

# GAZIFÈRE RCAM RECOMMENDATION 1 AND 3 STUDY

## Final Report



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**Date:**

October 20, 2017

**MNP**  
LLP



Original : 2017-10-31

ACCOUNTING › CONSULTING › TAX

GI-29  
Document 4  
40 pages  
Requête 4003-2017

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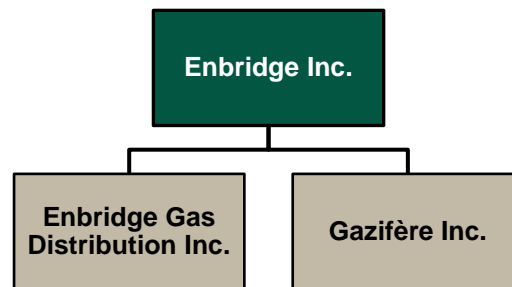
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## INTRODUCTION AND BACKGROUND

Gazifère Inc. (“Gazifère”) is one of two natural gas distributors in Quebec serving more than 40,000 residential, commercial, institutional and industrial customers. Gazifère employs 92 staff and is based in Gatineau and is responsible for distribution services across the expanse of land between Fort-Coulonge, Montebello and Grand-Remous. The organization’s service territory currently includes the city of Gatineau, which includes the former municipalities of Hull, Alymer, Gatineau, Masson-Angers and Buckingham.

Enbridge Inc. (“Enbridge” or “EI”) is the publicly-traded parent company of another natural gas distributor, Enbridge Gas Distribution Inc. (“EGD”) and Gazifère, which are both private corporations. The relationship between these entities is depicted in the diagram below.



**Figure 1: Corporate Relationship between EI, EGD and Gazifère**

Under this organizational structure, Gazifère receives cost allocations for corporate shared services from both Enbridge and EGD. Both companies provide an array of corporate services to Gazifère, such as Information Technology, Human Resources and Operations & Engineering Support. The costs to provide these services are allocated by Enbridge and EGD to Gazifère using their own internal corporate cost allocation methodologies. The table below outlines the 2015 total budgeted corporate costs to be charged to Gazifère in 2015.

### Breakdown of Corporate Services Costs Allocated to Gazifère

**Table 1: Corporate Services Costs Allocation**

Entity	Total Allocated Costs (\$)	Total Allocated Costs (%)
Enbridge	\$2,081,490	62%
EGD	\$1,255,474	38%
<b>TOTAL</b>	<b>\$3,336,964</b>	<b>100%</b>

## MNP’S PREVIOUS REVIEW OF GAZIFÈRE COST ALLOCATIONS

MNP LLP (MNP) conducted an assessment of these shared services costs, and issued its report to Gazifère in April 2015<sup>1</sup>. The purpose of this report included.

<sup>1</sup> R-3924-2015, GI-19, document 1, Report dated April 29, 2015.

1. The provision of an independent assessment of Gazifère's received corporate services cost allocation against regulatory precedent and principles; and,
2. The development of a financial model for Gazifère to assess and treat Enbridge and EGD allocations for prudence and reasonability under the regulatory regime.

The figure below demonstrates the flow of information between Gazifère and its affiliates regarding the development and application of corporate shared service costs; and highlights the scope of our analysis.

#### Flow of Corporate Services Information between Enbridge, EGD and Gazifère

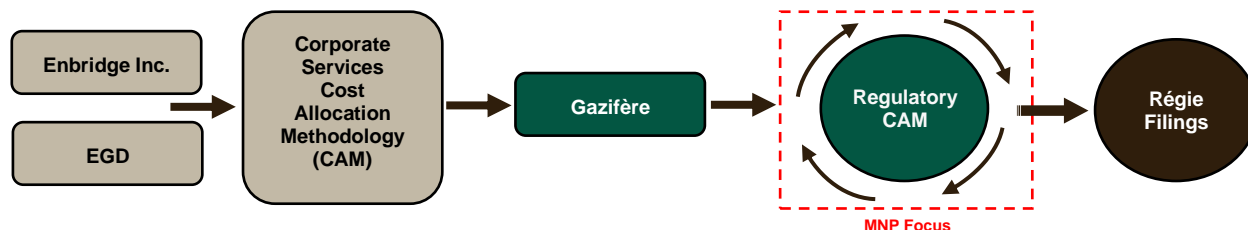


Figure 2: Information Flow

In the course of its review, MNP made several observations and recommendations for Gazifère to enhance its treatment of shared services costs issued by Enbridge. Two of the recommendations were retained by the Régie de l'énergie for Gazifère to conduct further analysis and consider revisions to its RCAM for future application as it calculates appropriate shared services costs for regulatory purposes.

## RECOMMENDATIONS FOR FURTHER STUDY

Three recommendations were made as part of the RCAM allocation model study submitted to Gazifère on April 29, 2015. The purpose of this report is to address recommendation 1 and recommendation 3 from that report, stated below.

### RECOMMENDATION #1: DEVELOP INTERNAL COST ALLOCATION DRIVERS

MNP recommended that Gazifère develops a set of specified internal cost allocation drivers for inclusion in the RCAM. This is similar practice to EGD's RCAM, which involves a number of internal studies to establish reliable cost drivers that clearly demonstrate the principle of causality where it is not already clear. Adjustments to cost allocation drivers would be made in Test #2. Overall, the use of specified internal cost allocation drivers within the RCAM model will enhance the robustness of the overall methodology and ensure greater precision in the RCAM model cost outputs over time. Some examples of cost allocation drivers that may be developed internally by Gazifère include:

- **Service Specific Salary Weighting** – Salary grade mid-point for individual time study participant from a specific department divided by the sum of all employee salary grade mid-points for a specific service and a specific department.
- **Salary Weighted Time** – General salary weighting for a specific individual multiplied by the individual's time estimate to each service provided.
- **Gazifère % of Salary-Weighted Direct Time** – Value of direct salary-weighted time-based allocation to Gazifère divided by the value of direct salary-weighted time-based allocation to all business units of Enbridge.
- **Adjusted Capital Employed Ratio** – Gazifère's capital employed without the purchase premium.

The above allocation drivers were taken from EGD's RCAM as examples of relevant allocation drivers that may be used by Gazifère in the future.<sup>2</sup>

### **RECOMMENDATION #3: INTERNAL STUDIES ON COMMON STOCK BASED COMPENSATION**

MNP recommended that Gazifère work with Enbridge to implement an alternative mechanism to allocate costs appropriately and in alignment with the principles of cost allocation established through regulatory proceeding. Greater precision in the allocation of these costs will enhance the value of Enbridge's shared services to Gazifère. To more clearly align causality, an analysis may involve internal study that assesses the level of effort (FTE Hours) spent by Common SBC recipients at Enbridge on the Gazifère business unit or further study of fair market value regarding comparable total compensation. This will serve to enhance the precision of Common SBC costs incurred within in Gazifère's RCAM model in the future. In addition, this serves to substantiate that common SBC costs incurred relate directly to the level of effort for Gazifère support services by Enbridge employees.

#### **COMMON STOCK BASED COMPENSATION**

Similar to Direct Stock Based Compensation ("SBC"), in principle, MNP determined that Common Stock Based Compensation costs could be considered prudent in the case of Gazifère since Enbridge provides executive management, senior leadership and Board of Directors support to Gazifère. If Gazifère were a stand-alone entity, it would require its own executive management team, senior leadership and Board of Directors. SBC is part of total compensation for these individuals. In the absence of SBC compensation, these individuals would be compensated through higher salaries.

SBC is commonly accepted by various Canadian regulators as an acceptable direct cost. As such, MNP has passed Common SBC costs through the Gazifère RCAM on the basis of these principles. However, MNP was unable to identify comparably sized utilities that include Common SBC costs within their regulatory filings. As such, MNP performed an FTE cost build up analysis to determine a reasonable range of Common SBC costs if Gazifère were a stand-alone entity with its own executive management team, senior leadership and Board of Directors<sup>3</sup>.

### **MNP CURRENT SCOPE OF WORK**

The MNP scope of work included the analysis, documentation, recommendations and implementation support for each of Recommendations 1 and 3 above, including testing of the RCAM model and support collaborating with Enbridge and/or EGD.

In addition to further study noted above, the Régie has requested that Gazifère provide detailed explanations of all cost drivers associated with the allocation of shared services from Enbridge affiliates to Gazifère. MNP has provided more expansive study into the nature and intent of cost drivers, and further assessed appropriateness for Gazifère, please refer to Appendix D for cost driver description and explanation.

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<sup>2</sup> R-3924-2015, GI-19, Page 16

<sup>3</sup> R-3924-2015, GI-19 Page 15



**MNP EXPERIENCE AND OPINION**

MNP is Canada's leading mid-market professional services firm, with over 3,000 employees. MNP maintains a team dedicated to the Energy and Utilities sector and has significant experience in operations and consulting for regulated and unregulated energy and utilities companies. The MNP team appointed for this assessment includes MNP's Regional and National Practice Leader for Energy & Utilities Consulting, bringing substantial experience with utility and affiliate cost allocation assessments to bear. We have performed cost allocation and transfer pricing work for both electric and natural gas utilities and their affiliates and have a strategic and detailed understanding of approved methodologies from several Canadian jurisdictions. Our team also holds considerable direct regulatory support experience, having provided defensible reports and/or testimony before the Alberta Utilities Commission, the British Columbia Utilities Commission, the Manitoba Public Utilities Board and the Ontario Energy Board and the Régie. MNP was retained by Enbridge in 2006 and 2012 to conduct independent evaluations of the RCAM results for EGD's 2007 and 2013 filings, respectively.

**LIMITATIONS OF MNP'S STUDY**

It should be noted that our comparative analysis for stock based compensation is not a benchmarking study that is undertaken by utilities to set compensation levels across the company for all type of employees. Our focus of this analysis was on senior management and senior roles across different departments in a typical utility conducting its operation in a regulated environment. Limitations also existed in identifying consistent data for all the utilities, however to mitigate that risk we looked at the average compensation for each role across utilities under consideration and more importantly the percentage contribution of each component of compensation to the average total compensation. For this review, our analysis was based on comparative market data and MNP's expert opinion about the costs of internal and external provision of services.

