

500 Consumers Road
North York ,ON M2J 1P8
P.O. Box 650
Scarborough, ON
M1K 5E3

Lorraine Chiasson
Regulatory Coordinator
Tel 416-495-5499
Fax 416-495-6072
Email: egdregulatoryproceedings@enbridge.com



July 27, 2012

VIA RESS, EMAIL and COURIER

Ms Kirsten Walli
Board Secretary
Ontario Energy Board
2300 Yonge Street, Suite 2700
Toronto, Ontario, M4P 1E4

Dear Ms Walli:

**Re: Enbridge Gas Distribution Inc. ("Enbridge")
2013 Rate Adjustment Application
Ontario Energy Board ("Board") File Number EB-2011-0354**

Further to Enbridge Gas Distribution's letter and filing of June 21st, please find attached the corrected/updated exhibits as follows:

Exhibit C3, Tab 4, Schedule 1;
Exhibit D1, Tab 3, Schedule 1, pages 1 and 30 to 32;
Exhibit D1, Tab 18, Schedule 1, page 5;
Exhibit D1, Tab 22, Schedule 1, page 3;
Exhibit D4, Tab 2, Schedule 4; and
Exhibit D5, Tab 2, Schedules 3 and 4.

This submission was filed through the Board's RESS and will be available on the Company's website at www.enbridgegas.com/ratecase .

Please contact the undersigned if you have any questions.

Yours truly,

[original signed by]

Lorraine Chiasson
Regulatory Coordinator

cc: Mr. F. Cass, Aird & Berlis LLP
All Interested Parties in EB-2011-0354

TRANSACTIONAL SERVICES REVENUE
FISCAL 2013

Col. 1

Item #	Units - \$(000)	Forecast 2013
1.	Total Transactional Services	6,000.00

OPERATING MAINTENANCE AND OTHER COSTS

1. The purpose of this evidence is to present Enbridge Gas Distribution Inc. (“Enbridge” or the “Company”) Operating and Maintenance (“O&M”) expense of \$426.1 million for the 2013 Test Year (“2013 Budget”). Enbridge’s O&M expense is comprised of the cost to carry out the required business activities for each department within Enbridge. Summaries of projected costs by cost type and year over year variance explanations are provided at Exhibit D3, Tab 2, Schedule 3, and Exhibit D4, Tab 2, Schedule 4.

2013 Budget

2. The 2013 O&M budget is a consolidation of the traditional ‘grassroots’ budget prepared by all departments within Enbridge in accordance with the guidelines and assumptions set forth in the Budget Letter. The budget was developed in consideration of the Company’s key business objectives of a continued focus on safety and reliability, customer service, and adherence to legislative and regulatory requirements. The O&M budget was reviewed and approved by the Executive Management Team (the “EMT”).
3. The Company’s total O&M is grouped into five categories: Customer Care Service Charges, Regulatory Cost Allocation Methodology (“RCAM”), Demand Side Management (“DSM”), Pension Expense, and Other O&M. The groupings are meant to provide a better insight into the Company’s O&M structure and cost drivers. A summary of 2013 O&M Budget and the five categories is provided in Table1 on the following page.

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Table 1
 Enbridge Gas Distribution
 Summary of Operating and Maintenance Expense by Category
2013 Budget, 2012 Estimate, 2011 Historical, and 2007 Board Approved

Line No. Categories (\$ Millions)	Col. 1	Col. 2	Col. 3	Col. 4	Col. 5	Col. 6	Col. 7
	Budget <u>2013</u>	Estimate <u>2012</u>	Historical <u>2011</u>	Board Approved <u>2007</u>	2013 Budget vs. Estimate <u>2012</u>	2012 Estimate vs. Historical <u>2011</u>	2011 Historical vs. Board Approved <u>2007</u>
1. Customer Care Service Charges	\$89.4	\$90.4	\$82.6	\$90.8	(\$1.0)	\$7.8	(\$8.2)
2. Regulatory Cost Allocation Methodology(RCAM)	30.3	30.2	26.7	18.1	0.1	3.5	8.6
3. Demand Side Management (DSM)	28.6	28.1	28.1	22.0	0.5	0.0	6.1
4. Pension Expense	27.7	20.6	3.2	1.7	7.1	17.3	1.5
5. Other O&M	<u>250.0</u>	<u>232.9</u>	<u>215.0</u>	<u>193.6</u>	<u>17.1</u>	<u>17.9</u>	<u>21.4</u>
6. Total Net Utility O&M Expense	\$426.1	\$402.2	\$355.7	\$326.2	\$23.9	\$46.5	\$29.5

4. Within the EB-2011-0226 Customer Care/Customer Information System (“CC/CIS”) proceeding which took place in 2011, the Ontario Energy Board (the “Board”) approved a Settlement Agreement which established O&M related Customer Care Service Charges of \$89.4 million for 2013. Please refer to Exhibit D1, Tab 12, Schedule 1 for a review of the treatment of CC/CIS costs as a result of the ADR Settlement.
5. The RCAM amount of \$30.3 million is determined in accordance with the methodology approved by the Board in EB-2006-0034. The Company undertakes an update of the RCAM as approved by the Board to establish amounts for each year. The Company’s ongoing review of the RCAM methodology and related processes includes an evaluation and review with intervenor groups. Service schedules underpinning RCAM are thoroughly reviewed and revised by Enbridge on an annual basis. The review results in the appropriate level of specific services, activities, and/or departmental charges from Enbridge Inc. (“EI”), the parent

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company of Enbridge. The RCAM amounts embedded in the 2013 Budget and 2012 Estimate are placeholders which will be replaced by the final numbers in later updates. The details of RCAM are explained in evidence at Exhibit D1, Tab 4, Schedule 1.

6. The DSM budget of \$28.6 million is driven by the forecasted inflationary rate increase (GDP IPI FDD) of 1.73% over the 2012 Estimate that is based on the Board issued guidelines in EB-2008-0346, dated June 30, 2011. The Company's 2012 DSM Plan was filed with the Board on November 4, 2011 in EB-2011-0295. This plan was developed in consultation with intervenor groups, follows recently issued 2012-2014 DSM Guidelines, and the 2012 DSM Budget was the subject of a complete settlement with intervenors. The DSM evidence can be found at Exhibit D1, Tab 7, Schedule 1.
7. The pension expense established for the 2013 Budget of \$27.7 million includes a change from the cash basis of pension expense for rate regulated accounting to the accrual basis of expense. This aligns the aspects of reporting for financial reporting and rate making, which provides more transparency and consistency for the users of the financial statements. The rationale for the accounting change for the pension expense can be found at Exhibit A1, Tab 6, Schedule 2.
8. Other O&M represents the remaining departmental O&M costs net of Customer Care service charges, RCAM, DSM, and pension expense. The year over year variances by major cost type are explained in the following comparison sections.

2013 Budget Comparison to 2012 Estimate – Other O&M

9. The 2013 Other O&M Budget is \$250 million. This is an increase of \$17.1 million or 7.3% over the 2012 Estimate. The variances by cost type between the two years are summarized on Table 2. The principal drivers of this increase are

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identified and articulated below.

Table 2
 Enbridge Gas Distribution
 Other Operating and Maintenance Expense by Cost Type
2013 Test Year vs. 2012 Bridge Year

Line No.	Particulars (\$ millions)	Budget <u>2013</u> (a)	Estimate <u>2012</u> (b)	Difference (c)	% (d)
1.	Salaries and Wages	\$170.9	\$160.7	\$10.2	6.3%
2.	Benefits	30.5	25.9	4.5	17.4%
3.	Short Term Incentive Program	20.3	19.4	0.8	4.3%
4.	Employee Training and Development	4.1	4.0	0.1	2.4%
5.	Materials and Supplies	5.5	5.5	0.0	0.3%
6.	Outside Services	79.0	77.9	1.1	1.4%
7.	Regulatory Proceeding Costs	7.3	5.8	1.5	25.7%
8.	Consulting	9.5	6.7	2.9	42.7%
9.	Repairs and Maintenance	2.0	1.9	0.0	0.8%
10.	Fleet	10.0	9.8	0.2	2.1%
11.	Rents and Leases	7.7	7.4	0.2	3.1%
12.	Telecommunications	3.7	3.6	0.0	1.4%
13.	Travel and Other Business Expenses	4.9	4.7	0.2	4.0%
14.	Memberships	3.4	3.2	0.2	7.1%
15.	Claims, Damages and Legal Fees	0.8	0.8	0.1	8.2%
16.	Interest on Security Deposits	2.7	1.9	0.8	40.5%
17.	Provision for Uncollectibles	15.2	13.7	1.5	10.7%
18.	Internal Allocations and Recoveries	(25.3)	(25.1)	(0.1)	0.5%
19.	Other	7.1	5.9	1.3	21.3%
20.	Subtotal	<u>359.2</u>	<u>333.7</u>	<u>25.5</u>	<u>7.6%</u>
21.	Capitalization (A&G)	(35.7)	(31.4)	(4.3)	13.6%
22.	Capitalization	(69.2)	(65.3)	(3.9)	6.0%
23.	Non-Utility Allocations	<u>(3.4)</u>	<u>(3.2)</u>	<u>(0.2)</u>	<u>6.5%</u>
24.	Subtotal Net Utility O&M Expense	<u>250.9</u>	<u>233.8</u>	<u>17.1</u>	<u>7.3%</u>
25.	Conservation Services	<u>1.5</u>	<u>7.0</u>	<u>(5.5)</u>	<u>-78.4%</u>
26.	Total Other Utility O&M Expense before Eliminations	<u>252.5</u>	<u>240.8</u>	<u>11.6</u>	<u>4.8%</u>
27.	<u>Regulatory Eliminations</u>				
28.	To eliminate Conservation Services and Overheads	<u>(2.5)</u>	<u>(7.9)</u>	<u>5.5</u>	<u>-68.9%</u>
29.	Total Eliminations	<u>(2.5)</u>	<u>(7.9)</u>	<u>5.5</u>	<u>-68.9%</u>
30.	Total Other Utility O&M Expense	<u>\$250.0</u>	<u>\$232.9</u>	<u>\$17.1</u>	<u>7.3%</u>

10. Salaries and wages are higher by \$10.2 million as a result of two drivers: merit

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increases and new FTE additions. The merit increase follows the Human Resources (“HR”) guidance: 3.3% salary increase for non-union employees and 3.0% salary increase for union employees. Increase in staff levels is primarily due to safety requirements for integrity management, leak management, damage detection and prevention, and safety related training. The increase is also a response to increases in customer demands.

11. The benefits increase of \$4.5 million is driven by a higher salary base, an increase in FTE’s, and other post employment benefits (“OPEB”). OPEB accounts for a \$2.9 million increase resulting from the change in accounting methodology; please refer to Exhibit A1, Tab 6, Schedule 2 for the details. The rationale for benefits increase is described at Exhibit D1, Tab 19, Schedule 1.
12. Short term incentive program (“STIP”) increase of \$0.8 million is reflective of a higher salary base and higher FTE’s in 2013.
13. The increase of \$1.1 million in outside services is primarily driven by the Envision application operations service contract renewal efforts, which includes assessing and selecting service providers and performing transition activities. Inflationary pressures, market cost adjustments for contracts, and a higher customer base account for the rest of the increase, partially offset by lower incremental costs to revise and implement standards and processes related to leak management.
14. The increase of \$1.5 million in regulatory proceeding costs is the result of an anticipated increase in costs in relation to Enbridge’s 2013 cost of service rate proceeding. This is due to the anticipated increase in complexity and time required for discovery and review within a cost of service process compared to what has been required each year during Enbridge’s IR mechanism for 2008-

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2012. The result is an anticipated increase in intervenor costs, consulting costs in relation to studies required for the 2013 rebasing application as agreed to by parties within the EB-2011-0008 proceeding, legal costs, and administrative process related costs.

