

Schedule 3.7  
Corporate Allocations Report

1 **Corporate Allocations**

2 **Purpose of the Document**

3 This document was developed to set out the methodology used by EGNB to determine  
4 the allocation of costs from Enbridge Inc. (“Enbridge”) to EGNB recoverable in rates.  
5 The methodology has been used in the development of the 2016 Actuals, the 2017  
6 Forecast and the 2018 and 2019 Budgets for the rate application filed on July 19, 2017  
7 with the Board.

8 **Enbridge Corporate Allocations Methodology**

9 Enbridge is a leader in energy transportation and distribution in North America and  
10 internationally. It operates the world’s longest crude oil and liquids transportation  
11 pipeline and Canada’s largest natural gas distribution company. It also operates natural  
12 gas transmission pipelines and midstream businesses in the United States and invests in  
13 international energy projects. Its activities are comprised of regulated and non-regulated  
14 businesses.

15 Enbridge believes in an “integrated” operating model which involves the corporate office  
16 effectively managing as an integral extension of the decision making and operating  
17 activities of its business units and affiliates (for the benefit of the business). The impact  
18 of this operating model results in a decrease in overall cost of each respective affiliate’s  
19 operating and maintenance expenses due primarily to the potential for economies of  
20 scale. The resulting corporate cost allocations back to the affiliate are offset by a  
21 reduction in their own incurred costs. For management and regulatory purposes, these  
22 operating costs and benefits need to be tracked.

23 EGNB relies on the Enbridge name and reputation. The overall strength of Enbridge and  
24 how it is perceived in the market provides a foundation for the benefits that EGNB  
25 receives from being part of Enbridge, including relying on the strength of the Enbridge  
26 name in dealings with industry stakeholders and the public and gaining access to debt and  
27 equity financing. EGNB also benefits from shared resources.

28 EGNB believes that the cost allocation methodology policy applied by Enbridge to all its  
29 operating entities to allocate the corporate office costs is appropriate and fair.

1 **EGNB methodology for recovery of Corporate Allocations**

2 The objective of the methodology is to establish the appropriate charges to be allocated  
3 for services delivered in a given fiscal year by Enbridge to EGNB based on the criteria  
4 specified by the Board that would be recoverable in rates. The methodology is simple  
5 and practical to administer, transparent and supported by data and records.

6 EGNB has reviewed all the corporate allocations in accordance with directives in the  
7 January 30, 2012 Board decision and subsequent Board decisions that dealt with  
8 corporate allocations.

9 All current corporate allocation costs fall into three main groups:

- 10 • Corporate Governance;  
11 • Information Technology (“IT”);  
12 • Human Resources.

13 **Corporate Governance**

14 Corporate governance is the system by which EGNB is directed and controlled. This is  
15 accomplished with the development and consistent application of processes, policies,  
16 guidelines, laws and instructions across the organization. Corporate governance also  
17 includes the management of relationships among the many stakeholders involved and the  
18 goals for which EGNB is governed. EGNB’s main external stakeholder groups are  
19 shareholders, debt holders, trade creditors, suppliers, customers and communities affected  
20 by its activities. EGNB’s internal stakeholders are the board of directors, executives and  
21 other employees. Corporate governance works to ensure that an enterprise is directed and  
22 controlled in a responsible, professional and transparent manner with the purpose of  
23 safeguarding its long-term success and is intended to increase the confidence of  
24 shareholders and capital-market investors.

25

1 **Information Technology**

2 IT involves two functions: IT management and management of information systems. IT  
3 management is the management of all of the technology resources in accordance with  
4 EGNB requirements and priorities. These resources include tangible investments like  
5 computer hardware, software, data storage, networks and data centre facilities, as well as  
6 the staffing needed to maintain them. EGNB relies on Enbridge to manage these  
7 responsibilities and to provide basic management functions, such as budgeting, staffing,  
8 organizing and controlling, along with other aspects that are unique to technology, like  
9 change management, software design, systems security, network planning and technical  
10 support.

11 A primary focus of IT management is the value creation made possible by technology  
12 and the alignment of technology and business strategies. EGNB relies on Enbridge to  
13 provide this service. Its objective is to design and implement procedures, processes and  
14 routines that provide detailed reports in an accurate, consistent and timely manner. This  
15 includes Oracle Financials for financial reporting and employee expenses, Hyperion for  
16 budgeting, Peoplesoft for human resource management and other employee management  
17 systems for managing areas such as safety and training.