It should also be noted for the internal cost driver study MNP relied on data researched and publicly available especially through energy regulators across different provinces in Canada.

Additionally, MNP relied primarily on information provided by Enbridge, EGD and Gazifère in assessing financial results and cost data. MNP also relied on the representation of the staff, management, and executives of Enbridge, EGD and Gazifère. These entities therefore retain responsibility for the accuracy and completeness of the data provided to MNP.

MNP did not audit any of the data received by Gazifère or perform a detailed examination of underlying transactions or validate source records.

## RECOMMENDATION 1: INTERNAL COST DRIVERS

### MNP'S APPROACH FOR RECOMMENDATION 1

MNP undertook a 3-step approach to undertake a further study of developing internal cost drivers for Gazifère. The figure below provides a brief snapshot of the process below.



**Figure 3: Recommendation 1 Approach**

MNP reviewed various utilities and their cost allocation methodologies to identify a preliminary list of allocation drivers that would reflect not only the similarities in corporate services allocated within those utilities but also ensure the comparability of those utilities from a nature of business perspective (regulated vs. unregulated). Utilities reviewed include.

- Fortis BC
- Gaz-Metro
- Union Gas
- Manitoba Hydro

Within these utilities, MNP reviewed unique cost allocation drivers that have not been used by EI to allocate costs to Gazifère to provide additional insight to Gazifère.

## INTERNAL COST DRIVERS

### DEFINITION

Cost drivers are fundamental elements of an allocation model and necessary to associate direct and indirect costs with causation. Linking costs with cost objectives is achieved by using cost drivers. The cost objective in this case is the allocation of shared services costs of Enbridge Inc., for example to Gazifère through the use of one or more cost drivers.



Internal cost drivers include the costs that are driven by the direct action of the firm and are not dependent on any external variant. For example, a cost driver that forms the basis of allocating costs provided by senior leadership of Enbridge Inc. to Gazifère will be defined as an internal cost as it is not dependent on any external factor in determining the allocation.

**TYPES OF INTERNAL COST DRIVERS**

There are many types of internal cost drivers that are utilized by utilities, both electric and gas, to allocate specific overhead and shared services costs across different business units, departments and affiliates. MNP researched the types of allocation drivers commonly used by utilities that have been approved by the regulators in the jurisdictions the utilities operate. Our research also considered cost allocation drivers of Enbridge Gas Distribution.

The table below, provides a brief summary of a variety of cost drivers that we have reviewed for Gazifère, including the ones currently used under Enbridge’s Cost Allocation model (CAM) and additional drivers based on our research.

**Table 2: Types of Internal Cost Drivers**

<b>Cost Driver</b>	<b>Description</b>
<b>Cost Allocation Drivers Used under CAM</b>	
Enterprise FTE	The equivalent of one staff member employed full-time for a full year. Portions of a full-time equivalent consist of those that work less than full time and/or for a portion of a full year. Used a ratio of department or unit FTE to total Enterprise FTE when allocating shared services costs.
Time Incurred	Allocation of costs based on actual time spent by employees on that service line or department. Typically applied through an actual record keeping mechanism like filling time sheets.
Time Estimate	Estimate of time allocated to an activity or service line through a time estimate study. Time estimate study are developed and updated periodically. The time study documents the nature and extent of work that is performed by each department. In defining the level of activity, the department manager must balance the need to be able to identify accurately the service performed for the respective program with the manageability or meaningfulness of the allocation.
Blended Pro-Rata	Blended pro-rata allocation basis is calculated based on the average percentage of Business Unit FTEs, Enterprise FTEs and Capital employed.
User Count	User count is defined as the number of users of a particular asset (typically IT software or system).
Capital Employed	Total Assets – Current Liabilities + Long Term Debt Due Within One Year + Short Term Notes Payable – Deferred Credits – Long Term Future Taxes Payable.
<b>Additional Cost Allocation Drivers Reviewed</b>	
Massachusetts formula	A method used to allocate costs incurred by a parent company on behalf of its affiliates to those affiliates. The "Mass Formula" has three parts using the allocation factors (ratios comparing the affiliate to the company as a whole) of gross plant, gross revenues, and labor, which are added together and then divided by three to arrive at a simple average of the three factors.

Cost Driver	Description
Modified Massachusetts formula or Distringas Formula	The Distringas formula is based on the ratio of direct labor, capital investment and net operating revenue of each affiliate to total direct labor, capital investment and net operating revenues. <sup>4</sup>
Kansas-Nebraska Formula	The KN formula is based on the ratio of direct labor and capital investment of each division to total direct labor and capital investment. <sup>5</sup>
Service Specific Salary Weighted Time	Salary grade mid-point for individual time study participant from a specific department divided by the sum of all employee salary grade mid-points for a specific service and a specific department.
Salary weighted time	General salary weighting for a specific individual multiplied by the individual's time estimate to each service provided

Note: Specific applications of some of these new cost drivers can be found in Appendix E.

### APPROPRIATENESS OF ALLOCATION DRIVERS TO GAZIFÈRE

To determine the appropriateness and effectiveness of the cost allocation drivers, MNP developed a 3-point guiding principle based on our research and previous experience with reviewing cost allocation methodologies and drivers. This also ensured alignment with Enbridge's own cost allocation model principles that were discussed as part of MNP's development of the Regulated Cost Allocation Model for Gazifère prior to this study<sup>6</sup>.

The guiding principles and their application to review the appropriateness to Gazifère are described below.

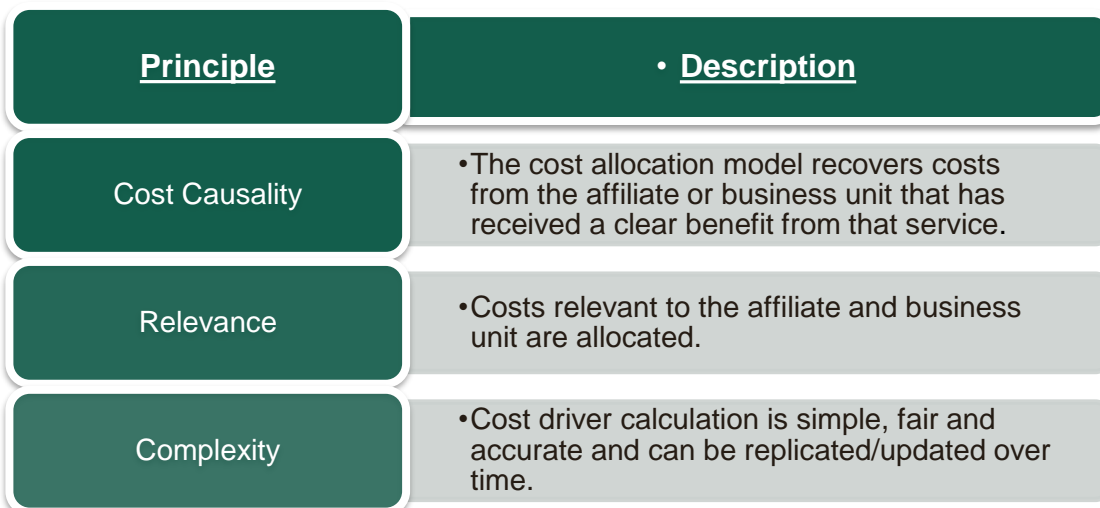


Figure 4: Principles to Determine Appropriateness

MNP applied these principles to the specific internal cost drivers to determine their appropriateness to Gazifère. The table below summarizes our review and analysis for these cost drivers (please refer to Appendix F for details on each service level).

<sup>4</sup> <https://www.efis.psc.mo.gov/mpsc/commoncomponents/viewdocument.asp?DocId=935469553>

<sup>5</sup> <https://www.efis.psc.mo.gov/mpsc/commoncomponents/viewdocument.asp?DocId=935469553>

<sup>6</sup> R-3924-2015, GI-19, Page 4

**Table 3: Appropriateness of Cost Drivers to Gazifère**

Cost Driver	Service Category Application	Cost Causality	Relevance	Complexity	Appropriateness
<b>Cost Allocation Drivers already in use</b>					
Enterprise FTE	Corporate Services, Enterprise IT Systems and Support, Human Resources, Compensation and Benefits	Direct causal relationship - The costs incurred to provide total compensation for all of EI is reasonably driven by the number of FTEs at Gazifère relative to the entire organization's FTEs.	Enterprise FTE is applied to allocate costs across multiple service categories including HR, IT and Corporate services.	The application of this cost driver is relatively simple and fairly accurate as it does not require estimations.	Appropriate
Time Incurred	Corporate Services, Enterprise IT Systems and Support, Executive Management, Operations and Engineering, Regulatory Support, Compensation and Benefits, Treasury & Accounting	Direct causal relationship - This is a pass through of direct costs incurred to perform Gazifère's risk management function. Direct costs are determined based on actual hours worked multiplied by standard rates agreed upon by Gazifère.	Time incurred is used across different service categories as a cost allocation driver for services like risk management and legal corporate services directly provided by EGD in this case. As direct assignments, they are completely relevant.	Simple in application as the rates are pre-determined and agreed upon and actual time is applied for cost allocation.	Appropriate
Time Estimated	Legal Services, Treasury and Accounting	Direct causal relationship - The estimated amount of EI time to be spent on Gazifère's treasury and records management function represents the cost driver for this service as total costs are calculated based on EI employee time spent.	Time estimate is a relevant cost driver and is frequently used by utilities to allocate costs approved by regulators.	Time estimate should be backed by a regularly updated time study to estimate time spent by FTEs on particular services and affiliates. Depending on the number of FTEs involved and commitments from managers, time	Appropriate

