

**EGD Service Recipient 's CCA Business Case
2012 Employee Development
Service Recipient: Marc Weil**

PART I: Service Requirements Justification

For those services that you have identified as required for 2012, please provide the following information:

Please explain in sufficient detail why each of the services is specifically required for the operation of EGD

- Learning and development opportunities are critical to attract, retain, motivate and engage employees and are what differentiates EGD as a preferred employer within its' market; sharing costs to develop programs that are applicable across the enterprise (including EGD) is a more cost-effective approach that adds less operational cost to EGD.
- Succession management at the executive level requires coordination of the most senior leaders within the organization plus approval/input from the Board of Directors. These are critical hires that must be made with foresight and prudence to ensure leadership continuity and the ongoing success of the business.
- Providing effective and efficient processes and tools to assist with workforce planning, succession management, performance management etc. helps maximize productivity and achievement of EGD's scorecard objectives.

Please provide scope and service level for the required services below:

Itemize Services/Deliverables (Include examples)	Expected Service Level (Quantity and Quality Indicators)
<p>General:</p> <ul style="list-style-type: none"> • Support EGD in the continuous development of competitive and innovative personnel strategies that balance EGD's employee retention and personal development goals with fiscal responsibility and the interests of shareholders • Provide EGD management with policies, guidelines and resources designed to support the successful development and implementation of the Employee Development strategy 	<ul style="list-style-type: none"> • High Employee Engagement and Motivation as measured through the internal employee survey • High Staff Retention rate • Detailed workforce plans and skills assessments

<ul style="list-style-type: none"> • Enterprise-wide Employee and Leadership Development learning programs <p>Examples:</p> <p>Develop succession management process/cross-functional candidate information, administer executive succession management process in full</p> <p>Develop Enbridge-wide leadership programs and initiatives that have applicability to EGD</p> <p>Develop and manage third party services related to workforce planning, employee engagement etc. so that costs to EGD are shared rather than incurred on a standalone basis</p> <p>Research best practices and provide direction into areas such as employee engagement, motivation and retention</p>	<p>Sharing of candidates across Enbridge – ability to identify/recruit quality internal candidates and provide career opportunities for EGD employees Minimize external hiring requirements and associated costs Ensure executive leadership continuity</p> <p>initiatives designed to address EGD's leadership development requirements Employee engagement survey results indicate that EGD is providing appropriate development opportunities Leadership assessments indicate that managers are receiving the development and support that they need to effectively manage staff</p> <p>Required services are received at costs that reflect economies of scale and are lower than if incurred as a standalone entity</p> <p>Analysis of research, best practice identification and trend analysis to provide input into people management strategies that will enhance EGD's ability to attract, retain, motivate and engage its' workforce for superior performance</p>
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Identify whether EI is currently the sole provider of those services or a supplemental provider

EI is a supplemental provider. EGD has a Learning & Leadership function within the utility that works in partnership with this Corporate function. Services are complimentary but not duplicative. EI designs/develops programs and initiatives that are enterprise-wide (needed by multiple BU's including EGD) while EGD designs/develops supplemental programs and initiatives that are unique/specific to only EGD. EGD also delivers the enterprise-wide programs once they are developed and administers them locally. EGD conducts its' internal succession management process then EI conducts the broader cross-BU succession management process as well as the executive succession process. The employee survey is developed through Corporate and the contract with the third party is negotiated on an aggregate basis. Results are disseminated to each BU for communication within their entity. Responses to the results may be addressed through Corporate initiatives (if they represent a common need for multiple BU's including EGD) or they may be determined within EGD itself (to address specific requirements unique to EGD).

PART II: Excluded Services

For those services that you have identified as not required for 2012, please identify the rationale for exclusion by marking one or more of the applicable boxes below with an "X"

Itemize Excluded Services	Ref *	Exclusion Criteria			
		Standardization	Minding the Investment	Additional Management Layer	Other (please specify)
None					

* service schedule dept /item#

PART III:

Does a reasonably competitive market exist for the required services? Please explain why or why not? In your response, please address whether or not the services can be acquired or delivered from other sources – either externally through independent third-party service providers or internally through augmented EGD resources - as an alternative to receiving the services from Ei under the shared services model? Please elaborate?