18 Enbridge has a strong base of knowledge and expertise in the areas described above.  
19 EGNB is able to tap into these resources cheaper due to economies of scale. This  
20 knowledge and strength extends from the senior leadership through to staff within  
21 Enbridge and the affiliates.

22 **Human Resources**

23 Human resource management is the management of an organization's workforce, or  
24 human resources. It is responsible for the attraction, selection, training, assessment and  
25 rewarding of employees, while also overseeing organizational leadership and cultures,  
26 and ensuring compliance with employment and labour laws. This function also addresses  
27 the development and execution of the total compensation strategy through managing the  
28 analysis, design, implementation, communication and automation of pay systems,  
29 perquisites, benefits and retirement programs. It also negotiates, executes and maintains

1 all third party travel agreements as well as the development and oversight of employee  
2 expense reporting policies and existing corporate card programs.

### 3 **Methodology Guiding Principles**

4 The first step in the methodology is to demonstrate that the corporate cost allocations  
5 recoverable in rates are based on three guiding principles:

- 6 • *Cost Incurrence* - are the proposed charges prudently incurred by, or on behalf of  
7 the utility for the provision of a service required by ratepayers;
- 8 • *Cost Allocation* - if properly incurred, are the proposed charges allocated  
9 appropriately to the utility, based on the application of cost allocation factors as  
10 outlined in the Enbridge Cost Allocation Methodology policy; and
- 11 • *Cost Benefit* - do the benefits to the utility's ratepayers equal or exceed the costs.

12 In meeting the third principle of benefit to the utility's ratepayers, EGNB proposes that  
13 the following three categories support the basis for assessing quantifiable benefits:

- 14 • *Replacement benefits (RB)* - the services provided replace an equivalent service at  
15 equal or lower cost;
- 16 • *Synergistic or Linkage benefits (SB)* - the services allow the utility to reduce costs  
17 by means of being part of a larger organization and operating in concert for the  
18 procurement of products and services;
- 19 • *Direct benefits (DB)* - strategic actions and activities instituted by affiliates that  
20 produce direct value to the utility.

### 21 **Cost Allocations**

22 The corporate allocation costs determined to have been prudently incurred and a benefit  
23 to the ratepayer would be further evaluated and the corresponding percentages would be  
24 applied for regulatory purposes:

- 25 • *Direct Costs (DC)* – reflect flow through costs incurred when EGNB would need  
26 to perform the service directly and would be allocated at 100% to regulated  
27 operations;

- 1       • *Shared Costs (SC)* – reflect costs that would be allocated at 50% to regulated  
2       operations and 50% to shareholders;
- 3       • *Administrative Costs (AC)* –incurred as a result of a direct cost or shared cost and  
4       cannot be severed will be allocated at 10% to regulated operations and 90% to  
5       shareholders;
- 6       • *Non-Applicable Costs (N-AC)* – reflects costs that do not meet the three guiding  
7       principles and as a result are not allocated to the regulated operations.

8       The implementation of EGNB’s Regulatory Cost Allocation methodology to the current  
9       corporate allocations is presented below in Table 1 - Corporate Allocations Methodology.

10      The list of corporate allocations and amounts used in the 2016 Actuals, 2017 Forecast,  
11      2018 Budget and 2019 Budget is presented in Table 2 – Corporate Allocations.

12      In its Decision dated July 7, 2016 for Matter 306, the Board directed EGNB to establish a  
13      filing requirement to review intra company transactions on a more aggregated basis.  
14      EGNB provided a more concise, aggregate view of its affiliate transactions in Matter 330  
15      which was well received. Accordingly, that form of report is presented in Table 3 –  
16      Affiliate Transactions.

### 17      **Addition and Removal of Corporate Cost Allocations**

18      As business requirements change so will corporate allocation costs. As a result, the  
19      addition, revision and removal of corporate cost allocations will be evaluated in the same  
20      manner as presented above and reviewed by the Board during the annual regulatory  
21      financial review process.

