ENBRIDGE GAS INC.
Answer to Interrogatory from
Energy Probe Research Foundation (EP)

Reference: Exhibit C1, Tab 1, Page 28 and Exhibit C1, Tab 2, Page 89

Question:

a) What is the significance of Lifetime Risk Return on Investment?

b) Please provide a numerical example of the calculation using NPS 30 Don River Replacement Project numbers.

Response

a) Please see Exhibit I.VECC.12.

b)

$$LRROI = \frac{\text{Discounted Lifetime Risk Reduction}}{\text{Total Net Capital Investment}}$$

Equation 1: LRROI Calculation

$$\text{Discounted Lifetime Risk Reduction} = (\text{Safety Risk Mit} \times \text{Useful Life}) + \left(\text{Fin Risk Mit} \times \frac{1-(1+\text{pretax WACC}^*)^{-\text{useful life}}}{\text{pretax WACC}}\right) + \left(\text{CSAT Risk Mit} \times \frac{1-(1+\text{pretax WACC})^{-\text{useful life}}}{\text{pretax WACC}}\right)$$

**WACC: Weighted Average Cost of Capital*

Equation 2: Discounted Lifetime Risk Reduction

Values for variables used Equation 2 are provided below:

Variables	**Values for Project 6423**
Safety Risk Mitigation	47,376
Fin Risk Mitigation	114,815
CSAT Risk Mitigation	74,956
Useful Life (Years)	70
Pretax WACC	0.062147

By applying the values in the above table to **Equation 2**, Discounted Lifetime Risk Reduction is $6,325,040. As the Total Net Direct Capital is $26,864,009 [Exhibit C1, Tab 2, Schedule 1, page 699], according to **Equation 1**, the LRROI is 24. The slight discrepancy between the LRROI shown here versus the value published in Exhibit C1, Tab 2, Schedule 1, page 699 is due to a change in the Total Net Direct Capital at the time of the filing.