Cost Driver	Service Category Application	Cost Causality	Relevance	Complexity	Appropriateness
				studies can be fairly complex.	
Blended Pro Rata	Rent and Leases, Common Stock Based Compensation, Compensation and Benefits	Not a direct causal relationship - Blended pro-rata allocation basis is calculated based on the average percentage of all other cost allocation drivers in EI's CAM model. This is not appropriate for regulatory purposes as a direct causality between the allocation basis and the costs incurred cannot be established for all three service categories currently used in.	The three diverse service categories which currently use blended pro rata are not related to the cost allocation drivers and do not show any relevance.	The calculation and application of the cost allocation is not complex. However, it is dependent on the three cost allocation drivers hence the accuracy may be compromised to a certain degree depending on the accuracy of the other drivers.	Not- appropriate
User Count	Enterprise IT Systems & Support	Direct causal relationship - The Gazifère user count reasonably drives the capital cost of IT investments as it is directly linked to the number of operating licenses purchased for the Enterprise Financial System (EFS).	User Count is a relevant cost allocation driver for IT and IT infrastructures assets and related costs.	User count has a simple and accurate calculation.	Appropriate
Capital Employed	Audit, Corporate Services, Enterprise IT Systems & Support, Executive Management, Human Resources, Legal Services, Operations &	Direct Causality exists for all of the service categories except for application of capital employed on Executive IT systems and support as it directly does not	In the presence of other cost allocation drivers like User Count and Enterprise FTEs, the relevance of Capital employed for	The calculation of capital employed is simple however requires more information which does not add to the complexity as the	Appropriate except for Enterprise IT Systems and Support Allocation

Cost Driver	Service Category Application	Cost Causality	Relevance	Complexity	Appropriateness
	Engineering, Treasury & Accounting	correlate to costs incurred in the service category	Executive IT is diminished.	information is readily available and fairly accurate.	
<b>Additional Cost Allocation Drivers Reviewed</b>					
Massachusetts formula	Not Applicable	Currently not used by Gazifère, however due to the combination of gross plant, gross revenues and labor it can enhance the allocation of some of the corporate functions like executive management that are currently allocated through capital employed cost driver.	Most relevant for functions that currently only use capital employed as cost allocation driver.	While the combination formula provides a certain degree of complexity, the three inputs are accurately available and can be easily calculated.	Not applicable
Modified Massachusetts formula or Distrigas Formula	Not Applicable	Currently not used by Gazifère, however it can prove to be a better reflection of cost causality where capital employed has been identified as a weak cost allocator for example to the application of compliance services.	Most relevant for corporate services that currently only use capital employed as cost allocation drive and IT infrastructure.	Same level of complexity and accuracy as the Mass formula.	Not Applicable
Kansas-Nebraska Formula	Not Applicable	Currently not used by Gazifère, however as a combination ratio of direct labor and capital investment it can prove to strengthen application of cost driver for corporate shared services	Most relevant for functions that currently only use capital employed as cost allocation drive and IT infrastructure.	Less complex than Mass and modified Mass formula and can lead to highly accurate calculations.	Not Applicable



Cost Driver	Service Category Application	Cost Causality	Relevance	Complexity	Appropriateness
Service Specific Salary Weighted Time	Not Applicable	Currently not employed by Gazifère, however EGD has used this as an internal cost driver.	This can be most relevant to the allocation drivers currently using time estimates.	While the complexity may be less than that of doing a time study, the weights for each specific service line will have to be pre-determined and/or approved by the regulator.	Not Applicable
Salary weighted time	Not Applicable	Currently not employed by Gazifère, however EGD has used this as an internal cost driver.	This can be most relevant to the allocation drivers currently using time estimates.	Less complex than service specific salary weighted time however the accuracy is expected to be lesser as well.	Not Applicable

**Legend**

	Appropriate
	Appropriate with opportunities to improve
	Not Appropriate
	Not Applicable

## ENHANCING COST ALLOCATION DRIVER APPLICATION

Based on our analysis of the appropriateness of the allocation drivers across different service categories, MNP has identified the application of the following drivers that should be updated.

### COMMON STOCK BASED COMPENSATION

**Current Allocation Driver:** Blended Pro Rata

The Blended Pro-Rata cost allocation driver fails the appropriateness discussed in the previous section. Our analysis under Recommendation 3 of this report has developed a separate cost allocation methodology for stock based compensation (please refer to subsequent section).

### COMPENSATION AND BENEFITS

**Current Allocation Driver:** Blended Pro-Rata

**Enhanced Allocation Driver:** Modified KN Formula

As established in the previous section, the blended Pro-Rata is not an appropriate cost allocation driver for Compensation and Benefits. Our analysis has revealed that while Enterprise FTE is a good proxy for compensation and benefits a further enhancement in the allocation driver can create a better relationship between cost and causality. A combination of direct labor and investment can better represent the cost allocation as it a function of the two most important resources that would be allocated to an affiliate or division. Our research has also shown that other utilities (Fortis BC for example uses the Mass Formula) use combination ratios that are directly relevant to allocating compensation and human resources costs. To further enhance the relevance and implementation for Gazifère we recommend the use of a modified version of the KN formula which provides less complexity in the calculation and can be applied across affiliates and divisions (some may not be revenue generating in place of the Blended Pro-Rata allocation driver for Compensation and Benefits Service category. The slight modification in the traditional KN formula uses a ratio of FTEs in place of labour spending ratio as this information is easier to access and implement. Additionally, the direct FTEs ratio is a close proxy to the direct labor costs ratio.

### RENT & LEASES

**Current Allocation Driver:** Blended Pro-Rata

**Enhanced Allocation Driver:** Enterprise FTE

The costs incurred on EI rent and leases is directly caused by the number of FTEs occupying the office space. Since these represent EI's corporate head office costs, a direct causality relationship can be established between Gazifère's FTEs relative to the overall organization in terms of the time spent by EI's FTEs providing corporate support services.

### ENTERPRISE IT SYSTEMS AND SUPPORT

**Current Allocation Driver:** Capital Employed

**Enhanced Allocation Driver:** Enterprise FTE

The costs incurred on Enterprise Systems Compliance service line and Enterprise content Management within the Enterprise IT Systems and Support service category for all of EI is reasonably driven by the Enterprise FTE at Gazifère. Since specific functions of the Enterprise systems would require individual licenses which would be factor of the Enterprise FTEs, and other IT-related costs are allocated by Enterprise FTEs, it is more appropriate to use Enterprise FTE as the cost allocation driver for all service lines within the Enterprise IT Systems and Support categories.



To further support Gazifère in analyzing the impact of the proposed changes to the cost allocation drivers, MNP updated the RCAM model previously developed to showcase these changes. A summary of the reallocation along with the updated stock based compensation allocation (developed in the following section) is provided in Table 15.

## RECOMMENDATION 3: STOCK BASED COMPENSATION

### MNP'S APPROACH FOR RECOMMENDATION 3

In continuation of MNP's RCAM study, we conducted a detailed analysis of the compensation frameworks of a multitude of utilities, electric and gas, to develop a clear understanding of the levers and components of compensation that are used by utilities across Canada. We looked at a broad range of utilities keeping in mind the following parameters;

- Applicable jurisdictions in Canada;
- Operations/Business type (electric, gas or both); and
- Varying size of customer base.

The following is a list of utilities that we included in our study based on the parameters discussed above.

- Union Gas
- Gaz Metro
- BC Hydro
- Manitoba Hydro
- ENMAX
- Fortis Alberta
- Veridian Corporation

As part of the review, it was essential to establish a clear understanding of a stock based compensation plan, some of the different types of stock based compensation that companies use as well as the different design features of a stock based compensation plan.

MNP also reviewed the compensation levels of managerial positions most relevant to the shared services provided to Gazifère. A revised stock based compensation allocation was developed based on the average named executive officer's stock awards percentage as well as estimating the level of stock based compensation for those managerial positions.

### COMMON STOCK BASED COMPENSATION

#### DEFINITION

Typically, share-based or stock based compensation gives a company's employees equity ownership rights. The objective of share compensation is to align the interests of employees, management and shareholders and to retain talent and to reward superior performance in doing so<sup>7</sup>. In a scenario where the stock of the company is traded at a securities exchange, there is direct incentive for the employees and senior management part of a stock based compensation plan to improve the performance of the company, which is expected to have a direct impact on the trading price of the underlying security of the

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<sup>7</sup> <http://smallbusiness.chron.com/definition-sharebased-compensation-24691.html>

company. Ultimately, how a company defines and measures success should dictate how it incorporates performance features into its stock based compensation plans. It should also be noted that the structure of stock based compensation and the subsequent period of settlement of the awards, which are typically 3 to 5 years, renders stock based compensation a good retention tool on top of rewarding top performance.

The following sections describes the structure and different types of common stock based compensation.

**STRUCTURE OF STOCK BASED COMPENSATION**

The following table discusses some of the key design features of a stock based compensation and some of the considerations for each feature. The description here will help highlight how different stock based compensation plans are typically used by companies and how it applies to Gazifère and Enbridge Inc.

**Table 4: Stock Based Compensation Design Features**

Design Feature <sup>8</sup>	Description and Considerations
Term of award	The period of time to settlement (e.g. Settlement in 3years) or expiry (e.g. right to shares expires in 5 years)
Performance criteria	Are there performance conditions or criteria linked to the equity compensation?
Granting approach	How are grants determined? Are they based on a competitive or policy amount and/or are they based on a performance assessment? Related features include: <ul style="list-style-type: none"> <li>• Granting frequency (e.g., annually)</li> <li>• Grant size for each participant</li> </ul>
Vesting and termination provisions	An award is vested when a participant is entitled to the award (i.e., exercise or settlement is no longer contingent upon meeting any conditions such as service or performance). The vesting period generally refers to the period during which any specified vesting conditions are to be satisfied. Once an award is vested, a participant generally has the right to exercise the award, or the award has been effectively “earned” .
Change of control or major company transaction	There are numerous issues and scenarios that should be considered and addressed at the outset of the plan. <ul style="list-style-type: none"> <li>• Treatment on a change of control, in part, depends on how the plan is structured and on the underlying goals of the plan:                             <ul style="list-style-type: none"> <li>○ If a plan is settled in shares from treasury, the plan only could extend beyond the transaction if there is the ability to roll the rights into that of the surviving share</li> <li>○ If a plan is settled in cash, then there is no design reason to settle on a transaction; the settlement date can remain. Although, for practical reasons, the amount may need to be determined on the transaction date</li> </ul> </li> <li>• It is important not to vest awards inadvertently on a change of control; best practice is, where possible, to have a double trigger where both change of control and termination of employment are required for equity awards to vest</li> </ul>

There are different types of stock based compensation frameworks that are typically used by companies which are discussed in the section below:

<sup>8</sup> “Equity-Based Alternatives to Stock Options Discussion Brief” developed by CPA Canada

## TYPES OF STOCK BASED COMPENSATION

There are a few types of stock based compensation plans that companies use depending on varying objectives of these as well as their tax implications to the companies and the employees/management compensated under such plans. In our review we researched and discussed the plans we found to be most applicable to our study. The different stock based compensation plans are discussed below.

