

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 5 for details on the funded status, filing requirements, and the impact to the Company. /c

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.