spent would be recorded in the GGEIDA (up to a cap of \$2 million).

Consulting Support and Market Intelligence

22. In order to continue to be well-informed about and responsive to the Cap and Trade markets and environment, Enbridge participates in industry associations and receives support from experts and consultants for development and execution of the Cap and Trade activity. Consulting and market intelligence costs, which are captured in Table 3 below, are forecasted to be approximately \$400,000 and cover:

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- a. Expert insights and support related to Enbridge's development and implementation of its Compliance Plan;
- b. Specific offset market insight (including technical review of regulations and protocols) necessary to build an effective offset strategy as well as help support development of an active offset market;
- c. Carbon market and related climate policy insight and analysis at the International, Federal and Provincial levels gained via industry memberships and market intelligence channels; and,
- d. Legal and/or technical review of regulation amendments and commercial contract support where required.

Table 3: Forecasted 2018 Consulting and Market Intelligence Cost by Component

Component	Forecasted Cost
Compliance Plan Consulting and Implementation Support	\$150,000
Offset Market Consulting Support	\$100,000
Carbon Market and Related Climate Policy Support	\$100,000
Compliance Plan Enabling Legal Support	\$50,000
Total	\$400,000

OEB Cap and Trade Consultation Costs

23. The Company estimates that it will incur costs of approximately \$100,000 in 2018 attributable to OEB consultations related to Cap and Trade issues. This includes costs related to an update of the LTCPF, as well as costs related to the OEB's Cap and Trade Working Group.

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Incremental Cap and Trade related GHG Reporting and Verification

24. Enbridge is only permitted by Regulation to use the same GHG verification firm for a period of six years. As of 2017, Enbridge will have utilized the services of Ernst and Young for six years; therefore, for the purposes of the 2018 GHG audit, Enbridge must seek the services of a new GHG auditing firm.
25. Enbridge estimates that the cost of the GHG audit may increase from previous verification audits given a new auditor may have to spend more time becoming familiar with our systems, equipment and process. In addition, there may be incremental GHG reporting support that is required based on amended Cap and Trade regulations. As such, the Company has forecasted \$40,000 for those two requirements.
26. It should be noted that the incremental cost associated with the GHG audit only relate to Enbridge's customer-related emissions. All auditing charges related to facility-related emissions will be allocated to the Company's O&M budget, as captured through Enbridge's CIR application.

Bad Debt Provision

27. Enbridge's forecast for bad debt in 2018 is \$7.5M. It should be noted that the Company's Customized IR proceeding did not contemplate or forecast any bad debt expense as a result of the introduction and ongoing sustainment of the Cap and Trade program and therefore, any bad debt impact as a result of the Cap and Trade program is incremental and should be recorded in the GGEIDA.
28. As filed in EB-2017-0086, Exhibit F1, Tab 2, Schedule 1, Enbridge has forecasted a 2018 allowed revenue requirement of \$2,982.2M under the current Customized IR

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model. This allowed revenue requirement does not take into account the impacts of the Cap and Trade revenue requirement. As filed at Exhibit G, Tab 1, Schedule 1, Enbridge's 2018 Cap and Trade revenue requirement is approximately \$381.7M.

29. Taking the foregoing into account, Cap and Trade represents approximately 12.8% of the Company's allowed revenue requirement; therefore, assuming the Company's 2018 bad debt forecast, the bad debt attributed directly to the introduction of Cap and Trade is estimated at \$960,000.
30. Enbridge proposes that the bad debt costs associated with the 2018 Cap and Trade Compliance Plan be recorded in the 2018 GGEIDA.

Other Miscellaneous Costs

31. Enbridge anticipates incurring approximately \$60,000 in miscellaneous costs related to customer outreach and communications, conferences and travel expenses. Enbridge recognizes conferences as invaluable learning opportunity, where the Company has been provided opportunities to speak about its Cap and Trade experiences and gain perspective from other regulated and non-regulated Cap and Trade participants.
32. There are other administrative costs that Enbridge may incur in 2018 that would be recorded in the GGEIDA, but for which amounts have not been forecast at this time.
33. As an example, Enbridge expects to incur costs in 2018 related to OEB proceedings (such as this one) to review Compliance Plans. The costs of such proceedings (including OEB costs, legal costs and consultant costs) will be recorded in the GGEIDA.

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34. As another example, Enbridge may incur additional communications costs to meet OEB expectations. In order to support objectives set out in the Board's Framework, Enbridge will continue to advise its customers of rate changes and Cap and Trade updates using existing cost-effective channels. If deemed necessary by the Board and/or sought by customers through feedback, Enbridge could produce a standalone bill insert at a cost of roughly \$30,000. To date, no such demand appears to exist.

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