### Restricted Share Units (RSUs)

Restricted share units (“RSUs”) are notional shares or “phantom share units” that mirror the market value of a class of the company’s shares, typically the common shares. In this way, the value of the restricted share units rises and falls with the share value. Restricted share units are subject to a vesting period, typically no more than three years and can be settled in shares or the cash equivalent of the value of the shares at the date of settlement. The vesting can be time- or performance-based, or both. However, the vesting period is typically no more than three years (although, if the units are settled in newly-issued shares, the vesting period can be longer than that).

RSUs differ from share appreciation rights in that share appreciation rights start with a nil value, and therefore can have no value at the time of vesting if the share price has dropped since the start of the measurement period. In contrast, restricted share units mirror the value of the tracked shares, and will therefore almost always (absent insolvency) have some value at the time of vesting, even if it is below the original price at the start of the measurement period. Restricted share unit plans, properly structured, can achieve the benefit of deferring tax until amounts are received<sup>9</sup>.

### Performance Share Units (PSUs)

Performance Share Units: Performance share units (“PSUs”) are similar to restricted share units, in that they are notional shares, have a value equivalent to a class of the company’s shares (typically common shares) and are subject to a vesting period, which is typically no more than three years. However, unlike restricted share units, the number of performance share units that will ultimately vest adjusts based on the executive’s and/or the company’s performance as measured against predetermined targets. For any units to vest, the executive or company, as applicable, must meet a minimum performance level. As the executive’s and/or the company’s performance improves (as measured against the pre-determined targets), the number of units that will ultimately vest increases, capping out at a pre-determined maximum number of units. Performance share units can be settled in shares or the cash equivalent of the value of the shares at the date of settlement. Amounts received under a performance share unit plan are generally fully taxed as employment income.

### Deferred Share Units (DSUs)

DSUs are notional shares of the company that do not settle until the participant leaves the company. They are like RSUs, but with a longer deferral. It is possible to design vesting and/or performance conditions similar to RSUs and PSUs, but there is no automatic payout upon vesting. Provided that certain requirements are satisfied, DSUs can be cash settled without triggering adverse tax consequences for participating employees. Note that, while not common, DSUs can also be equity settled.

### Capped Stock Options

A capped stock option places an upper limit on the possible value that an individual may receive from the exercise of their options. From a financial reporting standpoint, capped stock options can reduce the reported cost of stock options significantly. Practically speaking, an individual would receive a grant of stock options, the realizable value of which on exercise is “capped.” Upon exercise, if the total in-the-money value based on the current share price and the exercise price of the option exceeds the cap, then the number of options exercisable will be reduced.

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<sup>9</sup> <http://www.stikeman.com/2011/en/pdf/ExecCompGuide.pdf>

**Stock or Share Appreciation Rights (SARs)**

Share appreciation rights, or “SARs,” are similar to stock options in that they provide the executive with the ability to profit from an increase in the company’s shares, typically the company’s common shares. Under a share appreciation rights plan, participants are granted “phantom stock” that has a nil value at the beginning of a performance period. The phantom stock then tracks the increase in the value of the underlying shares. Like stock options, share appreciation rights have a vesting period, which can be time or performance-based, or both, and are subject to set expiry dates. However, unlike stock options, the participant is not required to pay or offset an exercise price to exercise the award. Rather, the net amount of any increase in the company’s share value is paid out in cash, shares or a combination of both.

**Use of Stock Based Compensation for the Purpose of Our Study**

Enbridge Inc. allocated cost to Gazifère for stock based compensation using the previous Cost Allocation Method (CAM) including phantom stocks, RSUs and PSUs. MNP has develop an alternative mechanism of allocating stock based compensation as part of this study. Methodology and calculation of the revised allocation is discussed in the subsequent sections.

For the purpose of our study, the costs incurred by comparator utilities have been categorized under “Stock Awards”. This has been done for simplicity, given that each utility may be employing different stock compensation methods.

- There are many types of stock based compensation that are used by utilities depending on their compensation philosophy.
- Stock based compensation is used both as a performance reward mechanism as well as a retention strategy especially in the case of senior management.

**EXECUTIVE COMPENSATION STRUCTURE AT ENBRIDGE INC.**

Enbridge Inc.’s executive compensation program is made up of seven components including group benefits and retirement program. The following chart provides a snapshot of six of these components (excluding pension benefits) as well as details on the time horizon of the incentive plans<sup>10</sup>.

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<sup>10</sup>[http://www.enbridge.com/investmentcenter/~/\\_media/Enb/Documents/Investor%20Relations/2016/2016\\_ENB\\_MIC.PDF](http://www.enbridge.com/investmentcenter/~/_media/Enb/Documents/Investor%20Relations/2016/2016_ENB_MIC.PDF)

Component Purpose & description	Time Horizon (year)									
	1	2	3	4	5	6	7	8	9	10
Base salary Fixed cash compensation for performing day-to-day responsibilities, with consideration of the role, competency, market conditions and attraction and retention issues.	Yellow									
Short-term incentive (cash bonus) Variable cash incentive to motivate delivery of corporate, business unit and individual results tied to executing the business strategy, and to reward achievement for the year.	Yellow									
Medium-term incentive (performance stock units) Phantom share units with performance hurdles designed to motivate strong performance relative to external peers and pre-set targets, and alignment of interests with shareholders.	Light Gray		Yellow							
Long-term incentive (performance stock options) Stock options with share price hurdles designed to motivate longer-term value generation and stock price appreciation, and alignment of interests with shareholders.	Light Gray	Light Gray	Light Gray	Dark Gray	Dark Gray	Dark Gray	Dark Gray	Dark Gray	Dark Gray	
Long-term incentive (incentive stock options) Stock options designed to motivate longer-term value generation and stock price appreciation, and alignment of interests with shareholders.	Light Gray	Light Gray	Light Gray	Dark Gray	Dark Gray	Dark Gray	Dark Gray	Dark Gray	Dark Gray	Dark Gray
Group benefits and perquisites Designed to support the health and well-being of executives.	Yellow									

Figure 15: EI Executive Compensation Components

**SHORT-TERM INCENTIVE**

The short-term incentive awards are paid based on performance against a combination of corporate, business unit and individual goals that are set at the beginning of the year. For executives who have primary responsibility for overall corporate performance, the corporate performance metrics are given more weight. Business unit performance metrics are given the most weight for executives with primary responsibility within an operating business unit.

**MEDIUM- AND LONG-TERM INCENTIVES**

Medium- and long-term incentives for executives include three primary plans: the performance stock unit plan, performance stock option plan and incentive stock option plan. With the exception of performance stock options which are granted periodically (usually every five years in August), medium- and long-term incentives are granted annually early in the year.

The table below provides details on the different stock option plans used for executive compensation at Enbridge Inc.<sup>11</sup>:

<sup>11</sup>[http://www.enbridge.com/investmentcenter/~media/Enb/Documents/Investor%20Relations/2016/2016\\_ENB\\_MIC.PDF](http://www.enbridge.com/investmentcenter/~media/Enb/Documents/Investor%20Relations/2016/2016_ENB_MIC.PDF)

The table below outlines Enbridge’s medium- and long-term incentive plans.

	<b>Performance stock units / MEP performance stock units</b>	<b>Performance stock options</b>	<b>Incentive stock options</b>
Term	Three years	Eight years	10 years
Description	Phantom shares/units with performance conditions that affect payout	Options to acquire Enbridge common shares (once performance conditions met)	Options to acquire Enbridge common shares
Frequency	Granted every year	Granted approximately every five years	Granted every year
Performance Conditions	Enbridge <ul style="list-style-type: none"> <li>• 50% – adjusted EPS growth relative to a target set at the start of the term</li> <li>• 50% – P/E performance relative to peers</li> </ul> MEP <ul style="list-style-type: none"> <li>• 50% – distributable cash flow per unit growth relative to a target set at the start of the term</li> <li>• 50% – distribution yield relative to peers</li> </ul>	<ul style="list-style-type: none"> <li>• Three share price hurdles that must be met within 6.5 years</li> <li>• Performance vesting weighted at 40%/40%/20%</li> </ul>	n/a
Vesting	Units mature in full after three years	Options vest 20% per year over five years, starting on the first anniversary of the grant date. Both time and performance conditions must be met for vesting to occur	Options vest at 25% per year over four years, starting on the first anniversary of the grant date
Payout	Paid out in cash at the end of three years based on: <ul style="list-style-type: none"> <li>• the market value of an Enbridge common share / MEP unit at the end of three years and</li> <li>• the performance conditions</li> </ul>	Participant acquires Enbridge common shares at the exercise price defined at the time of grant (fair market value)	Participant acquires Enbridge common shares at the exercise price defined at the time of grant (fair market value)

**Figure 16: EI Medium & Long-Term Incentive Plans**

As seen from the figure above, the medium and long-term stock based compensation awards are used as a combination of performance awards as well as a retention of talent strategy.

**ENBRIDGE INC. NAMED EXECUTIVE OFFICERS’ COMPENSATION BREAKDOWN**

The following table provides a snapshot of the breakdown of top named executive officers at Enbridge Inc.