15. The increase of \$2.9 million in consulting is primarily due to incremental services required to achieve the Company's goal of zero safety incidents through the Path to Zero initiative.
16. The increase of \$0.8 million in interest on security deposits results from the higher short term interest rate (3.95%) forecasted in 2013, relative to 2.75% in 2012.
17. The Provision for Uncollectible Accounts recognizes that, due to customer default, not all billings will be collected. The 2013 Budget of \$15.2 million is \$1.5 million higher than 2012 Estimate of \$13.7 million. This is driven by higher billed receivables due to customer growth and an increase in commodity price. Commodity prices have been at very low levels and declining since early 2009. The 2012 Estimate assumes that gas supply charge will approximate the very low levels reflected in the October 2011 QRAM. However, the Consensus Wholesale Energy Price Forecast indicates an 8%-11% increase from 2012 to 2013. Therefore a price increase has been assumed in the 2013 Budget.

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Table 3
Enbridge Gas Distribution
Other Operating and Maintenance Expense by Cost Type
2012 Bridge Year vs. 2011 Historical Year

Line No.	Particulars (\$ millions)	Estimate 2012 (a)	Historic 2011 (b)	Difference (c)	% (d)
1.	Salaries and Wages	\$160.7	\$145.0	\$15.7	10.8%
2.	Benefits	25.9	23.2	2.7	11.8%
3.	Short Term Incentive Program	19.4	22.3	(2.8)	-12.8%
4.	Employee Training and Development	4.0	3.6	0.4	11.8%
5.	Materials and Supplies	5.5	4.8	0.7	13.8%
6.	Outside Services	77.9	62.4	15.5	24.8%
7.	Regulatory Proceeding Costs	5.8	5.8	(0.0)	-0.1%
8.	Consulting	6.7	5.3	1.3	25.0%
9.	Repairs and Maintenance	1.9	1.2	0.8	64.9%
10.	Fleet	9.8	8.9	0.9	10.2%
11.	Rents and Leases	7.4	6.3	1.2	18.6%
12.	Telecommunications	3.6	3.3	0.3	9.8%
13.	Travel and Other Business Expenses	4.7	3.7	1.0	26.4%
14.	Memberships	3.2	2.9	0.3	8.9%
15.	Claims, Damages and Legal Fees	0.8	1.2	(0.4)	-36.9%
16.	Interest on Security Deposits	1.9	1.1	0.8	68.6%
17.	Provision for Uncollectibles	13.7	16.8	(3.1)	-18.4%
18.	Internal Allocations and Recoveries	(25.1)	(24.1)	(1.1)	4.4%
19.	Other	5.9	5.4	0.5	8.5%
20.	Subtotal	<u>333.7</u>	<u>299.2</u>	<u>34.5</u>	<u>11.5%</u>
21.	Capitalization (A&G)	(31.4)	(25.3)	(6.1)	23.9%
22.	Capitalization	(65.3)	(55.0)	(10.3)	18.7%
23.	Non-Utility Allocations	<u>(3.2)</u>	<u>(3.4)</u>	<u>0.2</u>	<u>-6.0%</u>
24.	Subtotal Net Utility O&M Expense	<u>233.8</u>	<u>215.5</u>	<u>18.4</u>	<u>8.5%</u>
25.	Conservation Services	<u>7.0</u>	<u>7.0</u>	<u>0.0</u>	<u>0.3%</u>
26.	Total Other Utility O&M Expense before Eliminations	<u>240.8</u>	<u>222.4</u>	<u>18.4</u>	<u>8.3%</u>
27.	<u>Regulatory Eliminations</u>				
28.	To eliminate Conservation Services and Overheads	<u>(7.9)</u>	<u>(7.4)</u>	<u>(0.5)</u>	<u>6.9%</u>
29.	Total Eliminations	<u>(7.9)</u>	<u>(7.4)</u>	<u>(0.5)</u>	<u>6.9%</u>
30.	Total Other Utility O&M Expense	<u>\$232.9</u>	<u>\$215.0</u>	<u>\$17.9</u>	<u>8.3%</u>

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2012 Estimate Comparison to 2011 Historical – Other O&M

18. The 2012 Other O&M Estimate is \$232.9 million. This is an increase of \$17.9 million or 8.3% over the 2011 Historical. The variances by cost type between the two years are summarized on Table 3. The principal drivers of this increase are identified and described below.
19. Salaries and wages are higher by \$15.7 million as a result of two drivers: merit increases and new FTE additions. The merit increase follows the HR guidance: 3.3% salary increase for non-union employees and 3.5% salary increase for union employees. Increase in staff levels is primarily due to safety requirements for integrity management, leak management, damage detection and prevention, safety related training, and increased work activities in various functions.
20. The benefits increase of \$2.7 million is driven by a higher salary base and additional FTE's, higher prescription costs, dental fees, and an increase in employee utilization of benefits. Please refer to Exhibit D1, Tab 19, Schedule 1 for a detailed explanation of benefit costs.
21. STIP decreases by \$2.8 million principally due to the estimate of the corporate performance multiplier relative to 2011, partially offset by an increase in base salary and new staff additions.
22. The increase of \$0.7 million in materials and supplies is the result of increased pipeline inspection to meet safety requirements.
23. The increase of \$15.5 million in outside services is primarily driven by incremental advertising and community outreach programs, an increase in maintenance and safety activities, higher activities for the sewer lateral program, an increase in IT

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hardware and software maintenance, higher program costs for growth opportunities, an increase in units of work, a greater number of required pipeline locates, increased leak survey and corrosion activities, and inflationary pressures for all other outside services.

24. The increase of \$1.3 million in consulting is primarily due to the incremental services required to achieve the Company's goal of zero safety incidents through the Path to Zero initiative.
25. The increase of \$0.8 million in repairs and maintenance reflects higher storage maintenance costs in relation to compressor parts and instrumentation and higher pipe and fitting maintenance activities.
26. The increase of \$0.9 million in fleet is the result of higher vehicle costs driven by higher operating activity, higher fuel costs, and increased maintenance related to work equipment.
27. The increase of \$1.2 million in Rents and Leases is mainly due to the planned acquisition of additional office space to accommodate the business growth at the head office facility, and an increase in land easement costs.
28. Travel and other business expenses increase by \$1.0 million as a result of inflationary pressures, higher travel costs, and anticipated increased business activity and related travel costs.
29. The increase of \$0.8 million in interest on security deposits results from higher short term interest rate forecasted in 2012.

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30. The 2012 Provision for Uncollectible Accounts estimate of \$13.7 million is \$3.1 million lower than the 2011 estimate of \$16.8 million. While overall, the 2012 Estimate is lower than that of 2011, the 2012 Estimate reflects an expected increase in the value of billed receivables in 2012, which is more than offset by adjustments required to correct deficiencies in accounts receivable reporting that were recognized in 2011.

2011 Historical Comparison to 2007 Board Approved – Other O&M

31. While the Company has used a grass roots department by department approach to forecast its 2012 and 2013 O&M, the comparison by cost type and by department between 2011 and 2007 cannot be performed in a truly meaningful manner due to two reasons. First, the 2007 other O&M approved by the Board was based on an envelope amount which reflects a lump-sum reduction from the 2007 budget as filed. The Board did not approve individual departmental O&M Budgets. The 2007 Budget by department was not adjusted at the department level to reflect the reduction to the envelope amount. Accordingly, there is no Board Approved O&M budget by cost type and by department. The regulatory presentation of 2007 Board Approved amounts by department in some exhibits is an arbitrary allocation that simply involved prorating the total reduction. It is not a true representation of real costs required for each department. Second, the Company has undergone a series of re-organizations since 2007, the organizational structure today is different from what it was in 2007. An attempt to compare the costs line by line between the two distinct time periods would lead to inaccurate interpretations as the roles and responsibilities of groups within departments have changed.
32. A more appropriate comparison between 2007 Board Approved O&M Expense and 2013 Budget is by cost category as identified in paragraphs 3 to 8 and

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Table 1 provided on page 2 of this exhibit. Several of these cost categories are the subject of a separate process and settlement agreement (CC/CIS and DSM) or a Board approved methodology (RCAM). The pension expense is a function of whether it is in a deficit position, a matter beyond the Company's control. The aggregate of the expenses associated with these four categories when subtracted from the Total Net Utility O&M Expense leaves the remainder "Other O&M" of \$250 Million. Table 4 below sets out the O&M Expense by each category from 2007 Board Approved to 2013 Budget. The high level year over year variance explanations for Other O&M in historical years from 2007 Actual to 2011 Estimate can be found at Exhibit D5, Tab 2, Schedule 5.

Table 4
 Enbridge Gas Distribution
 Summary of Operating and Maintenance Expense by Category
From 2007 Board Approved to 2013 Budget

	Col. 1	Col. 2	Col. 3	Col. 4	Col. 5	Col. 6	Col. 7	Col. 8
Line No. Categories (\$ Millions)	Budget 2013	Estimate 2012	Historical 2011	Actual 2010	Actual 2009	Actual 2008	Actual 2007	Board Approved 2007
1. Customer Care Service Charges	\$89.4	\$90.4	\$82.6	\$87.5	\$87.5	\$82.5	\$89.2	\$90.8
2. Regulatory Cost Allocation Methodology(RCAM)	30.3	30.2	26.7	24.3	21.2	19.1	18.1	18.1
3. Demand Side Management (DSM)	28.6	28.1	28.1	25.5	24.3	23.1	22.0	22.0
4. Pension Expense	27.7	20.6	3.2	4.0	2.6	1.7	1.5	1.7
5. Other O&M	250.0	232.9	215.0	205.5	201.5	197.0	196.0	193.6
6. Total Net Utility O&M Expense	\$426.1	\$402.2	\$355.7	\$346.7	\$337.0	\$323.4	\$326.8	\$326.2

Full Time Equivalents ("FTE")

33. The FTE's presented in Table 5 on the following page represent the Company's total gross FTE's before capitalization. A portion of the FTE's is capitalized and, therefore, their compensation and employee related expenses are included in the

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capital budget. 2013 FTE's are forecast at 2,287. This is an increase of 56 FTE's over the 2012 Estimate of 2,231 FTE's. The increase is primarily due to integrity management (twenty FTE's), worker and public safety (eight FTE's), system operations in work management and extended alliance (seven FTE's), IT support for new business applications and the conversion of contractors (six FTE's), measurement and regulation inspectors (five FTE's), leak management (five FTE's), damage prevention (two FTE's), incident response (two FTE's), and other (one FTE's). Please refer to the FTE evidence filed at Exhibit D3, Tab 2, Schedule 4.