Table 2 - Corporate Allocations

		% Allocated to Regulated Activities under Approved Method (306)	% Allocated to Regulated Activities under Approved Method (330)	2016 A Costs Allocated by Enbridge to EGNB (100%)	2016 A Amount included in Regulatory Statements	2016 A Amount in the proposed Methodology	2017 4+8 Costs Allocated by Enbridge to EGNB (100%)	2017 4+8 Amount in the Forecast with approved Methodology	2017 4+8 Amount in the approved Methodology	2018 B Costs Allocated by Enbridge to EGNB (100%)	2018 B Amount in the approved Methodology	2018 B Amount in the approved Methodology	2019 B Costs Allocated by Enbridge to EGNB (100%)	2019 B Amount in the approved Methodology	2019 B Amount in the approved Methodology
1	Name														
2	Audit Services (Calgary)	0%	0%	9,332	-	-	8,428	-	-	8,582	-	-	8,738	-	-
3	CEO	0%	0%	8,326	-	-	8,539	-	-	2,261	-	-	2,307	-	-
4	CFO	0%	0%	4,340	-	-	2,387	-	-	2,435	-	-	2,483	-	-
5	CIO	100%	100%	10,537	10,537	10,537	5,139	5,139	5,139	5,139	5,139	5,139	5,139	5,139	5,139
6	Compliance Group Law	25%	25%	63,364	15,841	15,840.98	3,501	875	875.25	15,309	3,827	3,827.25	15,607	3,902	3,902
7	Compliance Systems	0%	0%	7,166	-	-	7,282	-	-	7,282	-	-	7,282	-	-
8	Corporate Law Legal Fees	25%	25%	1,255	314	314	1,189	297	297	1,242	311	311	1,266	317	317
9	Corporate Secretarial Legal Fees	100%	100%	8,176	8,176	8,176	-	-	-	21,806	21,806	21,806	22,242	22,242	22,242
10	Corporate Admin	100%	100%	13,393	13,393	13,393	12,179	12,179	12,179	12,423	12,423	12,423	12,671	12,671	12,671
11	Corporate Aviation	0%	0%	35,601	-	-	41,261	-	-	42,085	-	-	43,408	-	-
12	Corporate Controller	25%	25%	28,076	7,019	7,019	12,411	3,103	3,103	12,659	3,165	3,165	12,913	3,228	3,228
13	Corporate HR	100%	100%	30,608	30,608	30,608	32,425	32,425	32,425	33,073	33,073	33,073	33,722	33,722	33,722
14	Corporate Law	25%	25%	6,005	1,501	1,501	13,585	3,396	3,396	13,919	3,480	3,480	14,260	3,565	3,565
15	Corporate Secretarial	0%	0%	-	-	-	12,146	-	-	12,572	-	-	12,824	-	-
16	Depreciation	100%	100%	116,183	116,183	116,183	152,406	152,406	152,406	180,189	180,189	180,189	183,795	183,795	183,795
17	Directors Fees and Expenses	0%	0%	33,120	-	-	21,378	-	-	-	-	-	-	-	-
18	EFP Charge (IT Share Services)	0%	0%	28,406	-	-	-	-	-	-	-	-	-	-	-
19	EFS Support	100%	100%	115,036	115,036	115,036	113,385	113,385	113,385	113,385	113,385	113,385	113,385	113,385	113,385
20	Employee Benefits	0%	0%	154,677	-	-	146,872	-	-	-	-	-	-	-	-
21	EGD Charge	0%	0%	1,304	-	-	1,223	-	-	1,248	-	-	1,272	-	-
22	EPI Charge	0%	0%	41,053	-	-	1,188	-	-	1,212	-	-	1,237	-	-
23	Enterprise Architecture	50%	50%	3,625	1,812	1,812	2,793	1,397	1,397	2,793	1,397	1,397	2,793	1,397	1,397
24	Executive VP People and Partners	0%	0%	2,698	-	-	2,691	-	-	2,745	-	-	2,798	-	-
25	Group VP Corporate Law	0%	25%	3,468	867	867	2,217	554	554	3,621	905	905	3,670	918	918
26	HR Business Solutions Services	100%	100%	18,380	18,380	18,380	20,804	20,804	20,804	21,220	21,220	21,220	21,636	21,636	21,636
27	HR (BU/DEPT COSTS)	50%	50%	6,372	3,186	3,186	6,400	3,200	3,200	-	-	-	-	-	-
28	HR CHANGE MANAGEMENT	100%	50%	4,836	4,836	4,836	-	-	-	-	-	-	-	-	-
29	HR EMPLOYEE SERVICES (CORP)	100%	100%	35,736	35,736	35,736	40,777	40,777	40,777	41,592	41,592	41,592	42,406	42,406	42,406
30	HRIS Services	100%	100%	57,076	57,076	57,076	85,469	85,469	85,469	85,469	85,469	85,469	85,469	85,469	85,469
31	Insurance Premiums	100%	100%	210,610	178,140	178,140	180,354	157,726	139,928	183,961	141,987	141,987	187,640	144,827	144,827
32	Insurance Risk	100%	100%	5,088	5,088	5,088	5,172	5,172	5,172	5,271	5,271	5,271	5,372	5,372	5,372
33	Investor Relations	0%	0%	3,370	-	-	3,667	-	-	3,779	-	-	3,900	-	-
34	IT Planning and Governance	100%	100%	11,908	11,908	11,908	37,224	37,224	37,224	37,224	37,224	37,224	37,224	37,224	37,224
35	IT Security	100%	100%	37,240	37,240	37,240	24,636	24,636	24,636	24,636	24,636	24,636	24,636	24,636	24,636