**Table 5: EI Executive Compensation Breakdown**

<b>Position/Job Title</b>	<b>Base Salary (\$)</b>	<b>Share Based Awards (\$)</b>	<b>Options Based Awards (\$)</b>	<b>Non-equity Incentive plan (\$)</b>	<b>Pension value (\$)</b>	<b>Other (\$)</b>	<b>Total (\$)</b>
Chief Executive Officer	1,246,750	2,849,500	1,301,440	1,750,000	1,643,000	108,512	8,899,202
Chief Financial Officer	509,375	768,795	728,209	458,380	190,000	48,061	2,702,820
President, liquids Pipelines	545,675	477,006	451,852	518,328	246,000	100,814	2,339,675



Position/Job Title	Base Salary (\$)	Share Based Awards (\$)	Options Based Awards (\$)	Non-equity Incentive plan (\$)	Pension value (\$)	Other (\$)	Total (\$)
Chief Legal Officer	532,525	365,876	346,608	439,142	434,000	54,468	2,172,619
President Gas pipelines & processing	539,260	534,159	161,087	497,678	251,000	151,177	2,134,361

The following table provides a ratio of the different components of executive compensation to the total compensation for each named executive officer.

**Table 6: EI Executive Compensation Breakdown Percentages**

Position/Job Title	Base Salary	Share Based Awards	Options Based Awards	Non-equity Incentive plan	Pension value	Other
Chief Executive Officer	14%	32%	15%	20%	18%	1%
Chief Financial Officer	19%	28%	27%	17%	7%	2%
President, liquids Pipelines	23%	20%	19%	22%	11%	4%
Chief Legal Officer	25%	17%	16%	20%	20%	3%
President Gas pipelines & processing	25%	25%	8%	23%	12%	7%

The above table shows that the share based awards of executives' compensation consistently forms a large part of the total compensation. Also the non-equity incentive plan which are typically short term cash bonuses and awards are lower than the share based or option based awards for most of the named executive officers at Enbridge which reflect the use of stock based compensation as a long term retention and performance reward strategy.

### NON – EXECUTIVE STOCK BASED COMPENSATION

Enbridge has a Restricted Stock Unit Plan where cash awards are paid to certain non-executive employees of the Company following a 35-month maturity period. RSU holders receive cash equal to the Company's weighted average share price for 20 days prior to the maturity of the grant multiplied by the units outstanding on the maturity date<sup>12</sup>.

- Named Executive Officer's compensation at Enbridge is a combination of base salary, short term and long term incentives.
- Medium and long term incentives are a combination of different types of stock based compensation. Share based awards vary significantly depending on the executive position at EI.
- In addition to senior executives, non-executives also receive stock based compensation.

<sup>12</sup>[http://www.enbridge.com/investmentcenter/~/\\_media/Enb/Documents/Investor%20Relations/2017/2016\\_ENB\\_EI\\_AnnualReport\\_Web.pdf](http://www.enbridge.com/investmentcenter/~/_media/Enb/Documents/Investor%20Relations/2017/2016_ENB_EI_AnnualReport_Web.pdf)



## EXECUTIVE COMPENSATION COMPARATIVE ANALYSIS

MNP reviewed the pay structures of top executives within utilities to analyze the variations that exist not only in the pay structures of those utilities but also to the level of different levers that are used in deciding the compensation framework. For simplicity of our analysis, we distributed the total compensation of executives under the five categories of compensation as provided in the table below (on average basis).

**Table 7: Executive Compensation Comparison Summary (Using Averages)**

Title/Position	Base Salary (CAD)	Stock Awards (CAD)	Annual/Long-Term Incentive Plans (CAD)	Pension Plans (CAD)	All Other (CAD)	Total Compensation (CAD)
President/CEO	\$ 568,742	\$ 874,476	\$ 660,421	\$ 534,145	\$ 334,459	\$ 2,972,243
Chief Financial Officer (CFO)	\$ 272,534	\$ 244,659	\$ 319,773	\$ 85,678	\$ 227,567	\$ 1,150,212
Vice President - Business Development and Customer Service	\$ 228,565	\$ 125,031	\$ 115,229	\$ 71,400	\$ 24,145	\$ 564,370
Vice President - Engineering, Construction and Operations	\$ 237,047	\$ 86,070	\$ 384,792	\$ 66,032	\$ 323,444	\$ 1,032,432
Vice President - Transmission, Distribution & IT	\$ 348,474	\$ 226,718	\$ 310,224	\$ 127,688	\$ 388,526	\$ 1,358,327
Vice President - General Counsel & Corporate Secretary	\$ 289,950	\$ 365,876	\$ 337,578	\$ 274,351	\$ 131,271	\$ 851,938
Chief Regulatory Officer	\$ 183,361	N/A	N/A	N/A	\$ 11,139	\$ 194,500
Average						\$ 1,160,575

Note: Not every utility has a stock award compensation for each of the roles discussed above. For details please refer to Appendix B.

It should be noted that every utility has a different long term incentive plan which can constitute a significant part of the total compensation framework for a senior role within the utility. The following table shows a breakdown of the percentage of each of these components across different roles.

**Table 8: Executive Compensation Breakdown Summary Percentage**

Title/Position	Base Salary	Stock Awards	Annual/Long-Term Incentive Plans	Pension Plans	All Other
President/CEO	19%	29%	22%	10%	5%
Chief Financial Officer (CFO)	24%	21%	28%	6%	24%
Vice President - Business Development and Customer Service	40%	22%	20%	13%	4%
Vice President - Engineering, Construction and Operations	23%	7%	30%	6%	28%

Title/Position	Base Salary	Stock Awards	Annual/Long-Term Incentive Plans	Pension Plans	All Other
Vice President - Transmission, Distribution & IT	26%	17%	20%	6%	28%
Vice President - General Counsel & Corporate Secretary	34%	N/A*	22%	16%	2%
Chief Regulatory Officer	19%	N/A**	N/A	N/A	1%
Average	26%	20%	24%	11%	19%

\*Data available only for Enbridge Inc.

\*\* Stock Awards breakdown not available.

In summary, stock awards reflecting the various forms of stock based compensation varies from 7% to 29% as a percentage of total compensation across different executive positions within the comparator companies. This variation has been calculated on an average basis across the utilities. To further expand on this observation, MNP analyzed the range of stock awards for each comparator utility and for each named executive officer considered in our analysis. The summary of these ranges is provided in the table below.

**Table 9: Stock Awards As A Percentage Of Total Compensation**

Named Executive Officers	Minimum	Maximum	Average	Enbridge Inc.
President/CEO	4%	48%	29%	32%
Chief Financial Officer (CFO)	5%	41%	21%	28%
Vice President - Business Development and Customer Service	14%	28%	22%	N/A
Vice President - Engineering, Construction and Operations	4%	26%	7%	N/A
Vice President - Transmission, Distribution & IT	4%	25%	17%	25%
General Counsel & Corporate Secretary	N/A	N/A	N/A	17%
Chief Regulatory Officer	N/A	N/A	N/A	N/A
Average (including CEO)	6%	34%	20%	28%

The table above clearly shows that for top executive positions like the CEO and CFO there is a much larger range of stock based compensation which can be attributed to the utilities philosophy around executive compensation and also alludes to the fact that for these executive positions stock based compensations forms a large part of their total compensation.

- MNP identified a diverse list of comparators to compare executive compensation at Enbridge Inc. with that of other utilities
- Almost all utilities (irrespective of their size) had some form stock based compensation for their named executive officers.
- Stock awards on average as a percentage of total compensation varied from 7% to 29% depending on the named executive officer as well as the utility.
- Average stock award as a percentage of total compensation was calculated to be 20%.

## MANAGEMENT COMPENSATION

In addition to the Executive compensation, MNP also reviewed compensation levels across different departments, headed by named executive officers discussed in the previous section. Due to the lack of publicly available data and details on management compensation across the comparator organizations, MNP researched and analyzed data for utilities across Canada. The table below summarizes the median salaries and incentives for five positions in the utilities sector. These five positions were identified as a reflection of the corporate shared service functions which are typically provided by a parent organization to a fully owned subsidiary.

**Table 10: Management Compensation (Utilities Sector)<sup>13</sup>**

Position	Median Base Salary	Median Short Term Incentives	Base + Short term incentive	Incentive Percentage
Human Resources Manager	\$ 100,536	\$ 6,764	\$ 107,300	6%
Regulatory Affairs Manager	\$ 103,855	\$ 6,064	\$ 109,919	6%
Finance Manager	\$ 111,379	\$ 10,522	\$ 121,901	9%
Legal Counsel	\$ 129,302	\$ 7,555	\$ 136,857	6%
Information Technology (IT) Manager	\$ 111,967	\$ 7,089	\$ 119,056	6%

Source: Economic Research Institute

Stock based compensation is also used as part of total compensation for managerial staff. However, due to limitation of data available in terms of breakdown for managerial staff, MNP extrapolated the stock based compensation for the above mentioned managerial positions using the average percentage of stock based compensation calculated for named executive officers in the previous section. The following table summarizes the total compensation for managerial positions including the extrapolated stock awards.

**Table 11: Extrapolated Management Compensation Breakdown (including Stock Awards)**

Position	Median Base Salary (A)	Median Short Term Incentives (B)	Median + Short Term Incentive (C)	Stock Awards as a % of Total Compensation (D)	Total Compensation (E)	Extrapolated Stock Awards (F)
Human Resources Manager	\$ 100,536	\$ 6,764	\$ 107,300	20%	\$ 133,416	\$ 26,116
Regulatory Affairs Manager	\$ 103,855	\$ 6,064	\$ 109,919	20%	\$ 136,672	\$ 26,753
Finance Manager	\$ 111,379	\$ 10,522	\$ 121,901	20%	\$ 151,571	\$ 29,670
Legal Counsel	\$ 129,302	\$ 7,555	\$ 136,857	20%	\$ 170,167	\$ 33,310
IT Manager	\$ 111,967	\$ 7,089	\$ 119,056	20%	\$ 148,033	\$ 28,977

<sup>13</sup> The median salaries indicate 50% of companies have higher salaries and 50% of the companies have lower salaries. Salary data assumes each position requires 5-8 years of work experience in utilities sector.

- Median salaries for five managerial positions were identified by MNP.
- Stock Awards for these positions were extrapolated using the average percentage calculated for Named Executive Officer's total compensation in previous section.
- Total compensation for all five positions were calculated including stock awards.

**Calculation Description**

The total of compensation is calculated adding the Median Base Salary to the short-term incentives for each position. As determined in Table 9, on average stock awards are 20% of the total compensation. Hence 80% (100-20 = 80%) of the total compensation is equal to the sum of the base salary plus short term incentive. This is used to calculate the total compensation (C/(1-D) for each of the managerial positions. Once the total compensation is calculated the average stock award percentage is applied to it (D x E) to calculate the stock award for that position in F.