Table 5
 Enbridge Gas Distribution
 Full Time Equivalent (FTE)
2013 Budget, 2012 Estimate, 2011 Historical, and 2007 Board Approved

Line No. <u>Salary Bands</u>	Col. 1	Col. 2	Col. 3	Col. 4	Col. 5	Col. 6	Col. 7
	Budget <u>2013</u>	Estimate <u>2012</u>	Historical <u>2011</u>	Board Approved <u>2007</u>	2013 Budget vs. Estimate <u>2012</u>	2012 Estimate vs. Historical <u>2011</u>	2011 Historical vs. Board Approved <u>2007</u>
1. Management	140	138	129	250	1	9	(121)
2. Supervisory	1,452	1,393	1,266	955	60	127	310
3. Union	695	700	675	755	(5)	25	(80)
4. Total FTE	<u>2,287</u>	<u>2,231</u>	<u>2,070</u>	<u>1,961</u>	<u>56</u>	<u>161</u>	<u>110</u>

34. 2012 FTE's increase by 161 FTE's over the 2011 Historical of 2,070 FTE's. The increase is primarily due to distribution asset management (twenty FTE's), pipeline evaluation and inspection (sixteen FTE's), Operations (fourteen FTE's) needed to improve records integrity, revise standards and processes around leaks, damages, and emergency response times, and replace targeted assets based on risk studies, damage prevention and leak survey and corrosion (twelve FTE's), environmental health and safety (ten FTE's), safety and technical training

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(ten FTE's), GTA reinforcement project (nine FTE's), customer support (eight FTE's), system operations (seven FTE's), IT system specialists, project manager, and analysts (seven FTE's), Operations union collective agreement (five FTE's), safety supervisors (five FTE's), measurement and regulation inspectors (five FTE's), HR support and plant maintenance (five FTE's), regulatory support and gas control management (five FTE's), DSM and conservation services (five FTE's), an overlap of resources to allow for the training and knowledge transfer (five FTE's), Finance unfilled replacements and return of maternity leave (six FTE's), legal contracts lead and records management (three FTE's), public and government affairs (three FTE's), other (one FTE's). Please refer to the FTE evidence filed at Exhibit D4, Tab 2, Schedule 5 and Exhibit D5, Tab 2, Schedule 4.

O&M Cost Per Customer

35. Table 6 on the following page provides the O&M cost per customer from 2004 to 2013 in constant dollars and in nominal dollars. The inflation index being used for the calculation of constant dollars is GDP IPI FDD, which is consistent with what is used in the IR formula. The O&M cost per customer for 2013, in constant dollars, has slightly increased by 0.2% since 2004 due to FTE growth, increased customer numbers, and higher safety requirements, partially offset by the continued productivity improvements.

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Table 6
 Enbridge Gas Distribution
 Operation and Maintenance Expense
Cost Per Customer

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
<u>2013 Constant Dollars per Customer</u>										
Utility O&M Cost Per Customer ¹	197.09	186.14	183.71	180.03	172.30	174.91	173.86	173.16	191.73	197.42
<u>Nominal Dollars per Customer</u>										
Utility O&M Cost Per Customer ¹	168.40	162.44	164.11	164.40	161.02	165.63	166.76	167.35	188.49	197.42
Number of Customers (000's) ²	1,676.38	1,724.72	1,782.81	1,824.79	1,865.02	1,887.61	1,926.29	1,957.73	1,984.73	2,013.35

Notes:

1. Does not include ancillary program costs, or demand side management costs
2. Number of Customers represent total unlock customers

Summary

36. The level of costs submitted are required to continue to provide an acceptable quality of service to Enbridge's existing and new customers and maintain the distribution system to ensure continued safety and reliability. Enbridge respectfully requests approval of the 2013 O&M Budget of \$426.1 million.

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Enbridge Gas Distribution
 Other Operating and Maintenance Expense by Cost Type
2013 Test Year vs. 2012 Bridge Year

Line No. Notes:	(\$ millions)
<u>Salaries and Wages (Line 1)</u>	
1. 2013 Budget	170.9
2. 2012 Estimate	<u>160.7</u>
3. Difference	<u><u>10.2</u></u>
Reasons:	
4. Annual salary and wage increase of 3.3% for non-unions and 3.0% for unions	5.3
5. Increase of 56 FTE's	<u>4.9</u>
6. Total 2013 vs. 2012 Difference	<u><u>10.2</u></u>
<u>Benefits (Line 2)</u>	
7. 2013 Budget	30.5
8. 2012 Estimate	<u>25.9</u>
9. Difference	<u><u>4.5</u></u>
Reasons:	
10. Increase in OPEB expense due to the change in accounting methodology	2.9
11. Increase in staff levels - 56 FTE's	0.7
12. Increase in prescription costs, dental fees, and increase in benefit claims	0.5
13. Increase in CPP, EI & Employers Health Tax from higher salary base	<u>0.4</u>
14. Total 2013 vs. 2012 Difference	<u><u>4.5</u></u>
<u>Short Term Incentive Program (Line 3)</u>	
15. 2013 Budget	20.3
16. 2012 Estimate	<u>19.4</u>
17. Difference	<u><u>0.8</u></u>
Reasons:	
18. The increased in STIP is a result of the higher salary base in 2013	<u>0.8</u>
19. Total 2013 vs. 2012 Difference	<u><u>0.8</u></u>

Witnesses: S. Kancharla
 R. Lei

Enbridge Gas Distribution
 Other Operating and Maintenance Expense by Cost Type
2013 Test Year vs. 2012 Bridge Year

Line No. Notes:	(\$ millions)
<u>Outside Services (Line 6)</u>	
20. 2013 Budget	79.0
21. 2012 Estimate	<u>77.9</u>
22. Difference	<u><u>1.1</u></u>
Reasons:	
23. EnVision application operations service contract renewal efforts to assess and select a service provider as well as to perform transition activities	1.1
24. Additional work relating to in line inspection program	1.0
25. Higher number of pipeline locates required, increased leak survey and corrosion activities	0.9
26. Higher contractor cost, inflationary increases for building utility costs	0.5
27. Inflationary pressures and market cost adjustments for IT contracts	0.4
28. Increase in inserts, video, first time customer kit, and translation costs	0.4
29. Contract cost increase for all other departments	0.3
30. Reduction in contractors cost as a result of conversion of four FTE's	(0.5)
31. Lower incremental costs for leak management, repairs, and maintenance	<u>(3.0)</u>
32. Total 2013 vs. 2012 Difference	<u><u>1.1</u></u>
<u>Regulatory costs (Line 7)</u>	
33. 2013 Budget	7.3
34. 2012 Estimate	<u>5.8</u>
35. Difference	<u><u>1.5</u></u>
Reasons:	
36. Higher regulatory proceeding costs in anticipation of a more lengthy 2013 cost of service rate application, as compared to recent IR rate applications	<u>1.5</u>
37. Total 2013 vs. 2012 Difference	<u><u>1.5</u></u>

Witnesses: S. Kancharla
 R. Lei

Enbridge Gas Distribution
 Other Operating and Maintenance Expense by Cost Type
2013 Test Year vs. 2012 Bridge Year

Line No.	Notes:	(\$ millions)
<u>Consulting (Line 8)</u>		
38.	2013 Budget	9.5
39.	2012 Estimate	6.7
40.	Difference	<u>2.9</u>
Reasons:		
41.	Incremental services required for the Path to Zero initiative	1.9
42.	Envision contract renewal efforts	0.6
43.	Market cost adjustment for contracts	0.4
44.	Total 2013 vs. 2012 Difference	<u>2.9</u>
<u>Interest on Security Deposits (Line 16)</u>		
45.	2013 Budget	2.7
46.	2012 Estimate	1.9
47.	Difference	<u>0.8</u>
Reasons:		
48.	The short term interest rate forecast is 120 basis points higher than 2012	0.8
49.	Total 2013 vs. 2012 Difference	<u>0.8</u>
<u>Provision for Uncollectibles (Line 17)</u>		
50.	2013 Budget	15.2
51.	2012 Estimate	13.7
52.	Difference	<u>1.5</u>
Reasons:		
53.	higher billed receivables due to customer growth and an increase in commodity price, and a higher risk related to customers' ability to pay	1.5
54.	Total 2013 vs. 2012 Difference	<u>1.5</u>

Witnesses: S. Kancharla
 R. Lei

Enbridge Gas Distribution
 Other Operating and Maintenance Expense by Cost Type
2013 Test Year vs. 2012 Bridge Year

Line No.	Notes:	(\$ millions)
<u>Other (Line 19)</u>		
55.	2013 Budget	7.1
56.	2012 Estimate	<u>5.9</u>
57.	Difference	<u><u>1.3</u></u>
Reasons:		
58.	The Company's performance management initiative aimed at improving overall efficiency and effectiveness	1.3
59.	Total 2013 vs. 2012 Difference	<u><u>1.3</u></u>
<u>Capitalization (A&G) (Line 21)</u>		
60.	2013 Budget	(35.7)
61.	2012 Estimate	<u>(31.4)</u>
62.	Difference	<u><u>(4.3)</u></u>
Reasons:		
63.	Higher pension and OPEB costs	(2.1)
64.	Higher underpinning O&M costs for A&G	<u>(2.1)</u>
65.	Total 2013 vs. 2012 Difference	<u><u>(4.3)</u></u>
<u>Capitalization (Line 22)</u>		
66.	2013 Budget	(69.2)
67.	2012 Estimate	<u>(65.3)</u>
68.	Difference	<u><u>(3.9)</u></u>
Reasons:		
69.	Driven by salary increase and FTE additions in 2013	<u>(3.9)</u>
70.	Total 2013 vs. 2012 Difference	<u><u>(3.9)</u></u>
71.	All other items for variances less than \$0.5 million	<u><u>0.8</u></u>
Total variance		<u><u>17.1</u></u>

Witnesses: S. Kancharla
 R. Lei

Enbridge Gas Distribution
 Other Operating and Maintenance Expense by Cost Type
2012 Bridge Year vs. 2011 Historical Year

Line No.	Notes:	(\$ millions)
<u>Salaries and Wages (Line 1)</u>		
1.	2012 Estimate	160.7
2.	2011 Historical	145.0
3.	Difference	<u>15.7</u>
Reasons:		
4.	Annual salary and wage increase of 3.3% for non-unions and 3.5% for unions	4.8
5.	Increase of 161 FTE's	10.9
6.	Total 2012 vs. 2011 Difference	<u>15.7</u>
<u>Benefits (Line 2)</u>		
7.	2012 Estimate	25.9
8.	2011 Historical	23.2
9.	Difference	<u>2.7</u>
Reasons:		
10.	Increase in staff levels - 161 FTE's	1.9
11.	Increase in prescription costs, dental fees, and increase in benefit claims	0.4
12.	Increase in CPP, EI & Employers Health Tax from higher salary base	0.4
13.	Total 2012 vs. 2011 Difference	<u>2.7</u>
<u>Short Term Incentive Program (Line 3)</u>		
14.	2012 Estimate	19.4
15.	2011 Historical	22.3
16.	Difference	<u>(2.8)</u>
Reasons:		
17.	Higher corporate performance multipliers in 2011	(2.8)
18.	Total 2013 vs. 2012 Difference	<u>(2.8)</u>

Witnesses: S. Kancharla
 R. Lei

Enbridge Gas Distribution
 Other Operating and Maintenance Expense by Cost Type
2012 Bridge Year vs. 2011 Historical Year

