

**EGD Service Recipient 's CCA Business Case  
 2012 Capital Market Financing & Access  
 Service Recipient: Narin Kishinchandani**

***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

EGD is a capital intensive business, spending about \$400 million per year in capital investments alone, not to mention working capital financing. In order to fund those business needs, the company requires a mix of equity and debt capital. The notional capital mix as stipulated by the OEB has been to maintain 36% equity and 64% in debt; this is, approximately \$150 million of equity and \$250 million of debt would need to be raised each year simply to fund the company's capital spending program approved by the OEB.

Raising capital is an ongoing activity requiring sophisticated, specialized professionals. Raising capital is not an activity that is required only at the time of issuing equity or debt – it is involved all year round, working with banks, financial institutions and institutional investors etc. The benefit of this ongoing effort can be significant, as a few basis points of savings resulting from a greater comfort and understanding of the business by the investment community can result in several tens of millions of dollars of savings to ratepayers over the years. However, most importantly is the benefit of being part of a much larger and stronger entity, allowing EGD to borrow during major economic crisis.

The activities of the support groups underpinning these initiatives are well enumerated in the primary service schedules. Most of the direct support is provided by Enbridge Inc. personnel.

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

Itemize Services/Deliverables (Include examples)	Expected Service Level (Quantity and Quality Indicators)
<ul style="list-style-type: none"> <li>• Ready access to capital markets (debt and equity)</li> <li>• Monitor and maintain an appropriate capital structure for EGD</li> <li>• Provide lower cost financing to EGD than it would be able to obtain as a stand-alone entity.</li> </ul>	<ul style="list-style-type: none"> <li>• On demand access to expertise</li> <li>• Continuous access to funding</li> <li>• Low cost financing</li> </ul>

Identify whether EI is currently the sole provider of those services or a supplemental provider  
 EI is currently the sole provider of these services.

**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)
<ul style="list-style-type: none"> <li>Communicate financing strategy to all affiliate and corporate finance depts., as well as corporate leadership team and Board of Directors</li> </ul>	CFO Dept		X		
<ul style="list-style-type: none"> <li>Manage the Enbridge Inc. and affiliate dividend policy strategy</li> </ul>	CFO Dept		X		
<ul style="list-style-type: none"> <li>Communicate financing strategy for all affiliates to Enbridge executives and Board of Directors for approvals</li> </ul>	Treasury Dept		X		

\* service schedule page #/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.**

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

	# of Consultants Required		# Hours per Consultant		Hourly Market Rate		Estimated \$	
	2011	2012	2011	2012	2011	2012*	2011	2012
<b>Managing Partners</b>								
<b>Senior Consultants</b>	2	2	2,000	2,000	189	192	758,000	768,000
<b>Consultants</b>	1	1	2,500	2,500	103	106	257,500	262,500
<b>Support Staff</b>								
<b>Sub-total (Fees)</b>								
<b>Other disbursements, please detail type of expense and costing assumptions:</b>								
<b>Travel etc.</b>							21,583	21,930*
<b>Sub-total (disbursements)</b>								
<b>Total - Mean</b>							<b>\$1,035,063</b>	<b>\$1,062,430</b>
<b>Total - Lower Range (80% of Mean)</b>							<b>\$828,050</b>	<b>\$841,944</b>
<b>Total - Upper Range (120% of Mean)</b>							<b>\$1,242,076</b>	<b>\$1,262,916</b>
<b>* 2011 values are inflated by the forecast 2012 Ontario CPI of 1.7%</b>								

**If the equivalent services are to be performed by EGD personnel, how much would it cost on a fully-loaded basis?**

	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	1.0	1.0	\$277,179	\$295,540	32%	32%	2.5%	2.3%	372,806	396,910
Middle Management	1.5	1.5	\$170,438	\$178,187	30%	30%	2.6%	2.4%	339,001	353,879
Professional/Technical			\$81,400	\$86,783	30%	30%	3.4%	3.1%		
Union	1.0	1.0	\$59,749	\$62,028	27%	27%	2.3%	2.2%	77,255	80,140
<b>Other expenses, please detail type of expense and costing assumptions:</b>										
Travel, entertainment, consulting, courier, printing etc.										
									215,637	219,303
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.										
<b>Total - Mean</b>									<b>\$1,004,699</b>	<b>\$1,050,232</b>
<b>Total - Lower Range (80% of Mean)</b>									<b>\$803,759</b>	<b>\$840,186</b>
<b>Total - Upper Range (120% of Mean)</b>									<b>\$1,205,639</b>	<b>\$1,260,278</b>
<b>Notes:</b>										
<ul style="list-style-type: none"> <li>• Annual incentive compensation including Stock Based Compensation (where applicable) is incorporated into the average job rates.</li> <li>• Benefits Multiplier incorporates employee benefits, including short term disability and scheduled day-off benefits. It excludes recruitment/severance and training &amp; development costs</li> <li>• Occupancy Multiplier incorporates office space, building interior/exterior maintenance, furniture and IT O&amp;M costs. Beginning in 2010, O&amp;M and depreciation costs inclusive of CIS but exclusive of Envision were used.</li> <li>• For other expenses, 2011 costs are inflated by the forecast 2012 Ontario CPI of 1.7%</li> </ul>										

**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 <sup>3</sup> , capital \$, or # of headcount)	Total \$	
				2011 (EI's 2011 budget)	2012 (EI's 2012 budget)
Direct	Primary Service	Time	%	471,078	362,565
	Support Service	Time	%	281,012	306,007
	Total			752,090	668,572
Indirect	Primary Service	Capital Employed	%	146,728	190,672
	Support Service	Capital Employed	%	87,528	160,929
	Total			234,255	351,601
<b>Total Primary Service *</b>				<b>617,806</b>	<b>553,237</b>
<b>Total Support Service**</b>				<b>368,540</b>	<b>466,936</b>
<b>Total</b>				<b>\$986,346</b>	<b>\$1,020,173</b>

**Comments:**  
(Discussion of reasonableness of EI cost)

\* 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>EI</i>	<i>External</i>	<i>EGD</i>
<b>Service Cost (per Part III)</b>	<b>\$1,020,173</b>	<b>\$841,944 - \$1,262,916</b>	<b>\$840,186 - \$1,260,278</b>
<b>Benefits to Ratepayers (tangibles/intangibles)</b>  <b>Examples:</b> <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	<ul style="list-style-type: none"> <li>• Within the range</li> <li>• Track record of obtaining beneficial deals in relation to market conditions.</li> </ul>	<ul style="list-style-type: none"> <li>• Quality of service may be inconsistent.</li> </ul>	<ul style="list-style-type: none"> <li>• May not have the level of exposure to markets available to EI. This may result in certain lost opportunities in getting good pricing on capital market transactions.</li> </ul>

**SUMMARY - Service provider selected and justification: EI**

- On demand access to expertise and continuous funding
- Strong knowledge of market to lock-in derivative transactions for anticipated debt issues.
- Continuous balancing of capital structure in light of regulatory obligations.
- Ready access to capital markets.

Prepared by [Signature] Date 3/1/12

Approved by [Signature] Date Mar 2 / 2012