Yes. They could be sourced externally or internally, but EGD would not be able to benefit from the broader Enbridge experience and best practices.

If the equivalent services can be acquired externally, what would the annual cost be at market rate? N/A

	# of Consultants Required		# Hours per Consultant		Hourly Market Rate		Estimated \$	
	2011	2012	2011	2012	2011	2012*	2011	2012
Managing Partners								
Senior Consultants	1	1	2,000	2,000	191	194	382,000	388,000
Consultants	1	3*	2,000	2,000	78	100	156,000	600,000
Support Staff	0.5	0.5	1,000	1,000	56	57	56,000	57,000
Sub-total (Fees)							594,000	1,046,000
Other disbursements, please detail type of expense and costing assumptions:								
Program development costs (difference between what we're charged now and the full cost). Assumes two new programs per year.							Estimated at 80,863	Estimated at 82,238*
There would likely be increased costs due to the loss of economies of scale for some initiatives that are provided through a third party (i.e. employee survey, workforce planning modeling)							Estimated at 53,910	Estimated at 54,826*
Sub-total (disbursements)							134,773	137,064
Total - Mean							\$728,773	\$1,182,064
Total - Lower Range (80% of Mean)							\$583,018	\$945,651
Total - Upper Range (120% of Mean)							\$874,528	\$1,418,477

* 2011 values are inflated by the forecast 2012 Ontario CPI of 1.7%, except for the 2012 consultants' hourly market rate which has been adjusted to reflect the most current estimate.

*Additional resources in 2012 reflect the higher level of activities associated program development in leadership development.

If the equivalent services are to be performed by EGD personnel, how much would it cost on a fully-loaded basis? In this case, EGD would need to add staffing to cover the EI component, but would also need to add staff to provide the resource capacity that is currently being provided by the other BU's at the project level.

	No. of FTEs Required		Average Job Rate		Benefits Multiplier (% of Salary)		Occupancy Multiplier (% of Salary)		Estimated \$	
	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012
Executive Management			\$490,844	\$519,976	32%	32%	2.0%	1.8%		
Senior Management			\$277,179	\$295,540	32%	32%	2.5%	2.3%		
Middle Management	1.0	2.0*	\$170,438	\$178,187	30%	30%	2.6%	2.4%	226,001	471,840
Professional/ Technical	1.0	2.0*	\$81,400	\$86,783	30%	30%	3.4%	3.1%	108,588	231,016
Clerical	0.5	1.5*	\$59,749	\$62,028	27%	27%	2.3%	2.2%	38,628	120,210
Other expenses, please detail type of expense and costing assumptions:										
In addition to the staffing requirements, there would be additional expense required for program development costs (difference between what we're charged now and the full cost). Assumes two new programs per year.										
									Estimated at 80,863	Estimated at 82,238
There would likely be increased costs due to the loss of economies of scale for some initiatives that are provided through a third party (i.e. employee survey, workforce planning modeling)										
									Estimated at 53,910	Estimated at 54,826
Additional costs for expenses, training & ongoing development and professional memberships of 2.5 staff adds										
									Estimated at 26,955	Estimated at 27,413
As of 2010 the no. of FTEs required has been rounded to reflect the following rules: Below 0.25, the value stays the same Above or equal to 0.25 but below 0.5, the value rounds to 0.5 FTE Above 0.5, the value rounds to 1 FTE										
Qualifying note: the above rounding rules represent a very conservative costing approach. It is not practical for EGD to hire fractions of FTEs, as EGD would be obliged to hire whole FTEs.										
Total - Mean									\$534,945	\$987,643
Total - Lower Range (80% of Mean)									\$427,956	\$790,034
Total - Upper Range (120% of Mean)									\$641,934	\$1,186,062
Notes:										
<ul style="list-style-type: none"> Annual incentive compensation including Stock Based Compensation (where applicable) is included into the average job rates. Benefits Multiplier incorporates employee benefits, including short term disability and scheduled day-off benefits. It excludes recruitment/severance and training & development costs Occupancy Multiplier incorporates office space, building interior/exterior maintenance, furniture and IT capital and O&M costs. Beginning in 2010, O&M 										

- and depreciation costs inclusive of CIS and exclusive of Envision were used.
- For other expenses, 2011 costs are inflated by the forecast 2012 Ontario CPI of 1.7%.