36	IT Security Operations	100%	100%	39,558	39,558	39,558	57,468	57,468	57,468	57,468	57,468	57,468	57,468	57,468	57,468
37	Application Operations	25%	100%	8,576	8,576	8,576	1,945	486	486	1,945	1,945	1,945	1,945	1,945	1,945
38	IT ES EMC	50%	50%	13,393	6,697	6,697	10,100	5,050	5,050	10,100	5,050	5,050	10,100	5,050	5,050
39	IT Management	50%	50%	1,921	961	961	1,489	745	745	1,489	745	745	1,489	745	745
40	IT ISS SERVICE SUPPORT	100%	100%	54,586	54,586	54,586	90,267	90,267	90,267	90,267	90,267	90,267	90,267	90,267	90,267
41	IT ISS NETWORK	100%	100%	28,217	28,217	28,217	30,895	30,895	30,895	30,895	30,895	30,895	30,895	30,895	30,895
42	IT ISS CORE INFRASTRUCTURE	100%	100%	59,294	59,294	59,294	93,652	93,652	93,652	93,652	93,652	93,652	93,652	93,652	93,652
43	Organizational Effectiveness	50%	50%	34,654	17,327	17,327	37,864	18,932	18,932	38,558	19,279	19,279	39,321	19,661	19,661
44	Pensions Expense	0%	0%	128,669	-	-	139,077	-	-	138,845	-	-	131,022	-	-
45	Enterprise Communications & Community Partners	25%	25%	61,188	15,297	15,297	54,280	13,570	13,570	55,365	13,841	13,841	56,473	14,118	14,118
46	Public, Government & Aboriginal Affairs	25%	25%	6,246	1,561	1,561	6,811	1,703	1,703	6,947	1,737	1,737	7,086	1,772	1,772
47	Enterprise Safety & Operational Reliability	25%	25%	17,783	4,446	4,446	15,017	3,754	3,754	8,732	2,183	2,183	8,926	2,232	2,232
48	Public Web Systems	100%	100%	18,681	18,681	18,681	21,546	21,546	21,546	21,546	21,546	21,546	21,546	21,546	21,546
49	Records Management Law	25%	25%	3,074	768	768	1,714	429	429	1,749	437	437	1,783	446	446
50	EI Rent & Leases	0%	0%	869	-	-	-	-	-	-	-	-	-	-	-
51	Stock Based Compensation (Indirect)	10%	10%	268,504	18,472	26,850	231,214	21,440	23,121	199,917	19,992	19,992	220,475	22,047	22,047
52	Stock Based Compensation (Direct)	100%	100%	94,783	94,783	94,783	113,790	103,412	113,790	113,922	113,922	113,922	159,915	159,915	159,915
53	Strategic Development	100%	100%	12,291	12,291	12,291	16,501	16,501	16,501	16,831	16,831	16,831	17,161	17,161	17,161
54	Total Compensation	50%	50%	30,752	15,376	15,376	57,106	28,553	28,553	211,550	105,575	105,575	215,293	107,647	107,647
55	Treasury	100%	100%	10,914	10,914	10,914	11,440	11,440	11,440	11,669	11,669	11,669	11,902	11,902	11,902
56	Audit Fees-EI fee distribution	0%	0%	9,277	-	-	9,104	-	-	9,286	-	-	9,472	-	-
57	Enterprise Travel procurement Card program	0%	0%	7,478	-	-	4,986	-	-	5,086	-	-	5,187	-	-
58	IT UP ACQUISITIONS	100%	100%	2,121	2,121	2,121	-	-	-	-	-	-	-	-	-
59	Risk Assessment	100%	100%	3,676	3,676	3,676	3,229	3,229	3,229	3,291	3,291	3,291	3,354	3,354	3,354
60	HR PMO	100%	100%	2,740	2,740	2,740	2,370	2,370	2,440	2,440	2,440	2,488	2,488	2,488	
61	Records Management Program	100%	100%	1,847	1,847	1,847	897	897	914	914	914	914	933	933	933
62	Corporate Performance Management	100%	100%	4,162	4,162	4,162	3,290	3,290	3,290	3,352	3,352	3,352	3,416	3,416	3,416
63	IT ES Desktop Services	100%	100%	47,607	47,607	47,607	107,489	107,489	107,489	107,489	107,489	107,489	107,489	107,489	107,489
64	Enterprise Operations	100%	100%	26,572	26,572	26,572	28,174	28,174	28,174	28,174	28,174	28,174	28,174	28,174	28,174
65	Core Infrastructure	100%	100%	19,256	19,256	19,256	15,933	15,933	15,933	15,686	15,686	15,686	15,439	15,439	15,439
66	Network Operations	100%	100%	28,881	28,881	28,881	25,203	25,203	25,203	24,812	24,812	24,812	24,421	24,421	24,421
67	Productivity Services	100%	100%	2,865	2,865	2,865	4,203	4,203	4,203	4,138	4,138	4,138	4,073	4,073	4,073
68	Desktop Services	100%	100%	7,156	7,156	7,156	7,010	7,010	7,010	6,901	6,901	6,901	6,793	6,793	6,793
69	Insurance - EI	0%	0%	2,671	-	-	2,240	-	-	2,285	-	-	2,330	-	-
70	ECCI ELUS Recovery	0%	0%	83,321	-	-	-	-	-	-	-	-	-	-	-
71	**CORPORATE SECURITY	25%	25%	-	-	-	1,906	477	477	1,944	486	486	1,981	495	495
72				2,259,947	1,227,565	1,235,943	2,217,337	1,418,280	1,412,542	2,223,977	1,541,214	1,541,214	2,304,364	1,599,714	1,599,714