**PROPOSED STOCK BASED COMPENSATION ALLOCATION**

**METHODOLOGY**

To arrive at the Stock Based compensation allocation using the regulatory cost allocation methodology (RCAM) MNP developed a three step process:

- 1) Calculation of named executive officer's contribution to stock based compensation
  - a) Calculate average total compensation for named executive officers.
  - b) Determine Enterprise FTE to calculate allocation percentage.
  - c) Calculate percentage of average stock based compensation to total compensation for named executive officers.
  - d) Multiply a, b and c to arrive at named executive officer's contribution to stock based compensation (provided in the table below).

**Table 12: Named Executive Officer's contribution to SBC**

Step 1: Named Executive Officer's Contribution to SBC	Calculation
a) Average total compensation for named executive officers (across all positions calculated in Table 7)	\$ 1,160,575
b) Enterprise FTE Allocation	1%
c) Percentage of stock awards to total compensation for named executive officers (across all positions)	20%
d) Calculate named executive officer's contribution to SBC	20% x 1% x 1,167,811 = \$ 2,272

- 2) Calculation of managerial position's contribution to SBC
  - a) Calculate total compensation for the five managerial positions considered.
  - b) Extrapolate stock based compensation levels for all five managerial positions using named executive officers' average percentage (as explained under calculation in table 11).
  - c) Sum SBC for managerial positions calculated in b. The table below summarizes this calculation.

**Table 13: Managerial Position's Contribution to SBC Allocation**

Managerial Position	SBC (calculated)
Human Resources Manager	\$ 26,116
Regulatory Affairs Manager	\$ 26,753

Managerial Position	SBC (calculated)
Finance Manager	\$ 29,670
Legal Counsel	\$ 33,310
Information Technology Manager	\$ 28,977
Total	\$ 144,826

- 3) Calculation of Total Stock Based Compensation for Allocation
  - a) Add managerial position contribution and named executive officer’s combination calculated in Step 1 and Step 2 as shown in table below:

**Table 14: Revised Calculation for Total Stock Based Compensation for Allocation and Adjustment**

Step 3: Calculation of proposed stock based compensation allocation and variance	
Named Executive Officer’s Allocation to SBC	\$ 2,272
Managerial Positions Allocation to SBC	\$ 144,826
Total allocation to SBC under proposed methodology	\$ 147,097
Total Stock Based Compensation – EI under previous allocation	\$ 187,341
MNP Adjustment	(\$ 40,244)

For the purpose of budget allocation in subsequent years, MNP recommends using annual CPIq (Quebec CPI) forecast to adjust the allocation.

## RESULTS OF PROPOSED ALLOCATION

Upon review of the internal cost allocation drivers under Recommendation 1 and the revised methodology of Stock Based Compensation allocation under Recommendation 3, MNP calculated and tested the variance from the existing RCAM based on 2015 allocation dollars. The following table provides a snapshot of the adjustment recommended under the revised allocation methodology:

**Table 15: Variation under RCAM with recommendation 1 & 3 revisions**

Service Category	Total Starting Budget (A)	Allocation Under RCAM (B)	Allocation Under Recommendation 1 & 3 (C)	Variance from RCAM (C-B)
Enterprise IT Systems & Support	\$ 1,313,641	\$ 1,313,641	\$ 1,379,594	\$ 65,953
Operations & Engineering	\$ 441,839	\$ 441,839	\$ 441,839	\$ -
Compensation & Benefits	\$ 296,518	\$ 296,518	\$ 343,126	\$ 46,608
Insurance	\$ 281,236	\$ 166,760	\$ 166,760	\$ -
Common Stock Based Compensation	\$ 187,341	\$ 118,491	\$ 147,097	\$ 28,606
Human Resources	\$ 135,929	\$ 135,929	\$ 135,929	\$ -
Regulatory Support	\$ 123,892	\$ 123,892	\$ 123,892	\$ -
Audit	\$ 99,253	\$ 99,253	\$ 99,253	\$ -
Direct Stock Based Compensation	\$ 94,443	\$ 94,443	\$ 94,443	\$ -
Corporate Services	\$ 96,070	\$ 96,070	\$ 96,070	\$ -
Rent & Leases	\$ 64,986	\$ 64,986	\$ 130,330	\$ 65,344
Executive Management	\$ 51,727	\$ 51,727	\$ 51,727	\$ -
Treasury & Accounting	\$ 31,458	\$ 31,458	\$ 31,458	\$ -
Legal Services	\$ 9,222	\$ 9,222	\$ 9,222	\$ -
Discretionary (Adjustment)	-\$ 43,000	-\$ 43,000	-\$ 43,000	\$ -
<b>Total</b>	<b>\$ 3,184,554</b>	<b>\$ 3,001,228</b>	<b>\$ 3,207,739</b>	<b>\$ 206,511</b>

It should also be noted that under the original allocation of EI and EGD costs, along with MNP’s adjustment under Test # 1 for prudence, the total starting budget was determined to be \$ 3,184,554<sup>14</sup>. Under the proposed allocations developed for recommendations 1 & 3 the total increase in our recommended allocation is \$ 23,185 (\$3,207,739 - \$3,184,554). While the overall impact from the adjusted starting budget is not significant, the RCAM with recommendation 1 and 3 proposed allocation provides a predictable, stable and consistent methodology for allocation of overhead costs from EI and EGD to Gazifère.

<sup>14</sup> R-3924-2015, GI-19 Page 17-18

## APPENDIX A: NOTES ON COMPENSATION PLANS

### Gaz Metro's Long Term Incentive Plan

Creation of economic value is based on two measurements: the spread between the realized net return on partners' equity and the average return authorized by the natural gas regulatory bodies in Québec (Régie) and Vermont (VPSB); and the growth in partners' equity.

Changes in economic value are determined using a three-year moving average and is the basis for annual bonus payments to executive officers after each three-year cycle.

### Fortis BC: Stock Awards

PSUs: Effective January 1, 2013, the Corporation adopted a PSU plan ("2013 PSU Plan"). Each PSU represents a unit with an underlying value equivalent to the value of a Fortis common share. Grants of PSUs are determined as a specified percentage of the participant's annual base salary divided by the volume-weighted average trading price of Fortis common shares for the five trading days immediately preceding the date of the grant. Notional dividends are assumed to accrue to the holder of the PSU and to be reinvested on the quarterly dividend payment dates of the common shares. Payment will be made three years after the grant in an amount of 0-120% of the number of PSUs accumulated, including reinvestment 35 of notional dividends, times the volume-weighted average trading price of Fortis common shares, as determined appropriate by the GHR Committee upon measurement of Fortis' performance, as compared to a comparable group of utility holding companies, over such three-year period against predetermined measures. Previous grants of PSUs are not taken into consideration when new PSUs are awarded. Effective January 1, 2015, the Corporation adopted a 2015 PSU Plan. The terms of the plan are largely consistent with the 2013 PSU Plan, with modifications related to the criteria by which Fortis' performance is measured and the maximum payment amount extended to 150%. RSUs: Effective January 1, 2015, the Corporation adopted a RSU plan. Each RSU represents a unit with an underlying value equivalent to the value of a Fortis common share. Grants of RSUs and the accumulation of notional dividends are consistent with the PSU plan. Payment will be made three years after the grant in an amount of the number of RSUs accumulated, including reinvestment of notional dividends, times the volume-weighted average trading price of Fortis common shares.

### Canadian Utilities' Stock Base Compensation Plan

The Company expenses stock options. The Company determines the fair value of the options on the date of grant using the Black-Scholes option pricing model. The fair value is recognized over the vesting period of the options granted by applying graded vesting, adjusted for estimated forfeitures. The fair value of the options is recorded in salaries, wages and benefits expense and contributed surplus. Contributed surplus is reduced as the options are exercised and the amount initially recorded in contributed surplus is credited to Class A and Class B share capital. Share appreciation rights are cash-settled and are measured at fair value using the Black-Scholes option pricing model by applying graded vesting, adjusted for estimated forfeitures. Share appreciation rights are recognized in salaries, wages and benefits expense over the vesting period, with corresponding liabilities recognized in accounts payable and accrued liabilities and other liabilities on the consolidated balance sheet.



## APPENDIX B: COMPARATOR UTILITIES DETAILS

### DETAILED EXECUTIVE COMPENSATION COMPARISON ACROSS UTILITIES

The following tables provide a detailed comparison of executive compensation across the utilities for each position/job title under consideration. It should be noted that there are some gaps in the information as the details for each position under consideration were not publicly available for all the utilities. Key observations around the detailed comparison are discussed in the following section.