*Additional resources in 2012 reflect the higher level of activities associated program development in leadership development.

If the services are to be provided by EI, please provide cost breakdown

Type of Charge		Allocator (ex: time, volumetric, capital employed or headcount)	Unit (ex: % time, m ³ , capital \$, or # of headcount)	Total \$	
				2011 (EI's 2011 budget)	2012 (EI's 2012 budget)
Direct	Primary Service	Time	%	385,619	662,034
	Support Service			62,436	101,849
	Total			448,055	763,883
Indirect	Primary Service	Non-Union Employees	Headcount	647,812	430,462
	Support Service			104,887	66,223
	Total			752,699	496,685
Total Primary Service*				1,033,431	1,092,496
Total Support Service**				167,323	168,072
Total				\$1,200,754	\$1,260,568

Comments:

(Discussion of reasonableness of EI cost)

Sharing the costs to develop processes, tools and programs that are utilized across the enterprise (including EGD) is a more cost effective strategy than incurring these costs on a standalone basis.

* Total Primary Service Fully Loaded Dept. Costs includes the following cost components-Labour Salary, Benefits, Stock Based Comp; Training Expenses; Travel Expenses; Professional Fees; Rent +Taxes; Furniture, Computers, Equipment and Office Materials

** Total Support Service Burden includes the following cost components-Financial Projects Support (Financial Associate Program; Environmental, Health & Safety; Helpdesk, Network, Infrastructure and Hardware Support; Information System Support; Invoice Processing and Payment; Payroll and Benefits Processing; Corporate General Accounting; Corporate Office Administration; IT Project Management Support; IT Software Support & Maintenance

PART IV: Cost Benefit Analysis

	<i>E.I</i>	<i>External</i>	<i>EGD</i>
Service Cost (per Part III)	\$1,260,588	\$945,651 - \$1,418,477	\$790,034 - \$1,185,052
<p>Benefits to Ratepayers (tangibles/Intangibles)</p> <p>Examples: <u>Economies of Scale</u> <u>Continuity of Service:</u> Anticipate emerging needs, trends or issues, unlimited flat-rate consultation services <u>Adaptability:</u> Business tools commonality <u>Expertise/Knowledge:</u> familiarity with EGD processes, vision, values and objectives</p>	<p>Knowledge of all talent pools within Enbridge – beneficial for succession management/ career development both for accessing candidates for EGD and providing EGD employees with career development opportunities</p> <p>Technical expertise – senior level knowledge of best practice talent management/ workforce planning strategies paired with an understanding of Enbridge's' People Strategy and strategic objectives</p> <p>Through the use of project teams drawn from various BU's, EGD can receive the value of the project output but only has to provide a portion of the resource requirements</p>		<p>EGD has the basic infrastructure to do this work themselves – would require hiring additional resources, but would have the expertise in-house to manage this process. The quality would not be as high given that it would not be able to benefit from cross-Enbridge experience and best practices. Managing projects and development of initiatives within EGD exclusively would require additional project resources.</p>

SUMMARY - Service provider selected and justification:

- From a succession management/career development perspective, by participating in the broader cross-BU Enbridge processes, EGD has the opportunity to both expand its' talent pool of potential resources to draw from and also provide expanded career options to EGD employees, which is a critical component for attraction/retention particularly for high potentials. Being able to attract candidates from other Enbridge entities also minimizes external recruiting costs for EGD since the majority of transfers are at the managerial/professional level
- Designing, contracting and centrally administering programs such as the annual employee survey provides economies of scale savings for EGD. Engagement surveys are conducted by a third part provider; Enbridge's overall employee base is large enough to be able to negotiate a significant cost reduction that EGD as a single entity cannot. EGD was at one time the only Enbridge entity conducting annual employee surveys – costs incurred were higher than what is currently being allocated now that all entities are participating and Corporate is negotiating the overall contract.

Prepared by Lee Hain

Date March 1, 2012

Approved by [Signature]

Date March 2, 2012