\*\* Denotes new allocation

Table 3

1 2015 Actual, 2016 Actual, 2017 Forecast &amp; 2018 Budget

2 Affiliate Transactions

	2015 Actual	2016 Actual	2017 Forecast	2018 Budget
<b>3 Service Level Agreement (SLA) - EGD</b>				
6 AP Services	\$ 26	\$ 21	\$ 21	\$ 21
7 Fleet	432	393	407	393
8 HR Special Projects	13	14	14	15
9 Internal Audit Fees	78	-	40	-
10 IT Application Support	11	11	10	11
11 Legal	1	-	6	-
12 Management Fees	158	103	149	158
13 Nomination	124	126	127	128
14 Operations and Engineering Consulting	51	48	37	33
15 Payroll Admin	(0)	(0)	5	-
16 Professional Consulting (Rate Hearing)	3	1	-	-
17 ISNetworld project	1	2	-	-
18 Risk Management	9	4	7	8
19 Taxation	22	7	22	7
20	\$ 930	\$ 730	\$ 847	\$ 774
<b>22 Service Level Agreement - Gazifere</b>	\$ 821	\$ 846	\$ 757	\$ 743
<b>24 Service Level Agreement - St. Lawrence Gas</b>	\$ -	\$ (25)	\$ (194)	\$ (225)
<b>26 Service Level Agreement - Maritimes and Northeast Pipelines</b>	\$ -	\$ -	\$ (0)	\$ -
<b>28 Vendor Setup and Maintenance - EESI</b>	6.64	\$ 13	\$ 16	\$ 20
<b>30 TOTAL Service Level Agreements</b>	<b>\$ 1,757</b>	<b>\$ 1,564</b>	<b>\$ 1,425</b>	<b>\$ 1,312</b>
<b>32 Corporate Allocations (Enbridge Inc)</b>				
34 Audit	\$ -	\$ -	\$ -	\$ -
35 Compensation	152	156	177	253
36 EFS Support	918	682	886	915
37 Insurance	159	178	158	142
38 Shared Services	211	201	186	220
39 Treasury	3	11	11	12
40	\$ 1,444	\$ 1,228	\$ 1,418	\$ 1,541
<b>42 Total SLA &amp; Corporate Allocations</b>	<b>\$ 3,201</b>	<b>\$ 2,792</b>	<b>\$ 2,843</b>	<b>\$ 2,853</b>
<b>44 Functional View (Illustrative purposes only)</b>				
	2015 Actual	2016 Actual	2017 Forecast	2018 Budget
47 Corporate	\$ 1,145	\$ 1,039	\$ 905	\$ 870
48 Customer Care	821	846	879	914
49 Finance	140	53	76	5
50 Human Resources	165	161	96	145
51 Information Technology	930	692	887	919
52				
<b>53 Total SLA &amp; Corporate Allocations</b>	<b>\$ 3,201</b>	<b>\$ 2,792</b>	<b>\$ 2,843</b>	<b>\$ 2,853</b>