Line No.	Notes:	(\$ millions)
<u>Material and Supplies (Line 5)</u>		
19.	2012 Estimate	5.5
20.	2011 Historical	4.8
21.	Difference	<u>0.7</u>
Reasons:		
22.	Increased pipeline inspection	0.5
23.	Increase in material and supplies for all other department	<u>0.2</u>
24.	Total 2013 vs. 2012 Difference	<u>0.7</u>
<u>Outside Services (Line 6)</u>		
25.	2012 Estimate	77.9
26.	2011 Historical	62.4
27.	Difference	<u>15.5</u>
Reasons:		
28.	Advertising and other community outreach related to the safety related initiatives	6.2
29.	Increase in maintenance activities relating to safety and sewer lateral program	4.8
30.	Increase in IT hardware and software maintenance contract costs	1.3
31.	Higher program costs for growth opportunities	1.1
32.	Increase in units of work in Operations	1.0
33.	Higher number of pipeline locates required, increased leak survey and corrosion activities	0.5
34.	Outside services for all other departments	<u>0.7</u>
35.	Total 2012 vs. 2011 Difference	<u>15.5</u>
<u>Consulting (Line 8)</u>		
36.	2012 Estimate	6.7
37.	2011 Historical	5.3
38.	Difference	<u>1.3</u>
Reasons:		
39.	the incremental service required to continue the Path to Zero initiative	<u>1.3</u>
40.	Total 2012 vs. 2011 Difference	<u>1.3</u>

Witnesses: S. Kancharla
 R. Lei

Enbridge Gas Distribution
 Other Operating and Maintenance Expense by Cost Type
2012 Bridge Year vs. 2011 Historical Year

Line No. Notes:	(\$ millions)
<u>Repairs and maintenance (Line 9)</u>	
41. 2012 Estimate	1.9
42. 2011 Historical	1.2
43. Difference	<u>0.8</u>
Reasons:	
44. Higher storage maintenance costs associated to compressor parts, instrumentation, and higher pipeline fitting costs	0.8
45. Total 2012 vs. 2011 Difference	<u>0.8</u>
<u>Fleet (Line 10)</u>	
46. 2012 Estimate	9.8
47. 2011 Historical	8.9
48. Difference	<u>0.9</u>
Reasons:	
49. Higher vehicle costs driven by higher operating activity, higher fuel costs, and increased maintenance in work equipment	0.9
50. Total 2012 vs. 2011 Difference	<u>0.9</u>
<u>Rents and leases (Line 11)</u>	
51. 2012 Estimate	7.4
52. 2011 Historical	6.3
53. Difference	<u>1.1</u>
Reasons:	
54. Planned acquisition of additional office space to accommodate requirements at the head office facility	0.7
55. Increase in land easement requirements	0.4
56. Total 2012 vs. 2011 Difference	<u>1.1</u>

Witnesses: S. Kancharla
 R. Lei

Enbridge Gas Distribution
 Other Operating and Maintenance Expense by Cost Type
2012 Bridge Year vs. 2011 Historical Year

Line No.	Notes:	(\$ millions)
<u>Travel and other business expenses (Line 13)</u>		
57.	2012 Estimate	4.7
58.	2011 Historical	<u>3.7</u>
59.	Difference	<u><u>1.0</u></u>
Reasons:		
60.	inflationary pressures, higher travel costs, and increase in business activity	<u>1.0</u>
61.	Total 2012 vs. 2011 Difference	<u><u>1.0</u></u>
<u>Interest on Security Deposits (Line 16)</u>		
62.	2012 Estimate	1.9
63.	2011 Historical	<u>1.1</u>
64.	Difference	<u><u>0.8</u></u>
Reasons:		
65.	The short term interest rate forecast is 114 basis points higher than 2011	<u>0.8</u>
66.	Total 2012 vs. 2011 Difference	<u><u>0.8</u></u>
<u>Provision for Uncollectibles (Line 17)</u>		
67.	2012 Estimate	13.7
68.	2011 Historical	<u>16.8</u>
69.	Difference	<u><u>(3.1)</u></u>
Reasons:		
70.	Higher estimates in 2011 due to one time non-recurring adjustments	<u>(3.1)</u>
71.	Total 2012 vs. 2011 Difference	<u><u>(3.1)</u></u>

Witnesses: S. Kancharla
 R. Lei

Enbridge Gas Distribution
 Other Operating and Maintenance Expense by Cost Type
2012 Bridge Year vs. 2011 Historical Year

Line No.	Notes:	(\$ millions)
<u>Internal allocations and recoveries (Line 18)</u>		
72.	2012 Estimate	(25.1)
73.	2011 Historical	<u>(24.1)</u>
74.	Difference	<u><u>(1.1)</u></u>
Reasons:		
75.	Additional safety and records management initiatives driving additional O&M capitalization	(1.1)
76.	Total 2012 vs. 2011 Difference	<u><u>(1.1)</u></u>
<u>Capitalization (A&G) (Line 21)</u>		
77.	2012 Estimate	(31.4)
78.	2011 Historical	<u>(25.3)</u>
79.	Difference	<u><u>(6.1)</u></u>
Reasons:		
80.	Higher pension contribution expense	(3.7)
81.	Higher underpinning O&M costs for A&G	<u>(2.4)</u>
82.	Total 2012 vs. 2011 Difference	<u><u>(6.1)</u></u>
<u>Capitalization (Line 22)</u>		
83.	2012 Estimate	(65.3)
84.	2011 Historical	<u>(55.0)</u>
85.	Difference	<u><u>(10.3)</u></u>
Reasons:		
86.	Driven by salary increase and FTE additions in 2013	<u>(10.3)</u>
87.	Total 2012 vs. 2011 Difference	<u><u>(10.3)</u></u>
88.	All other items for variances less than \$0.5 million	<u><u>0.8</u></u>
Total variance		<u><u>17.9</u></u>

Witnesses: S. Kancharla
 R. Lei

UPDATED OPERATING MAINTENANCE AND OTHER COSTS

1. 2011 Historical and 2013 Budget have been updated to reflect 2011 actual results and material changes to the 2013 Test Year since EB-2011-0354 was filed. There were no changes made to the 2012 Estimate.

Table 1
 Enbridge Gas Distribution
 Summary of Operating and Maintenance Expense by Category
2013 Budget, 2012 Estimate, 2011 Actual, and 2007 Board Approved

	Col. 1	Col. 2	Col. 3	Col. 4	Col. 5	Col. 6	Col. 7
Line No. <u>Categories (\$ Millions)</u>	Updated Budget <u>2013</u>	Estimate <u>2012</u>	Actual <u>2011</u>	Board Approved <u>2007</u>	2013 Budget vs. Estimate <u>2012</u>	2012 Estimate vs. Actual <u>2011</u>	2011 Actual vs. Board Approved <u>2007</u>
1. Customer Care Service Charges	\$89.4	\$90.4	\$79.2	\$90.8	(\$1.0)	\$11.2	(\$11.6)
2. Regulatory Cost Allocation Methodology(RCAM)	32.1	30.2	26.7	18.1	1.9	3.5	8.6
3. Demand Side Management (DSM)	31.4	28.1	26.7	22.0	3.3	1.4	4.7
4. Pension Expense	37.3	20.6	3.2	1.7	16.7	17.3	1.5
5. Other O&M	<u>247.8</u>	<u>232.9</u>	<u>224.7</u>	<u>193.6</u>	<u>14.9</u>	<u>8.2</u>	<u>31.1</u>
6. Total Net Utility O&M Expense	\$438.1	\$402.2	\$360.5	\$326.2	\$35.9	\$41.7	\$34.4

Witness: S. Kancharla
 R. Lei

Table 2
 Enbridge Gas Distribution
 Summary of Operating and Maintenance Expense by Category
2013 Test Year

Line No.	Categories (\$ Millions)	Col. 1	Col. 2	Col. 3
		Updated Budget <u>2013</u>	Original Budget <u>2013</u>	Updated Budget vs. Budget <u>2013</u>
1.	Customer Care Service Charges	\$89.4	\$89.4	\$0.0
2.	Regulatory Cost Allocation Methodology(RCAM)	32.1	30.3	1.8
3.	Demand Side Management (DSM)	31.4	28.6	2.8
4.	Pension Expense	37.3	27.7	9.6
5.	Other O&M	<u>247.8</u>	<u>250.0</u>	<u>(2.2)</u>
6.	Total Net Utility O&M Expense	\$438.1	\$426.1	\$12.0

2. The 2013 updated total net utility O&M expense increases by \$12.0 million from \$426.1 million to \$438.1 million due to higher RCAM, DSM, and pension expense.

Table 2 provided above summarizes the changes in major five cost categories.

- RCAM increases by \$1.8 million to reflect MNP's recommended amount of \$32.1 million, which replaces the placeholder of \$30.3 million in the original rate case filing.
- DSM increases by \$2.8 million, which represents 10% increase for the incremental low income program spending.
- Pension expense increases by \$9.6 million as a result of the updated report from Mercer.
- Other O&M decreases by \$2.2 million due to higher pension expense being capitalized to A&G at a rate of 21.2%.

Witness: S. Kancharla
 R. Lei

Table 3
 Enbridge Gas Distribution
 Summary of Operating and Maintenance Expense by Category
2011 Year

Line No. Categories (\$ Millions)	Col. 1	Col. 2	Col. 3
	Actual <u>2011</u>	Historical <u>2011</u>	Actual vs. Historical <u>2011</u>
1. Customer Care Service Charges	\$79.2	\$82.6	(\$3.4)
2. Regulatory Cost Allocation Methodology(RCAM)	26.7	26.7	(0.0)
3. Demand Side Management (DSM)	26.7	28.1	(1.4)
4. Pension Expense	3.2	3.2	0.0
5. Other O&M	224.7	215.0	9.6
6. Total Net Utility O&M Expense	<u>\$360.5</u>	<u>\$355.7</u>	<u>\$4.8</u>

3. The 2011 Actual net utility O&M was \$360.5 million, which was \$4.8 million higher than the filed 2011 Historical year of \$355.7 million due to higher other O&M partially offset by customer care service charges. Table 3 provided above summarizes the changes in major five cost categories.

- Customer care service charges decreased by \$3.4 million due to lower outsourcing charges in billing, credit and collection, meter reading, and postage partially offset by higher call centre service costs.
- DSM decreased by \$1.4 million because the actual incremental low income program spending approved by the Board was booked in the DSMVA account as opposed to in the O&M.
- Other O&M increased by \$9.6 million primarily as a result of higher provision for uncollectibles and higher short term incentive program.