#### Job Title: President/CEO

**Table 16: CEO Compensation Breakdown**

Utility Name	Base Salary (CAD)	Stock Awards (CAD)	Long Term Incentive Plan (CAD)	Pension Plans (CAD)	All Other (CAD)	Total Compensation (CAD)
Union Gas	\$678,578	\$490,000			\$321,781	\$1,490,359
Gaz Metro	\$591,882	\$212,310	\$755,055	\$298,200		\$1,857,447
BC Hydro	\$356,041	\$20,445	\$57,240	\$85,450	\$12,345	\$531,521
Manitoba Hydro	\$361,522				\$10,897	\$372,419
ENMAX	\$682,500		\$1,407,250	\$109,930	\$20,582	\$2,220,262
Fortis Alberta	\$395,000	\$800,125	\$355,000		\$101,106	\$1,651,231
Veridian Corporation	\$237,662		\$86,539		\$15,990	\$340,191
Enbridge Inc.	\$1,246,750	\$2,849,500	\$1,301,440	\$1,643,000	\$1,858,512	\$8,899,202

#### Job Title: Chief Financial Officer

**Table 17: CFO Compensation Breakdown**

Utility Name	Base Salary (CAD)	Stock Awards (CAD)	Long Term Incentive Plan (CAD)	Pension Plans (CAD)	All Other (CAD)	Total Compensation (CAD)
Union Gas	\$134,931	\$106,848			\$21,617	\$263,396
Gaz Metro	\$348,850	\$85,166	\$197,795	\$76,000	\$33,725	\$741,536
BC Hydro	\$249,168	\$17,827	\$41,310	\$59,800	\$8,352	\$376,457
Manitoba Hydro	\$220,000				\$12,000	\$232,000
ENMAX	\$357,167		\$791,347	\$16,913	\$1,177,985	\$2,343,412
Fortis Alberta	\$214,515		\$130,000		\$56,534	\$401,049

Utility Name	Base Salary (CAD)	Stock Awards (CAD)	Long Term Incentive Plan (CAD)	Pension Plans (CAD)	All Other (CAD)	Total Compensation (CAD)
Veridian Corporation	\$146,267		\$29,978		\$3,882	\$180,127
Enbridge Inc.	\$509,375	\$768,795	\$728,209	\$190,000	\$506,441	\$2,702,820

**Job Title: Vice President - Business Development and Customer Service**

**Table 18: BD VP Compensation Breakdown**

Utility Name	Base Salary (CAD)	Stock Awards (CAD)	Long Term Incentive Plan (CAD)	Pension Plans (CAD)	All Other (CAD)	Total Compensation (CAD)
Gaz Metro	\$281,396	\$83,512	\$151,634	\$71,400	\$28,125	\$616,067
Manitoba Hydro	\$200,000				\$12,000	\$212,000
Fortis Alberta	\$250,000	\$166,549	\$137,000		\$46,578	\$600,127
Veridian Corporation	\$182,864		\$57,054		\$9,877	\$249,795

**Job Title: Vice President - Engineering, Construction and Operations**

**Table 19: Engineering & Construction VP Compensation Breakdown**

Utility Name	Base Salary (CAD)	Stock Awards (CAD)	Long Term Incentive Plan (CAD)	Pension Plans (CAD)	All Other (CAD)	Total Compensation (CAD)
Union Gas	\$350,322	\$155,705			\$95,428	\$601,455
Gaz Metro	\$265,205	\$85,045	\$142,898	\$60,500	\$25,000	\$578,648
BC Hydro	\$234,213	\$17,461	\$89,300	\$56,211	\$44,387	\$441,572
Manitoba Hydro	\$193,399				\$11,512	\$204,911
Veridian Corporation	\$142,097		\$23,315		\$4,230	\$169,642

**Job Title: Vice President – Transmission, Distribution & IT**

**Table 20: Transmission & IT VP Compensation Breakdown**

Utility Name	Base Salary (CAD)	Stock Awards (CAD)	Long Term Incentive Plan (CAD)	Pension Plans (CAD)	All Other (CAD)	Total Compensation (CAD)
Union Gas	\$312,643	\$128,269			\$88,327	\$529,239
BC Hydro	\$245,065	\$17,726	\$89,018	\$58,816	\$27,868	\$438,493

Utility Name	Base Salary (CAD)	Stock Awards (CAD)	Long Term Incentive Plan (CAD)	Pension Plans (CAD)	All Other (CAD)	Total Compensation (CAD)
Manitoba Hydro	\$223,000				\$12,000	\$235,000
ENMAX	\$422,400		\$555,879	\$68,028	\$1,165,582	\$2,211,889

**Job Title: Vice President General Counsel and Corporate Secretary**

**Table 21: General Counsel Compensation Breakdown**

Utility Name	Base Salary (CAD)	Stock Awards (CAD)	Long Term Incentive Plan (CAD)	Pension Plans (CAD)	All Other (CAD)	Total Compensation (CAD)
Manitoba Hydro	\$195,000				\$12,000	\$207,000
Veridian Corporation	\$142,325		\$29,978		\$3,892	\$176,195
Enbridge Inc.	\$532,525	\$365,876	\$346,608	\$434,000	\$493,610	\$2,172,619

**Job Title: Chief Regulatory Officer**

**Table 22: Chief Regulatory Officer Compensation Breakdown**

Utility Name	Base Salary (CAD)	Stock Awards (CAD)	Long Term Incentive Plan (CAD)	Pension Plans (CAD)	All Other (CAD)	Total Compensation (CAD)
BC Hydro	\$146,722				\$10,278	\$157,000
Manitoba Hydro	\$220,000				\$12,000	\$232,000

**Description of “All Other” compensation cost for each utility:**

<b>ENMAX</b>	Reflects perquisite amounts and premiums for company-paid critical illness insurance coverage
<b>Gaz Metro</b>	The group insurance plan covers: 1) death 2) disability 3) illness.
<b>Veridian Corporation</b>	Includes automobile and life insurance benefits
<b>Manitoba Hydro</b>	Includes car allowance
<b>Fortis BC</b>	Includes performance bonus
<b>BC Hydro</b>	Includes perquisites in the form of a vehicle allowance or lease allowance
<b>Union Gas</b>	Includes insurance benefits

## APPENDIX C: SOURCES

- 1) Gaz Metro: <http://www.sedar.com/DisplayCompanyDocuments.do?lang=EN&issuerNo=00002025>
- 2) BC Hydro: <https://www.bchydro.com/content/dam/BCHydro/customer-portal/documents/corporate/accountability-reports/openness-accountability/f13-statement-of-executive-compensation.pdf>
- 3) Manitoba Hydro: [https://www.hydro.mb.ca/corporate/news\\_media/in\\_the\\_news/executive\\_compensation\\_report\\_160623.pdf](https://www.hydro.mb.ca/corporate/news_media/in_the_news/executive_compensation_report_160623.pdf)
- 4) ENMAX: <https://www.enmax.com/AboutUsSite/Documents/Executive-Compensation-Summary-2015.pdf>
- 5) Fortis: [http://fortisalberta.com/docs/default-source/default-document-library/2015-annual-information-form-\(aif\).pdf?sfvrsn=4](http://fortisalberta.com/docs/default-source/default-document-library/2015-annual-information-form-(aif).pdf?sfvrsn=4)
- 6) Veridian: [http://www.veridiancorporation.ca/wp-content/uploads/Veridian\\_Statement-of-Executive-Compensation-2013.pdf](http://www.veridiancorporation.ca/wp-content/uploads/Veridian_Statement-of-Executive-Compensation-2013.pdf)
- 7) Union Gas: [http://www.reuters.com/finance/stocks/companyOfficers?symbol=UNG\\_pc.TO](http://www.reuters.com/finance/stocks/companyOfficers?symbol=UNG_pc.TO)
- 8) Enbridge Inc.: [http://www.enbridge.com/investment-center/~media/Enb/Documents/Investor%20Relations/2017/2016\\_ENB\\_EI\\_AnnualReport\\_Web.pdf](http://www.enbridge.com/investment-center/~media/Enb/Documents/Investor%20Relations/2017/2016_ENB_EI_AnnualReport_Web.pdf)
- 9) [http://www.enbridge.com/investment-center/~media/Enb/Documents/Investor%20Relations/2016/2016\\_ENB\\_MIC.PDF](http://www.enbridge.com/investment-center/~media/Enb/Documents/Investor%20Relations/2016/2016_ENB_MIC.PDF)

## APPENDIX D: COST DRIVER EXPLANATION

Cost Driver	Definition	Calculation of Cost Driver	Nature of Application	Appropriateness for Gazifère
Enterprise FTE	The equivalent of one staff member employed full-time for a full year. Portions of a full time equivalent consist of those that work less than full time and/or for a portion of a full year.	<p>Numerator: Number of FTEs at Business Unit (Gazifère in this instance)</p> <p>Denominator: Total staff of all Enbridge Affiliates (including planned full-time and part-time positions for the respective budget year).</p>	Enterprise FTE is used primarily to allocate departments that support other BU's where the level of Headcount drives much of the departments' costs, work and growth yet where the day to day tasks are virtually impossible to segregate between the beneficiaries of such service. Examples include: CIO, Enterprise Architecture, HR, Labor Relations, HRIS, EFS, etc.	<p>Enterprise FTE is a very common allocation driver used by a wide variety of utilities approved by their respective regulators.</p> <p>Commonly used as an allocation specifically for overhead costs, the allocation driver is appropriate for allocating some of EI's corporate services cost to Gazifère.</p>

Cost Driver	Definition	Calculation of Cost Driver	Nature of Application	Appropriateness for Gazifère
Capital Employed	Total Assets – Current Liabilities + Long Term Debt Due Within One Year + Short Term Notes Payable – Deferred Credits – Long Term Future Taxes Payable	The capital employed calculation for any budget year is based on a two-point average of the opening and closing balance sheets pertaining to the allocation year. Once a two-point capital employed average is established for each entity receiving a corporate allocation, a percentage is calculated based on an entity's average capital employed divided by the aggregate of the capital employed pool. This percentage is then applied to the total department costs being allocated to ultimately determine the final cost of service charged to a Business Unit.	Capital Employed is used to allocate departments that benefit the organization as a whole. Departments who deliver overall governance type services such as setting policies, providing corporate strategy and whose services are indivisible between beneficiaries are allocated on a Capital Employed basis. Examples include CEO, CFO, Controllers, Audit Services, Public Affairs, etc.	The level of effort related to providing Corporate Development services (such as senior leadership and advice regarding the strategic affairs of the company, oversight of activities related to corporate strategy, and investment review of the various businesses, including Gazifère) is reasonably driven by Gazifère's total capital employed relative to the entire organization's capital employed.
Blended Pro-Rata	Blended pro-rata allocation basis is calculated based on the average percentage of all other cost allocation drivers in EI's CAM model			While composite ratios are commonly used by other regulators, the blended pro-rata is not appropriate for regulatory purposes as a direct causality between the allocation basis and the costs incurred cannot be established.



Cost Driver	Definition	Calculation of Cost Driver	Nature of Application	Appropriateness for Gazifère
Time Incurred	Allocation of costs based on actual time spent by employees on that service line or department	Typically through an actual record keeping mechanism like filling time sheets.	Time sheets should be required only when direct charging a project or third party.	Appropriate as this is a direct pass through of time spent by an FTE on providing the service to Gazifère.
Time Estimate	Estimate of time allocated to an activity or service line through a time estimate study	Time estimate study are developed and updated periodically. The time study documents the nature and extent of work that is performed by each department. In defining the level of activity, the department manager must balance the need to be able to identify accurately the service performed for the respective program with the manageability or meaningfulness of the allocation.		Appropriate as The estimated amount of EI time to be spent on Gazifère's corporate function represents the cost driver for this service as total costs are calculated based on EI employee time spent.



