

2017 COST OF DEBT

1. As set out in the EB-2012-0459 Decision and Rate Order (pages 2 and 3), Enbridge's cost of debt is to be updated each year from 2015 to 2018 using the most current information available, including information about the actual amounts and rates associated with any debt issued in the prior year.

2. Enbridge's forecast cost of debt for 2017 is set out within Table 1, and explained below.

TABLE 1
COST OF DEBT SUMMARY

Line No.	2017 Updated Forecast (excluding CIS)				
	Principal (\$Millions)	Component %	Cost Rate %	Return %	Return (\$Millions)
1. Long-term debt	3,739.6	62.28%	4.83%	3.008%	180.6
2. Short-term debt	3.2	0.05%	1.23%	0.001%	0.0
3. Preferred shares	100.0	1.67%	2.24%	0.037%	2.2
4. Total	<u>3,842.8</u>	<u>64.00%</u>		<u>3.046%</u>	<u>182.9</u>

3. As required by the Board's EB-2012-0459 Decision and Rate Order, Enbridge has updated its cost of debt by taking account of its forecast 2017 rate base for ratemaking purposes, its actual level and cost of debt, which has been updated to include actual debt issuances through 2016, and to also include the impact of updated forecast 2017 debt issuances.

4. Enbridge's actual 2016 long term debt issuance increased modestly to \$300 million, as compared to the \$250 million forecast within EB-2015-0114. Issuance timing was deferred from March to August as better than anticipated liquidity enabled

Witnesses: R. Craddock
 R. Small

Enbridge to delay issuing until pricing was optimized. The debt was issued at an effective cost rate of 3.42% including the impact of hedge settlements, as compared to 4.47% forecast within EB-2015-0114. The lower rate was as a result of lower corporate spreads and underlying Government of Canada rates.

- For 2017, Enbridge plans to issue \$300 million of debt, the details of which can be found in Table 2 below. The issuances will fund a maturing 10 year medium-term note in the amount of \$200 million, as well as growth in rate base.

Table 2

Item No.	Amount (\$MM)	Issue Date	Term (Yrs)	Canada Yield	Corporate Spread	Coupon	Amortized Issue Costs	Effective Cost
1	150	August 2017	10	1.80%	1.40%	3.20%	0.05%	3.25%
2	150	August 2017	30	2.30%	1.70%	4.00%	0.02%	4.02%

- Details of all elements of Enbridge's term debt forecast for the 2017 Updated Forecast, are set out within Exhibit E2, Tab 1, Schedule 2.
- The calculation of the average cost rate for Enbridge's term debt, which equates to 4.83%, is set out at Exhibit E2, Tab 1, Schedule 1, page 2.
- There are no preferred share issuances planned for 2017. Enbridge continues to have \$100 million of preference shares, with a 2017 cost rate of 2.24%.
- As explained in Exhibit B1, Tab 1, Schedule 1, Enbridge's rate base for ratemaking purposes for 2017, exclusive of CIS (which has a different cost of capital, in accordance with the EB-2011-0226 Settlement Agreement) is \$6,004.4 million. Under Enbridge's capital structure, which includes a 64% weighting of debt and preferred shares, this means that Enbridge's level of debt for ratemaking purposes in 2017 is \$3,842.8 million.

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10. In total, Enbridge's cost of debt (exclusive of CIS / CC) to be included in 2017 Allowed Revenue is \$182.9 million.

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R. Small