Witness: S. Kancharla
 R. Lei

Table 4
 Enbridge Gas Distribution
 Other Operating and Maintenance Expense by Cost Type
2013 Test Year vs. 2012 Bridge Year

Line No.	Particulars (\$ millions)	Updated	Estimate	Difference	%
		Budget	2012		
		2013	2012	(c)	(d)
		(a)	(b)		
1.	Salaries and Wages	\$170.9	\$160.7	\$10.2	6.3%
2.	Benefits	30.5	25.9	4.5	17.4%
3.	Short Term Incentive Program	20.3	19.4	0.8	4.3%
4.	Employee Training and Development	4.1	4.0	0.1	2.4%
5.	Materials and Supplies	5.5	5.5	0.0	0.3%
6.	Outside Services	79.0	77.9	1.1	1.4%
7.	Regulatory Proceeding Costs	7.3	5.8	1.5	25.7%
8.	Consulting	9.5	6.7	2.9	42.7%
9.	Repairs and Maintenance	2.0	1.9	0.0	0.8%
10.	Fleet	10.0	9.8	0.2	2.1%
11.	Rents and Leases	7.7	7.4	0.2	3.1%
12.	Telecommunications	3.7	3.6	0.0	1.4%
13.	Travel and Other Business Expenses	4.9	4.7	0.2	4.0%
14.	Memberships	3.4	3.2	0.2	7.1%
15.	Claims, Damages and Legal Fees	0.8	0.8	0.1	8.2%
16.	Interest on Security Deposits	2.7	1.9	0.8	40.5%
17.	Provision for Uncollectibles	15.2	13.7	1.5	10.7%
18.	Internal Allocations and Recoveries	(25.3)	(25.1)	(0.1)	0.5%
19.	Other	7.2	5.9	1.4	23.0%
20.	Subtotal	<u>359.3</u>	<u>333.7</u>	<u>25.6</u>	<u>7.7%</u>
21.	Capitalization (A&G)	(37.7)	(31.4)	(6.3)	20.1%
22.	Capitalization	(69.2)	(65.3)	(3.9)	6.0%
23.	Non-Utility Allocations	(3.4)	(3.2)	(0.2)	6.5%
24.	Subtotal Net Utility O&M Expense	<u>249.0</u>	<u>233.8</u>	<u>15.2</u>	<u>6.5%</u>
25.	Conservation Services	1.5	7.0	(5.5)	-78.4%
26.	Total Other Utility O&M Expense before Eliminations	<u>250.5</u>	<u>240.8</u>	<u>9.7</u>	<u>4.0%</u>
27.	<u>Regulatory Eliminations</u>				
28.	To eliminate Conservation Services and Overheads	(2.5)	(7.9)	5.5	-68.9%
29.	Incremental O&M Allocated to Unregulated Storage	(0.2)	-	(0.2)	
30.	Total Eliminations	<u>(2.7)</u>	<u>(7.9)</u>	<u>5.2</u>	<u>-66.0%</u>
31.	Total Other Utility O&M Expense	<u>\$247.8</u>	<u>\$232.9</u>	<u>\$14.9</u>	<u>6.4%</u>
32.	Management	140	138	2	1.4%
33.	Supervisory	1,452	1,393	59	4.2%
34.	Union	695	700	(5)	-0.7%
35.	FTE	<u>2,287</u>	<u>2,231</u>	<u>56</u>	<u>2.5%</u>

Witness: S. Kancharla
 R. Lei

Table 5
 Enbridge Gas Distribution
 Other Operating and Maintenance Expense by Cost Type
2012 Bridge Year vs. 2011 Actual Year

Line No.	Particulars (\$ millions)	Estimate	Actual	Difference	%
		2012 (a)	2011 (b)		
1.	Salaries and Wages	\$160.7	\$141.5	\$19.2	13.6%
2.	Benefits	25.9	24.3	1.7	6.9%
3.	Short Term Incentive Program	19.4	26.0	(6.6)	-25.3%
4.	Employee Training and Development	4.0	5.6	(1.5)	-27.4%
5.	Materials and Supplies	5.5	5.2	0.3	5.6%
6.	Outside Services	77.9	63.6	14.3	22.4%
7.	Regulatory Proceeding Costs	5.8	4.8	1.0	21.1%
8.	Consulting	6.7	5.0	1.7	33.1%
9.	Repairs and Maintenance	1.9	1.4	0.6	40.3%
10.	Fleet	9.8	9.0	0.8	8.5%
11.	Rents and Leases	7.4	7.3	0.2	2.1%
12.	Telecommunications	3.6	3.1	0.5	15.4%
13.	Travel and Other Business Expenses	4.7	3.5	1.2	32.8%
14.	Memberships	3.2	4.0	(0.8)	-20.6%
15.	Claims, Damages and Legal Fees	0.8	1.6	(0.8)	-52.8%
16.	Interest on Security Deposits	1.9	1.0	0.9	86.6%
17.	Provision for Uncollectibles	13.7	21.5	(7.8)	-36.4%
18.	Internal Allocations and Recoveries	(25.1)	(25.7)	0.6	-2.4%
19.	Other	5.9	6.8	(0.9)	-13.5%
20.	Subtotal	<u>333.7</u>	<u>309.5</u>	<u>24.2</u>	<u>7.8%</u>
21.	Capitalization (A&G)	(31.4)	(24.5)	(6.9)	28.3%
22.	Capitalization	(65.3)	(55.3)	(10.0)	18.1%
23.	Non-Utility Allocations	(3.2)	(4.9)	1.7	-34.2%
24.	Subtotal Net Utility O&M Expense	<u>233.8</u>	<u>224.9</u>	<u>8.9</u>	<u>4.0%</u>
25.	Conservation Services	7.0	7.3	(0.3)	-4.3%
26.	Total Other Utility O&M Expense before Eliminations	<u>240.8</u>	<u>232.2</u>	<u>8.6</u>	<u>3.7%</u>
27.	<u>Regulatory Eliminations</u>				
28.	To eliminate Conservation Services and Overheads	(7.9)	(7.3)	(0.6)	8.6%
29.	Incremental O&M Allocated to Unregulated Storage	-	(0.2)	0.2	-100.0%
30.	Total Eliminations	<u>(7.9)</u>	<u>(7.5)</u>	<u>(0.4)</u>	<u>5.2%</u>
31.	Total Other Utility O&M Expense	<u>\$232.9</u>	<u>\$224.7</u>	<u>\$8.2</u>	<u>3.7%</u>
32.	Management	138	129	9	7.1%
33.	Supervisory	1,393	1,266	127	10.0%
34.	Union	700	675	25	3.7%
35.	FTE	<u>2,231</u>	<u>2,070</u>	<u>161</u>	<u>7.8%</u>

Witness: S. Kancharla
 R. Lei

Table 6
 Enbridge Gas Distribution
 Operation and Maintenance Expense
Cost Per Customer

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
<u>2013 Constant Dollars per Customer</u>										
Utility O&M Cost Per Customer ¹	197.09	186.14	183.71	180.03	172.30	174.91	173.86	176.18	191.73	201.23
<u>Nominal Dollars per Customer</u>										
Utility O&M Cost Per Customer ¹	168.40	162.44	164.11	164.40	161.02	165.63	166.76	170.27	188.49	201.23
Number of Customers (000's) ²	1,676.38	1,724.72	1,782.81	1,824.79	1,865.02	1,887.61	1,926.29	1,960.38	1,984.73	2,020.96

Notes:

1. Does not include ancillary program costs, or demand side management costs
2. Number of Customers represent total unlock customers

Witness: S. Kancharla
 R. Lei

CORRECTION ON 2011 ACTUAL OPERATING MAINTENANCE AND OTHER COSTS

1. The 2011 Actual has been updated to regroup two items into the correct cost types. However, the total O&M costs remain unchanged. The tables below provides the changes made to 2011 actual results.
 - Short Term Incentive Program: the reduction of \$0.8 million represents the reversal of a portion of 2010 STIP accrual which was booked in the account under Other category. The regrouping reflects the total STIP amount in Line No. 3.
 - Outside services: \$0.4 million between Outside services and Other is a correction.

Table 5A
 Enbridge Gas Distribution
 Other Operating and Maintenance Expense by Cost Type
2011 Historical Year

Line No.	Particulars (\$ millions)	Updated Actual 2011	Actual 2011	Difference
1.	Salaries and Wages	\$141.5	\$141.5	-
2.	Benefits	24.3	24.3	-
3.	Short Term Incentive Program	25.2	26.0	(0.8)
4.	Employee Training and Development	5.6	5.6	-
5.	Materials and Supplies	5.2	5.2	-
6.	Outside Services	63.2	63.6	(0.4)
7.	Regulatory Proceeding Costs	4.8	4.8	-
8.	Consulting	5.0	5.0	-
9.	Repairs and Maintenance	1.4	1.4	-
10.	Fleet	9.0	9.0	-
11.	Rents and Leases	7.3	7.3	-
12.	Telecommunications	3.1	3.1	-
13.	Travel and Other Business Expenses	3.5	3.5	-
14.	Memberships	4.0	4.0	-
15.	Claims, Damages and Legal Fees	1.6	1.6	-
16.	Interest on Security Deposits	1.0	1.0	-
17.	Provision for Uncollectibles	21.5	21.5	-
18.	Internal Allocations and Recoveries	(25.7)	(25.7)	-
19.	Other	8.0	6.8	1.2
20.	Subtotal	<u>309.5</u>	<u>309.5</u>	<u>-</u>
21.	Capitalization (A&G)	(24.5)	(24.5)	-
22.	Capitalization	(55.3)	(55.3)	-
23.	Non-Utility Allocations	(4.9)	(4.9)	-
24.	Subtotal Net Utility O&M Expense	<u>224.9</u>	<u>224.9</u>	<u>-</u>
25.	Conservation Services	7.3	7.3	-
26.	Total Other Utility O&M Expense before Eliminations	<u>232.2</u>	<u>232.2</u>	<u>-</u>
27.	<u>Regulatory Eliminations</u>			
28.	To eliminate Conservation Services and Overheads	(7.3)	(7.3)	-
29.	Incremental O&M Allocated to Unregulated Storage	(0.2)	(0.2)	-
30.	Total Eliminations	<u>(7.5)</u>	<u>(7.5)</u>	<u>-</u>
31.	Total Other Utility O&M Expense	<u>\$224.7</u>	<u>\$224.7</u>	<u>-</u>

Witness: S. Kancharla
 R. Lei

Table 5
 Enbridge Gas Distribution
 Other Operating and Maintenance Expense by Cost Type
2012 Bridge Year vs. 2011 Historical Year