## APPENDIX E: APPLICATION OF COST ALLOCATION DRIVERS

To better understand the application of these unique allocation drivers discussed in the previous section, MNP also reviewed specific cases of utilities implementing regulator approved cost allocation methodologies based on these cost drivers. Specific examples of these applications are provided below:

### FORTIS BC

Fortis Energy Inc. (FEI) and affiliated utility FortisBC (FBC) have a mutual shared services agreement that was initially established in 2010. Based on this agreement, Executive Management time is allocated based on the Massachusetts formula and the costs of other departmental resources are allocated using a timesheet allocation approach.

The Massachusetts formula (also called the 'Mass Formula') is an allocation method utilized when there is no direct or other reasonable cost benefit relationship that can be determined among multiple services offered in a single organization. It is a formula used to allocate costs incurred by a parent company on behalf of its affiliates to those affiliates. The formula attempts to weight various aspects of each of the affiliates so that a fair distribution of the overhead cost is allocated to each affiliate member.

FortisBC's costs related to the Board of Directors' compensation and other expenses are shared amongst FortisBC and FEI utilizing a Massachusetts Formula. The formula is applied to *revenue, payroll and net tangible assets* with a forecast allocation of 23.35% to FortisBC. This is different from the method of allocating expenses of senior management between FortisBC and FEI. In the case of senior management, FortisBC is charging FEI for those FortisBC executives who have responsibilities in FEI and is receiving charges for those FEI executives who have responsibilities at FortisBC based on estimated time spent. Lately however, there have been some discussions revolving around this cost allocation methodology.<sup>15,16</sup>

### GAZ METRO

In compliance with the Régie's order, Gaz Métro filed a study in file R-3879-20148. According to the report, employees maintain a time sheet record which is used in the allocation of actual costs; for budget purposes, an estimate is made of the use of staff resources by the unregulated business, in terms of FTEs.

Gaz Métro allocated a portion of the supporting services—information systems, facilities, and human resources, vehicle expenses and payroll costs by computing a cost per FTE and applying that cost per FTE to the number of FTEs allocated to the unregulated business. Gaz Métro also identified shared general assets—buildings, furniture, computers and equipment, technology systems and licenses, telephone sets and equipment and vehicles. For these, the costs to be allocated include amortization expenses and a return on the net assets used.

### UNION GAS

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<sup>15</sup>[http://www.bcuc.com/Documents/Arguments/2012/DOC\\_30323\\_04-05-2012\\_FortisBC\\_Final-Submission.pdf](http://www.bcuc.com/Documents/Arguments/2012/DOC_30323_04-05-2012_FortisBC_Final-Submission.pdf)

<sup>16</sup>[http://www.bcuc.com/Documents/Proceedings/2013/DOC\\_33664\\_E-2\\_Postnikoff\\_Letter-of-Comment.pdf](http://www.bcuc.com/Documents/Proceedings/2013/DOC_33664_E-2_Postnikoff_Letter-of-Comment.pdf)

Union gas, like other major utilities uses a combination of allocation drivers across different functions. Some of them are discussed below:

- *Time estimation*
- *Analysis of work planning software (WARP System)*: In this method, outputs from Union Gas work planning software are used to allocate the costs of certain management and support personnel within the operations areas of Union Gas.
- *Composite ratios*: In this method, allocation factors are based on the capitalization rates of other departments. This approach is used to allocate the costs of many support departments and activities. Composite drivers generally represent a way of allocating costs based on the underlying weighted average of cost allocations for client departments. Examples are:
  - Human Resource (HR) Department. The HR budget for Union Gas includes two distinct types of costs: Operating costs for the HR Department and Pension and benefits costs for Union employees.  
For both portions of the HR budget, the capitalization rate was based on the ratio of capitalized labor to total labor dollars at Union Gas. This ratio is the most appropriate allocator to capitalize overhead costs for both portions of the HR budget (i.e. for pension and benefits costs and for services provided by the Human Resources department). Both types of costs relate directly to employees within Union Gas. Accordingly, the overall allocation of employee costs between operating and capital functions is an appropriate basis for allocating the costs of the Human Resource budget. An overall “corporate” composite allocator was calculated. This composite ratio was used to allocate the costs of certain information technology infrastructure and for the services of senior management.

## MANITOBA HYDRO

Manitoba Hydro has fully integrated its electric and gas operations and has adapted its cost allocation methodology to apportion costs between electric and gas operations. The cost allocation methodology was reviewed extensively during the 2002 Status Update Hearing and accepted by the PUB in Order 208/02. “Manitoba Hydro’s integrated cost allocation methodology is based upon full absorption costing principles, the fundamentals of which are described as follows:

- Work that is in direct support of either electric or gas functions is identified and costs are charged to those functions on the basis of direct disbursements made. Time is charged to this work through orders and is costed at an activity rate that is calculated to recover all related costs of carrying out that work.
- Work for integrated functions is charged to electric and gas operations based upon appropriate cost drivers.
- Corporate overhead, which includes general administrative and support departments costs, is added to activity charges at a standard percentage rate and charged to electric and gas operations along with activity charges<sup>17</sup>.

<sup>17</sup> [https://www.hydro.mb.ca/regulatory\\_affairs/electric/gra\\_08\\_09/Tab%204%20Financial%20Results.pdf](https://www.hydro.mb.ca/regulatory_affairs/electric/gra_08_09/Tab%204%20Financial%20Results.pdf)

## APPENDIX F: CORPORATE COST ALLOCATION BASIS FROM PREVIOUS REPORT

Service Category	Detailed Line Items in Service Category	CAM Allocation Basis	Change in Allocation Required?
Audit	No # - Audit Fees	Direct Charge	N
	10050 - Audit Services (Calgary)	Capital Employed	N
Corporate Services	10043 - Investor Relations	Capital Employed	N
	10097 - Strategic Development	Enterprise FTE	N
	10331 - CORPORATE DEVELOPMENT MANAGEMENT	Capital Employed	N
	No # - Depreciation - Other Corporate	Capital Employed	N
	Risk Management (EGD)	Time Incurred	N
	Legal/Security & Corporate Services (EGD)	Time Incurred	N
Discretionary (Adjustment)	99999 - Discretionary	Other	N
Enterprise IT Systems & Support	No # - Depreciation - EFS Assets	User Count	N
	10040 - IT ES EFS	User Count	N
	10001 - IT PG CIO	Enterprise FTE	N
	10012 - IT PG PLANNING AND GOVERNANCE	Enterprise FTE	N
	10015 - IT ES COMPLIANCE SYSTEMS	Capital Employed	Y
	10017 - IT ES IAM SYSTEMS	Enterprise FTE	N
	10019 - IT ISS SECURITY OPERATIONS	Enterprise FTE	N
	10025 - IT ES PUBLIC WEB SYSTEMS	Enterprise FTE	N
	10031 - IT ISS MANAGEMENT	Enterprise FTE	N
	10032 - IT PG ARCHITECTURE	Enterprise FTE	N
	10033 - IT PG SECURITY	Enterprise FTE	N
	10037 - IT ISS SERVICE SUPPORT	Enterprise FTE	N
	10038 - IT ISS NETWORK	Enterprise FTE	N
	10039 - IT ISS CORE INFRASTRUCTURE	Enterprise FTE	N
	10075 - IT ES ECM	Capital Employed	Y
	10095 - IT ES HRIS SYSTEMS	Enterprise FTE	N
IT Support (EGD)	Time Incurred	N	
Executive Management	10000 - CEO	Capital Employed	N
	10024 - Directors Fees and Expenses	Capital Employed	N
	10045 - CFO	Capital Employed	N
	10094 - Executive VP People and Partners	Capital Employed	N

Service Category	Detailed Line Items in Service Category	CAM Allocation Basis	Change in Allocation Required?
	Executive Management Team (EGD)	Time Incurred	N
Human Resources	10036 - HR EMPLOYEE SERVICES (CORP)	Consumption	N
	10089 - HR Business Solutions Services	Enterprise FTE	N
	10090 - Organizational Effectiveness	Enterprise FTE	N
	10092 - Corporate HR	Enterprise FTE	N
	10098 - HR CHANGE MANAGEMENT	Capital Employed	N
Insurance	No # - Insurance Premiums	Direct Charge	N
Legal Services	10079 - Records Management Law	Time Estimate	N
	10020 - Corporate Law Legal Fees	Capital Employed	N
	10024 - Corporate Secretarial Legal Fees	Capital Employed	N
Operations & Engineering	10880 - Enterprise Safety & Operational Reliability	Capital Employed	N
	Operations & Engineering (EGD)	Time Incurred	N
	Capital Planning (EGD)	Time Incurred	N
	Sales (EGD)	Time Incurred	N
Regulatory Support	Regulatory Support (EGD)	Time Incurred	N
Rent & Leases	10021 - EI Rent & Leases	Blended Pro-rata	Y
Direct Stock Based Compensation	No # - Stock Based Compensation - RSUs	Options Granted	N
Common Stock Based Compensation	10022 - Stock Based Compensation - Fixed Stock Options - EI	Blended Pro-rata	Y
	10022 - Stock Based Compensation - PSOPs - EI	Blended Pro-rata	Y
	10022 - Stock Based Compensation - PSUs - EI	Blended Pro-rata	Y
	10022 - Stock Based Compensation - RSUs - EI	Blended Pro-rata	Y
Compensation & Benefits	10022 - Employee Benefits	Blended Pro-rata	Y
	10022 - Other Employee Benefits	Blended Pro-rata	Y
	10022 - Pensions Expense	Blended Pro-rata	Y
	10091 - Total Compensation	Enterprise FTE	N
	HR Compensation (EGD)	Time Incurred	N
Treasury & Accounting	10044 - Treasury	Time Estimate	N
	10047 - Corporate Controller	Capital Employed	N
	Taxation (EGD)	Time Incurred	N