Line No.	Particulars (\$ millions)	Estimate	Updated Actual	Difference	%
		2012 (a)	2011 (b)		
1.	Salaries and Wages	\$160.7	\$141.5	\$19.2	13.6%
2.	Benefits	25.9	24.3	1.7	6.9%
3.	Short Term Incentive Program	19.4	25.2	(5.8)	-22.9%
4.	Employee Training and Development	4.0	5.6	(1.5)	-27.4%
5.	Materials and Supplies	5.5	5.2	0.3	5.6%
6.	Outside Services	77.9	63.2	14.7	23.2%
7.	Regulatory Proceeding Costs	5.8	4.8	1.0	21.1%
8.	Consulting	6.7	5.0	1.7	33.1%
9.	Repairs and Maintenance	1.9	1.4	0.6	40.3%
10.	Fleet	9.8	9.0	0.8	8.5%
11.	Rents and Leases	7.4	7.3	0.2	2.1%
12.	Telecommunications	3.6	3.1	0.5	15.4%
13.	Travel and Other Business Expenses	4.7	3.5	1.2	32.8%
14.	Memberships	3.2	4.0	(0.8)	-20.6%
15.	Claims, Damages and Legal Fees	0.8	1.6	(0.8)	-52.8%
16.	Interest on Security Deposits	1.9	1.0	0.9	86.6%
17.	Provision for Uncollectibles	13.7	21.5	(7.8)	-36.4%
18.	Internal Allocations and Recoveries	(25.1)	(25.7)	0.6	-2.4%
19.	Other	5.9	8.0	(2.1)	-26.5%
20.	Subtotal	<u>333.7</u>	<u>309.5</u>	<u>24.2</u>	<u>7.8%</u>
21.	Capitalization (A&G)	(31.4)	(24.5)	(6.9)	28.3%
22.	Capitalization	(65.3)	(55.3)	(10.0)	18.1%
23.	Non-Utility Allocations	<u>(3.2)</u>	<u>(4.9)</u>	<u>1.7</u>	<u>-34.2%</u>
24.	Subtotal Net Utility O&M Expense	<u>233.8</u>	<u>224.9</u>	<u>8.9</u>	<u>4.0%</u>
25.	Conservation Services	<u>7.0</u>	<u>7.3</u>	<u>(0.3)</u>	<u>-4.3%</u>
26.	Total Other Utility O&M Expense before Eliminations	<u>240.8</u>	<u>232.2</u>	<u>8.6</u>	<u>3.7%</u>
27.	<u>Regulatory Eliminations</u>				
28.	To eliminate Conservation Services and Overheads	(7.9)	(7.3)	(0.6)	8.6%
29.	Incremental O&M Allocated to Unregulated Storage	-	(0.2)	0.2	-100.0%
30.	Total Eliminations	<u>(7.9)</u>	<u>(7.5)</u>	<u>(0.4)</u>	<u>5.2%</u>
31.	Total Other Utility O&M Expense	<u>\$232.9</u>	<u>\$224.7</u>	<u>\$8.2</u>	<u>3.7%</u>
32.	Management	138	134	4	2.9%
33.	Supervisory	1,393	1,181	212	17.9%
34.	Union	700	653	47	7.2%
35.	FTE	<u>2,231</u>	<u>1,968</u>	<u>263</u>	<u>13.4%</u>
36.	Vacancy	-	116	(116)	-100.0%
37.	Total FTE	<u>2,231</u>	<u>2,084</u>	<u>147</u>	<u>7.1%</u>

Witness: S. Kancharla
 R. Lei

2013 HUMAN RESOURCES DEPARTMENT O&M EXPENSES

Mandate and Responsibilities

1. The Human Resources Department is comprised of two functions – Human Resources and Facilities Services. The Facilities Services function in its entirety was realigned to report to Human Resources effective January 2010.
2. Human Resources is responsible for ensuring that Enbridge Gas Distribution Inc. (“Enbridge” or the “Company”) is able to attract, develop and retain talented people to meet the needs of the business, ensuring operational excellence.
3. Facilities Services manages all Enbridge facilities, currently 21 properties (nine owned and twelve leased) totaling 668,600 square feet. The department is responsible for the planning and utilization of buildings to provide a safe and healthy work environment for all building occupants while optimizing the use of and efficiency of all facilities ensuring adherence to building codes and by-laws, fire codes, and environmental regulations.

Services and Activities

4. The Human Resources department consists of various functions, such as, Business Support, Compensation, Organizational Effectiveness, and Employee Services. Services provided include recruitment and selection, development of training programs, compensation studies, performance and succession management. Human Resources ensures a competitive, motivating, and healthy work environment for all employees.
5. Facilities Services conducts strategic property planning, acquisition and disposal of properties, lease administration, asset management, and internal project

management of all reconfiguration, relocation, renovation and construction projects. The daily operation of buildings and grounds entails the maintenance and upgrade of building systems, energy management initiatives, premise security, life safety systems, business continuity planning, mail and delivery, and cleaning services.

6. Over the last several years, the Company analyzed its use of several facilities and determined that it would be appropriate to consolidate various operations and training activities for several locations into a new multi-purpose facility. This project will meet the joint needs of the technical training group and Central Region East Operations and will involve the consolidation of the following existing facilities into one site: Markham Construction and Warehouse, Richmond Hill Operations Depot, VPC Engineering Materials Evaluation Center, and Technical Training in Pickering and Richmond Hill. The site will include a one-acre "Streetscape" where employees will be trained on real-life simulations in a safe and controlled environment. This will provide comprehensive, practical and theoretical training on critical tools and equipment. Construction is underway and the facility's opening is scheduled for 2012. With the consolidation of these activities, it is the Company's expectation that savings will be realized in 2013, with a reduction in leasing cost, travel time, and overall organizational efficiency gains as a result of the consolidation.

2013 Budget

Table 1
Human Resources Budget for 2013

<u>Line</u> <u>No.</u>	<u>Particulars (\$ 000's)</u>	<u>2013 Budget</u>
		\$
1	Salaries and Wages	5,746
2	Benefits	30,452
3	Pension	27,704
4	Outside Services	6,307
5	Rents and Leases	3,663
6	Costs Charged to Affiliates	(64)
7	Other	<u>7,743</u>
8	Total	<u>81,551</u>
9	Full-Time Equivalent ("FTE")	<u>72</u>

7. The 2013 Budget for Human Resources is \$81.6 million as illustrated in Table 1.
8. Total FTE's forecast for the 2013 budget is 72. The Human Resources and Facilities Services group consists of Management, Supervisory and Unionized employees who provide services to the rest of the Company. Salaries and Wages for these FTE's is \$5.7 million of the total O&M budget.

Witness: S. Trozzi

9. Benefits are a major component of the 2013 Budget, at \$30.5 million. See Employee Expenses and Workforce Demographics at Exhibit D1, Tab 3, Schedule 2 for additional information on benefits.
10. Pension costs are another major component of the 2013 Budget. It is forecasted at \$27.7 million.
11. Outside Services are budgeted at \$6.3 million. This budget includes facilities contractor costs associated with the daily operation of buildings and building utility costs.
12. Rents and Leases for 2013 are budgeted at \$3.7 million.
13. Costs Charged to Affiliates include charges to Enbridge Gas New Brunswick and Gazifère for employee records maintenance, benefit, pension and payroll administration. These costs are budgeted at (\$0.1) million.
14. Other expenses include consulting fees, employee training and development, materials and supplies, travel, severances and membership fees. They are budgeted at \$7.7 million.

Variance Explanations – 2013 Budget vs 2012 Estimate

Table 2
 Human Resources Department
 Operating and Maintenance Expense
2013 Budget versus 2012 Estimate

<u>Line No.</u>	<u>Particulars (\$ 000's)</u>	<u>2013 Budget</u>	<u>2012 Estimate</u>	<u>2013 Budget vs. 2012 Estimate</u>
		\$	\$	\$
1	Salaries and Wages	5,746	5,612	134
2	Benefits	30,452	25,941	4,511
3	Pension	27,704	20,557	7,147
4	Outside Services	6,307	5,808	499
5	Rents and Leases	3,663	3,387	276
6	Costs Charged to Affiliates	(64)	(63)	(1)
7	Other	<u>7,743</u>	<u>5,695</u>	<u>2,048</u>
8	Total Gross Operating and Maintenance Expense	<u>81,551</u>	<u>66,937</u>	<u>14,614</u>
9	FTE	<u>72</u>	<u>73</u>	<u>(1)</u>

15. The 2013 Budget increases by \$14.6 million from the 2012 Estimate.

16. The 2013 salaries and wages budget increases by \$0.1 million from the 2012 Estimate due to salary increases of 3.3%, offset by a reduction of one temporary FTE.

Witness: S. Trozzi

17. Benefits increase by \$4.5 million. The majority of the increase is due to a change in accounting practices from Canadian GAAP to U.S. Generally Accepted Accounting principles ("USGAAP") which amounts to \$2.9 million. The remainder of the increase is driven by: (1) an increase of \$0.4 million for Canada Pension Plan, Employment Insurance, and Employers Health Tax due to a higher salary base; (2) an increase of \$0.7 million for employee benefits due to an increase in FTEs; (3) higher prescription costs, dental fees; (4) the impact of higher employee utilization.
18. Pension expenses have increased \$7.1 million from the 2012 Estimate. This increase is due to the plans expected deficit position at the end of 2011 requiring contributions. These contributions represent current employee service costs as well as contributions starting in 2013 required to bring the plan from a deficit position to a surplus position. The 2012 pension expenses represent expenses under a cash basis whereas 2013 pension expense represents pension expense under an accrual basis of accounting under USGAAP. The increase, however, has no bearing on the fact that two different accounting methodologies are being used. Regardless of whether you use a cash or accrual basis of expense, Enbridge will incur an increase from 2012 to 2013. Indeed, the USGAAP accrual methodology provides for a smaller increase over 2012 compared to a cash basis. For a full analysis of cash versus accrual basis of pension expense, please refer to EB-2011-0354, at Exhibit A1, Tab 6, Schedule 2.
19. Outside Services increase by \$0.5 million from the 2012 Estimate due to higher contractor costs, inflationary increases for building utility costs and a higher level of relocation expenses for planned building moves in 2013.

20. Rents and Leases increase by \$0.3 million from the 2012 Estimate due to additional office space requirements to accommodate employee growth.
21. Costs Charged to Affiliates remain virtually unchanged.
22. Other expenses increase by \$2.0 million from 2012 Estimate primarily due to severance costs and additional compensation related cost due to a greater emphasis placed upon performance management.

Variance Explanations – 2012 Estimate vs 2011 Historic

Table 3
 Human Resources Department
 Operating and Maintenance Expense
2012 Estimate versus 2011 Historic

<u>Line No.</u>	<u>Particulars (\$ 000's)</u>	<u>2012 Estimate</u>	<u>2011 Historic</u>	<u>2012 Estimate vs. 2011 Historic</u>
		\$	\$	\$
1	Salaries and Wages	5,612	5,098	514
2	Benefits	25,941	23,193	2,748
3	Pension	20,557	3,224	17,333
4	Outside Services	5,808	5,592	216
5	Rents and Leases	3,387	2,683	704
6	Costs Charged to Affiliates	(63)	(218)	155
7	Other	<u>5,695</u>	<u>5,229</u>	<u>466</u>
8	Total Gross Operating and Maintenance Expense	<u>66,937</u>	<u>44,801</u>	<u>22,136</u>
9	FTE	<u>73</u>	<u>68</u>	<u>5</u>

Witness: S. Trozzi

23. The 2012 Estimate will see an overall increase of \$22.1 million over the 2011 Historic Year.
24. Salaries and wages increase by \$0.5 million due to general wage increases for inflation, and an increase of five FTE's. The additional FTE's were in the area of (1) Change Management which is a new service provided to the Company which is offset by previous external consultants at a higher cost, (2) Human Resources Consultants required to support the increased demand for services in the area of recruitment, performance management, etc. (3) temporary Employee Services Representative to support additional workload in the area of pension, benefits and payroll, (4) plant maintenance support for the new Technical Training facility.
25. Benefits increased by \$2.7 million driven by (1) an increase of \$0.4 million for Canada Pension Plan, Employment Insurance, and Employer Health Tax due to a higher salary base; (2) an increase of \$1.9 million for employee benefits due to an increase in FTE; (3) higher prescription costs and, dental fees, and (4) the impact of higher employee utilization.
26. Pension costs increase by \$17.3 million from 2011 Historical to 2012 Estimate. This increase is primarily due to the funded status of the plan going from a surplus position to a deficit position where the plan surplus or deficit is the net position when comparing the fair-value of the plan assets against the actuarial assessment of the plan obligations as at a given date. An excess of plan assets over plan obligations results in a surplus, while the reverse results in a deficit. Due to the pension plan expected to be in a deficit position, Enbridge is required to fund the pension plan for an amount that represents annual employee current service costs. As such the increase from 2011 is primarily employee current service costs as a

result of pension regulations requiring plan sponsors to fund pension plans should the plan be in a deficit position. Please refer to EB-2011-0277, at Exhibit B, Tab 2, Schedule 6 for details on the funded status, filing requirements, and the impact to the Company.

27. Outside Services increase by \$0.2 million due to higher facilities contactor costs and increases in utility costs due to inflation.
28. Rents and Leases are \$0.7 million higher in 2012 due to planned acquisition of additional office space to accommodate requirements at the head office facility.
29. Costs Charged to Affiliates decrease from \$0.2 million in 2011 Historic to \$0.1 million in 2012. In 2011, some of the backfills for employees who were seconded to an HR project team was charged back to the project.
30. Other expenses increase by \$0.5 million due to compensation related costs aimed at a stronger focus on performance management.

Updated Evidence

31. 2011 Actual Benefits expense was \$24,263 million compared to the 2011 Historic of \$23,193 filed. The \$1.1 million increase was a result of increased medical and dental claims by employees. /u

Witness: S. Trozzi

2013 NON-DEPARTMENTAL O&M EXPENSES

Mandate and Responsibilities

1. Within Enbridge Gas Distribution Inc's ("Enbridge" or the "Company") Operation and Maintenance ("O&M") Budget there are certain costs that are not department specific and as such are not included within the costs of any one department. The purpose of this evidence is to provide details of these non-departmental costs.
2. The non-department specific costs are comprised of two major components:
 - 1) executive management team ("EMT") salaries and their administrative support costs, consulting fees, corporate memberships and other administration and general costs and
 - 2) short term incentive program ("STIP").

Services and Activities

3. All Enbridge EMT members and their administrative support costs are contained within the executive salaries and expenses budget. This senior team has overall responsibility for the day to day operations of the Company.
4. This budget also includes corporate memberships paid by the Company to industry associations such as the Canadian Gas Association, the American Gas Association, and the annual licensing fee to the Technical Standards & Safety Authority ("TSSA"); for the distribution of natural gas.
5. The STIP is the variable pay component of compensation for all permanent employees. It is performance-driven and is intended to focus employees on achieving and exceeding specific corporate, business unit, departmental and/or individual goals that are determined on an annual basis.

6. STIP is a pay-at-risk program in that payment is tied to achievement of previously-established results, and must be re-earned each year. Variable pay target levels are established to ensure market competitiveness and are benchmarked against the Company's comparator group of companies. Target levels vary by pay grade within the organization with executive and management employees having more pay at risk than front-line employees to reflect their greater ability to directly influence performance outcomes. STIP for unionized employees is governed by the Collective Agreement.
7. Enbridge tracks the achievement of financial and operational results through the use of "scorecards" at both the Company and departmental levels. Efficiency and productivity is facilitated by having each employee's performance linked to the achievement of specific metrics that reflect their contribution to the successful execution of the business strategy.
8. Adding measurable and clear metrics to the Company and department scorecards, aligns the business objectives of the Company with the activities of the employee. Employees as a result understand their contribution to the business and the role that they play in the achievement of business results. Many metrics are dependent upon improved productivity and performance. Examples of such metrics are; (1) Net Earnings, (2) Public Safety & Reliability, (3) Employee Safety, (4) Customer Satisfaction, (4) Best Employer Status.
9. The STIP 2013 Budget, 2012 Estimate, 2011 Historic and 2010, 2009, 2008, 2007 Actual is outlined below. There are three key factors that are measured for STIP calculation purposes; (1) Enbridge Inc. Company Multiplier is measured by Corporate Return on Equity ("ROE"), (2) Enbridge Multiplier is measured on the business unit scorecard results, (3) Individual Performance (non unionized

Witness: S. Trozzi

employees) is reflected by an employee’s overall performance rating assigned by the manager. The Company Performance (ROE or “Company Multiplier”) and the Business Unit Performance (“Enbridge Multiplier”) targets and actual are outlined below. For budgeting purposes, the Company uses a multiplier of one. Where the actual multiplier used is greater than one, it means that all or some combination of the productivity or safety improvement, customer satisfaction, or other scorecard target has been achieved.

	<u>2013</u> <u>Budget</u> <u>\$000</u>	<u>2012</u> <u>Estimate</u> <u>\$000</u>	<u>2011</u> <u>Historic</u> <u>\$000</u>	<u>2010</u> <u>Actual</u> <u>\$000</u>	<u>2009</u> <u>Actual</u> <u>\$000</u>	<u>2008</u> <u>Actual</u> <u>\$000</u>	<u>2007</u> <u>Actual</u> <u>\$000</u>	
Short Term Incentive Program	\$20,257	\$19,428	\$25,206	\$19,681	\$25,303	\$19,109	\$20,084	/c
Enbridge Inc. Multiplier	1.00	1.00	1.30	1.50	2.00	2.00	2.00	/c
Enbridge Multiplier	1.00	1.00	1.02	1.38	1.50	1.78	1.49	/c

Please note the correction in the Enbridge multiplier and Short Term Incentive Program.

2013 Budget

Table 1
Non-Department Budget for 2013

<u>Line</u> <u>No.</u>	<u>Particulars (\$000's)</u>	<u>2013 Budget</u>
		\$
1	Salaries and Wages	3,526
2	Short Term Incentive Program	20,257
3	Costs Charged to Affiliates	(60)
4	Other	2,478
5	Eliminations of Donations	<u>(10)</u>
6	Total	<u>26,191</u>
7	FTE	<u>16</u>

10. The 2013 Budget for Non-Department specific costs is \$26.2 million as illustrated in Table 1 above.
11. The largest single component is the "STIP", with a budget of \$20.3 million. The calculation of the STIP is based on an increase in the salary base of 3.3% from 2012, and both the "Corporate multiplier" and "Enbridge multiplier" is estimated at 1.00.
12. Executive salaries and wages to be incurred during the normal course of business are budgeted at \$3.5 million.
13. Compensation levels are competitively based on upon market conditions that reflect

Witness: S. Trozzi

the local labour market in which the Company competes for talent. Enbridge has a defined comparator group of companies comprised of large organizations, see Mercer Compensation Study, Exhibit D2, Tab 3, Schedule 1. The pay philosophy that Enbridge utilizes is to target total cash compensation at the 50th percentile (plus or minus 10%) of the market. The Mercer report indicates that Enbridge is currently slightly below (-2%) market P50 for total cash compensation for Senior Management. The Mercer report also indicates that Senior Management is slightly above (2%) market P50 on total compensation.

14. Costs Charged to Affiliates compensate the Company for its executives spending time on affiliate work, including attendance at affiliate board meetings for St. Lawrence Gas, Gazifere Inc., Niagara Gas Transmission and Enbridge Gas New Brunswick. \$0.1 million is budgeted to be charged to affiliates in 2013.
15. Other expenses, budgeted at \$2.5 million, include material and supplies, employee training and development expenses, outside services, consulting fees, travel and other business expenses and corporate and trade membership fees.

Variance Explanation 2013 Budget vs 2012 Estimate

Table 2
 Non-Departmental
 Operating and Maintenance Expense
2013 Budget versus 2012 Estimate

Line		Budget	Estimate	2013 Test Year vs. 2012 Estimate
<u>No.</u>	<u>Particulars (\$ 000's)</u>	<u>2013</u>	<u>2012</u>	<u>Estimate</u>
		\$	\$	\$
1	Salaries and Wages	3,526	3,429	97
2	Short Term Incentive Program	20,257	19,428	829
3	Costs Charged to Affiliates	(60)	(60)	(0)
4	Customer Care Service Charges (including CIS)	0	1,020	(1,020)
5	Other	2,478	2,359	119
6	Eliminations of Donations	<u>(10)</u>	<u>(10)</u>	<u>(0)</u>
7	Total Gross Operating and Maintenance Expense	<u>26,191</u>	<u>26,166</u>	<u>25</u>
8	FTE	<u>16</u>	<u>16</u>	<u>(0)</u>

16. The 2013 Budget is \$26.2 million, which is an immaterial increase from the 2012 Estimate of \$26.2 million for non-departmental costs.

17. Executive salaries and wages increase by \$0.1 million. This is the result of the 3.3% salary increase in base salaries from the 2012 Estimate.

Witness: S. Trozzi

18. The STIP budget for 2013 Budget is \$0.8 million higher than the 2012 Estimate. The assumptions used for determining the 2013 STIP payout budget remain unchanged from 2012. The driver of the STIP increase is due to the higher salary base in 2013.

19. The Customer Care Services Charges (including Customer Information System ("CIS")) of \$1.0 million in 2012 belong to Customer Care department, but is booked in the non-departmental budget. These charges do not apply in 2013 as the five year amortization period for the CIS vendor selection costs ended in 2012.

20. Other expenses increase by \$0.1 million to account for increases in travel and business expenses driven by inflationary pressures.

Variance Explanation 2012 Estimate vs 2011 Historic

Table 3
 Non-Departmental
 Operating and Maintenance Expense
2012 Estimate versus 2011 Historic

Line		Estimate	Historic	2012 Estimate vs. 2011 Historic
No.	Particulars (\$ 000's)	<u>2012</u>	<u>2011</u>	<u>Historic</u>
		\$	\$	\$
1	Salaries and Wages	3,429	3,265	164
2	Short Term Incentive Program	19,428	22,272	(2,844)
3	Costs Charged to Affiliates	(60)	(43)	(17)
4	Customer Care Service Charges (including CIS)	1,020	1,020	(0)
5	Other	2,359	1,526	833
6	Eliminations of Donations	<u>(10)</u>	<u>(10)</u>	<u>(0)</u>
7	Total Gross Operating and Maintenance Expense	<u>26,166</u>	<u>28,030</u>	<u>(1,864)</u>
8	FTE	<u>16</u>	<u>16</u>	<u>0</u>

21. The 2012 Estimate for Non-Departmental specific costs is \$26.2 million. This is a decrease of \$1.9 million from the Historic 2011 total.

22. Salaries and wages in the Non-Departmental 2012 Estimate increases from the 2011 Historic figures by \$0.2 million due to base salary wage increases and promotions. The 2012 Estimate and 2013 Budget both use a 3.3% increase in salaries.

Witness: S. Trozzi

23. The largest single component of the 2012 Estimate is the STIP at \$19.4 million which is estimated to be \$2.8 million lower than 2011 Historic year figure. The 2012 Corporate performance multiplier is estimated at 1.00 compared to 2011 Historic multiplier of 1.30.

24. Other Expenses increase by \$0.8 million due to the reversal of compensation related costs in 2011.

Updated Evidence-STIP

25. 2011 Actual Short Term Incentives paid was \$26.0 million compared to the 2011 Historic of \$22.3 million, an increase of \$3.7 million. The increase in STIP payout is the result of improved financial performance in comparison to original estimates and higher levels of employee performance recognized at year end.

Enbridge Gas Distribution
 Operating and Maintenance Expense by Cost Type
2012 Bridge Year vs. 2011 Historical Year

Line No.	Particulars (\$000's)	Estimate	Updated	Difference	%
		2012 (a)	Actual 2011 (b)		
1.	Salaries and Wages	\$ 160,672	\$ 141,477	\$ 19,194	13.6%
2.	Benefits	25,941	24,263	1,678	6.9%
3.	Pension	20,557	3,225	17,332	537.5%
4.	Short Term Incentive Program	19,428	25,206	(5,778)	-22.9%
5.	Employee Training and Development	4,041	5,564	(1,522)	-27.4%
6.	Materials and Supplies	5,495	5,202	293	5.6%
7.	Outside Services	77,868	63,208	14,659	23.2%
8.	Regulatory Costs	5,843	4,824	1,019	21.1%
9.	Consulting	6,687	5,026	1,661	33.1%
10.	Repairs and Maintenance	1,946	1,387	559	40.3%
11.	Fleet	9,768	9,005	763	8.5%
12.	Rents and Leases	7,438	7,286	152	2.1%
13.	Telecommunications	3,619	3,136	483	15.4%
14.	Travel and Other Business Expenses	4,702	3,540	1,162	32.8%
15.	Memberships	3,158	3,978	(820)	-20.6%
16.	Claims, Damages and Legal Fees	754	1,599	(845)	-52.8%
17.	Customer Care Service Charges (including CIS)	90,436	79,199	11,237	14.2%
18.	Interest on Security Deposits	1,933	1,036	897	86.6%
19.	Provision for Uncollectibles	13,700	21,542	(7,842)	-36.4%
20.	Internal Allocations and Recoveries	(25,130)	(25,739)	609	-2.4%
21.	Corporate Cost Allocations (including direct costs)	46,816	43,440	3,376	7.8%
22.	Other	5,879	7,993	(2,114)	-26.5%
23.	Subtotal	<u>491,549</u>	<u>435,394</u>	<u>56,155</u>	<u>12.9%</u>
24.	Capitalization (A&G)	(31,404)	(24,482)	(6,922)	28.3%
25.	Capitalization	(65,273)	(55,260)	(10,013)	18.1%
26.	Non-Utility Allocations	<u>(3,220)</u>	<u>(4,891)</u>	<u>1,671</u>	<u>-34.2%</u>
27.	Total Net Utility O&M Expense, excl. DSM, Conservation	<u>391,652</u>	<u>350,761</u>	<u>40,890</u>	<u>11.7%</u>
28.	Demand Side Management Programs (DSM)	28,100	26,708	1,392	5.2%
29.	Conservation Services	6,978	7,292	(314)	-4.3%
30.	Total Net Utility O&M Expense before Eliminations	<u>426,729</u>	<u>384,761</u>	<u>41,968</u>	<u>10.9%</u>
31.	<u>Regulatory Eliminations</u>				
32.	To eliminate Corporate Cost Allocations above RCAM	(16,610)	(16,725)	115	-0.7%
33.	To eliminate Conservation Services and Overheads	(7,919)	(7,292)	(627)	8.6%
34.	Incremental O&M Allocated to Unregulated Storage	-	(233)	233	-100.0%
35.	Total Eliminations	<u>(24,529)</u>	<u>(24,250)</u>	<u>(278)</u>	<u>1.1%</u>
36.	Total Net Utility O&M Expense	<u>\$ 402,200</u>	<u>\$ 360,511</u>	<u>\$ 41,690</u>	<u>11.6%</u>
37.	FTE	<u>2,231</u>	<u>2,084</u>	<u>147</u>	<u>7.1%</u>

Witnesses: S. Kancharla
 R. Lei

Enbridge Gas Distribution
 Operating and Maintenance Expense by Cost Type
2007 Board Approved

Line No.	Particulars (\$000's)	Updated Board Approved 2007 (a)	Original Board Approved 2007 (b)	Difference (c)
1.	Salaries and Wages	\$ 136,513	\$ 136,513	\$ -
2.	Benefits	21,295	21,295	-
3.	Pension	1,745	1,745	-
4.	Short Term Incentive Program	14,730	14,730	-
5.	Employee Training and Development	3,303	3,303	-
6.	Materials and Supplies	9,040	9,040	-
7.	Outside Services	56,161	45,845	10,315
8.	Regulatory Costs	7,603	7,603	-
9.	Consulting	4,758	15,073	(10,315)
10.	Repairs and Maintenance	1,166	1,166	-
11.	Fleet	10,506	10,506	-
12.	Rents and Leases	8,995	8,995	-
13.	Telecommunications	3,615	3,615	-
14.	Travel and Other Business Expenses	3,972	3,972	-
15.	Memberships	2,852	2,852	-
16.	Claims, Damages and Legal Fees	1,510	1,510	-
17.	Customer Care Service Charges (including CIS)	90,800	90,800	-
18.	Interest on Security Deposits	1,718	1,718	-
19.	Provision for Uncollectibles	15,105	15,105	-
20.	Consumers Gas Ltd Charges	371	371	-
21.	Internal Allocations and Recoveries	(17,175)	(17,175)	-
22.	Corporate Cost Allocations (including direct costs)	18,100	18,100	-
23.	Other	7,010	7,010	-
24.	Subtotal	<u>403,691</u>	<u>403,691</u>	-
25.	Capitalization (A&G)	(19,134)	(19,134)	-
26.	Capitalization	(57,628)	(57,628)	-
27.	Non-Utility Allocations	<u>(22,729)</u>	<u>(22,729)</u>	-
28.	Total Net Utility O&M Expense, excl. DSM, Conservation	<u>304,200</u>	<u>304,200</u>	-
29.	Demand Side Management Programs (DSM)	22,000	22,000	-
30.	Conservation Services	-	-	-
31.	Total Net Utility O&M Expense before Eliminations	<u>326,200</u>	<u>326,200</u>	-
32.	<u>Regulatory Eliminations</u>			
33.	To eliminate Corporate Cost Allocations above RCAM	-	-	-
34.	To eliminate Conservation Services and Overheads	-	-	-
35.	Incremental O&M Allocated to Unregulated Storage	-	-	-
36.	Total Eliminations	<u>-</u>	<u>-</u>	<u>-</u>
37.	Total Net Utility O&M Expense	<u>\$ 326,200</u>	<u>\$ 326,200</u>	<u>\$ -</u>

Witnesses: S. Kancharla
 R. Lei

1. 2007 Board Approved O&M by Cost Type has been updated to regroup the IT related outsourcing costs from Consulting to Outside Services to be consistent with the groupings across all years. However, the O&M costs remain unchanged.

Enbridge Gas Distribution
 Operating and Maintenance Expense by Cost Type
2011 Historical Year vs. 2007 Board Approved

Line No.	Particulars (\$000's)	Updated Actual 2011 (a)	Updated Board Approved 2007 (b)	Difference (c)	% (d)
1.	Salaries and Wages	\$ 141,477	\$ 136,513	\$ 4,965	3.6%
2.	Benefits	24,263	21,295	2,968	13.9%
3.	Pension	3,225	1,745	1,480	84.8%
4.	Short Term Incentive Program	25,206	14,730	10,476	71.1%
5.	Employee Training and Development	5,564	3,303	2,260	68.4%
6.	Materials and Supplies	5,202	9,040	(3,838)	-42.5%
7.	Outside Services	63,208	56,161	7,048	12.5%
8.	Regulatory Costs	4,824	7,603	(2,779)	-36.6%
9.	Consulting	5,026	4,758	268	5.6%
10.	Repairs and Maintenance	1,387	1,166	221	18.9%
11.	Fleet	9,005	10,506	(1,502)	-14.3%
12.	Rents and Leases	7,286	8,995	(1,709)	-19.0%
13.	Telecommunications	3,136	3,615	(479)	-13.3%
14.	Travel and Other Business Expenses	3,540	3,972	(432)	-10.9%
15.	Memberships	3,978	2,852	1,127	39.5%
16.	Claims, Damages and Legal Fees	1,599	1,510	89	5.9%
17.	Customer Care Service Charges (including CIS)	79,199	90,800	(11,601)	-12.8%
18.	Interest on Security Deposits	1,036	1,718	(682)	-39.7%
19.	Provision for Uncollectibles	21,542	15,105	6,438	42.6%
20.	Consumers Gas Ltd Charges	-	371	(371)	-100.0%
21.	Internal Allocations and Recoveries	(25,739)	(17,175)	(8,564)	49.9%
22.	Corporate Cost Allocations (including direct costs)	43,440	18,100	25,340	140.0%
23.	Other	7,993	7,010	983	14.0%
24.	Subtotal	<u>435,394</u>	<u>403,691</u>	<u>31,703</u>	<u>7.9%</u>
25.	Capitalization (A&G)	(24,482)	(19,134)	(5,348)	28.0%
26.	Capitalization	(55,260)	(57,628)	2,368	-4.1%
27.	Non-Utility Allocations	(4,891)	(22,729)	17,838	-78.5%
28.	Total Net Utility O&M Expense, excl. DSM, Conservation	<u>350,761</u>	<u>304,200</u>	<u>46,561</u>	<u>15.3%</u>
29.	Demand Side Management Programs (DSM)	26,708	22,000	4,708	21.4%
30.	Conservation Services	7,292	-	7,292	
31.	Total Net Utility O&M Expense before Eliminations	<u>384,761</u>	<u>326,200</u>	<u>58,561</u>	<u>18.0%</u>
32.	<u>Regulatory Eliminations</u>				
33.	To eliminate Corporate Cost Allocations above RCAM	(16,725)	-	(16,725)	
34.	To eliminate Conservation Services and Overheads	(7,292)	-	(7,292)	
35.	Incremental O&M Allocated to Unregulated Storage	(233)	-	(233)	
36.	Total Eliminations	<u>(24,250)</u>	<u>-</u>	<u>(24,250)</u>	
37.	Total Net Utility O&M Expense	<u>\$ 360,511</u>	<u>\$ 326,200</u>	<u>\$ 34,311</u>	<u>10.5%</u>

Witnesses: S. Kancharla
 R. Lei

FTE and SALARIES & WAGES
2011 Historical Year

	Col. 1	Col. 2	Col. 3
<u>Salary Bands</u>	<u>FTE</u>	Total <u>Salaries</u> (\$000's)	Average <u>Salary</u> (\$000's)
1. Management	129	\$ 18,984	\$ 147.0
2. Supervisory	1,266	97,995	77.4
3. Unionized	675	41,083	60.8
4. Total	2,070	\$ 158,061	\$ 76.3

FTE and SALARIES & WAGES
2011 Actual

	Col. 1	Col. 2	Col. 3
<u>Salary Bands</u>	<u>FTE</u>	Total <u>Salaries</u> (\$000's)	Average <u>Salary</u> (\$000's)
1. Management	134	\$ 19,452	\$ 145.2
2. Supervisory	1,181	91,656	77.6
3. Unionized	653	39,494	60.5
4. Total Before Vacancy*	1,968	\$ 150,602	\$ 76.5
5. Vacancy	116		
6. Total	2,084		

* FTE actuals represent active employees only, which do not include vacancies during the year

Witnesses: S. Kancharla
 R. Lei
 S. Trozzi

2011 Historical in the pre-filed evidence represents the FTE estimate in 2011. This exhibit is updated with 2011 FTE actuals. FTE actuals represent active employees only which do not include vacancies during the year. In comparison, the budget and estimate incorporate vacancies. To make FTE comparable across all years, vacancies need to be added on top of actuals. 2011 FTE actuals including vacancies are 2,084 which are higher than 2011 Historical estimate by 14. Given the marginal difference, the 2011 Historical FTEs are still representative.

Witnesses: S. Kancharla
R. Lei
S. Trozzi