

ALLOCATION OF SUPPORT SERVICES COSTS

1.0 PURPOSE

The purpose of this evidence is to describe the Support Services costs assigned and allocated to the nuclear and hydroelectric businesses, as well as the underpinning cost allocation methodology.

2.0 OVERVIEW

OPG is seeking approval of a revenue requirement for the previously regulated hydroelectric, newly regulated hydroelectric, and nuclear businesses that includes the costs assigned and allocated to them from OPG's Support Services groups.

The revenue requirement for the previously regulated hydroelectric business includes \$29.8M and \$26.9M of assigned and allocated Support Services costs in 2014 and 2015 respectively, as presented in Ex. F3-1-1 Table 2. The revenue requirement for the newly regulated hydroelectric business includes \$42.1M and \$39.6M of assigned and allocated Support Services costs in 2014 and 2015 respectively as present in Ex. F3-1-1 Table 2. The revenue requirement for the nuclear business unit includes \$433.9M and \$417.4M of assigned and allocated Support Services costs in 2014 and 2015 respectively, as presented in Ex. F3-1-1 Table 3.

The overall level of Support Services costs allocated to the regulated businesses decrease over the bridge year and test period.

OPG is structured such that certain support services groups provide services and incur costs in support of the nuclear and hydroelectric businesses. Support Services groups include Business and Administrative Services, Finance, People & Culture, Commercial Operations & Environment, and Corporate Centre. A description of the Support Services groups is provided in section 3.

In 2012, as part of the Business Transformation (BT) initiative, OPG implemented a centre-led organization. Adopting a centre-led organization allows OPG to bring a consistent approach to functional practices such as procurement, records and facility management, financial reporting and training. This approach allows OPG to make use of resources more efficiency and provides critical mass of functional skill set to respond to changing demands and business needs. As a result of BT in 2012, 1,064 staff and \$198.0M of OM&A was transferred from Nuclear Operations and Nuclear Projects to Support Services. In addition, 61 staff and \$14.6M in OM&A was transferred from the Hydro-Thermal business to Support Services in 2012. Refer to Ex. A4-1-1 for list of BT related organizational changes.

The tables below reflect the impact on the 2012 Board Approved values due to the BT transfers from the nuclear and hydroelectric businesses to the Support Services groups.

Restated for Impact of Business Transformation 2012 (\$M)*
Nuclear

Corporate Group	Total 2012 OEB Board Approved	Business Transformation Transfers In from Nuclear	(a)+(b) 2012 Board Restated Total	(e)-(c) Change	2012 Actual
	(a)	(b)	(c)	(d)	(e)
Business and Administrative Service	144.2	119.7	263.9	(26.7)	237.2
Finance	36.0	14.6	50.6	(4.4)	46.2
People and Culture	37.6	58.8	96.4	(6.4)	90.0
Commercial Operations and Env.	20.6	4.9	25.5	(12.8)	12.7
Corporate Centre	13.9	-	13.9	8.4	22.3
Total	252.3	198.0	450.3	(41.9)	408.4

* Excludes transfers between Corporate Groups

Restated for Impact of Business Transformation 2012 (\$M)*
Regulated Hydroelectric - Niagara Plant Group and Saunders GS

Corporate Group	Total 2012 OEB Board Approved	Business Transformation Transfers In from Regulated Hydroelectric	(a)+(b) 2012 Board Restated Total	(e)-(c) Change	2012 Actual
	(a)	(b)	(c)	(d)	(e)
Business and Administrative Service	9.5	0.6	10.1	(1.8)	8.3
Finance	3.7	-	3.7	(0.5)	3.2
People and Culture	2.3	-	2.3	1.0	3.3
Commercial Operations and Env.	8.7	0.9	9.6	(4.1)	5.5
Corporate Centre	2.1	1.2	3.3	0.9	4.2
Total	26.3	2.7	29.0	(4.5)	24.5

*Excludes transfers within Corporate Groups.

In OPG's cost allocation methodology (section 4), Support Services costs are either directly assigned or allocated to the regulated businesses. OPG directly assigns costs that are directly related to a business unit. For example, Support Services employees working at, and solely in support of, a business unit would be directly assigned to that business unit. Support Services costs that are associated with services utilized by more than one business unit are allocated based on appropriate cost drivers, which reflect cost causation or benefits received by the business unit.

OPG's cost allocation methodology has been reviewed in 2013 by independent cost allocation experts HSG Group Inc. HSG concluded that the methodology to assign and allocate costs meets best practices and is consistent with cost allocation precedents established by the OEB, and that the allocated costs meet the requirements of the OEB's "3-prong test". The methodology is consistent with the methodology that was reviewed and accepted in the EB-2010-0008 Decision with Reasons (page 94).

3.0 SUPPORT SERVICES COSTS – TOTAL OM&A

Exhibit F3-1-1 Table 1 summarizes OPG's total Support Services OM&A before direct assignment and allocation to the businesses. Fluctuations in these costs over the period 2010 - 2015 are discussed below, followed by a description of the services provided by the groups.

Support Services costs increase over the 2011 - 2013 periods mainly due to the implementation of a centre-led organization driven by the Business Transformation initiative. Support Services costs decrease over the 2013 - 2015 periods mainly due to Support Services groups leveraging attrition by not replacing staff that retire, implementing organizational changes to take advantage of economies of scale by consolidating staff that perform similar work, streamlining processes, and eliminating lower value work. In addition, the execution of the Enterprise System Consolidation Project in Business and Administrative Services will enable streamlining/ standardization of processes in other Support Services groups and reduce IT costs.

Exhibit F3-1-1 Tables 2 and 3 present the Support Services costs allocated to regulated hydroelectric, newly regulated hydroelectric, and nuclear over the historical, bridge, and test years.

3.1 Business and Administrative Services ("BAS")

Business and Administrative Services ("BAS") manages the following functions: Information Technology, Real Estate, and Supply Chain.

Information Technology ("IT")

The IT group oversees OPG's information management and information technology needs. IT is accountable for the strategic planning, management and operations of all business and technical information systems, but does not support process computers that control plant systems and operations. IT also administers OPG's information management and governing documents framework.

Information technology services are provided through a combination of internal staff and an outsource service contract with New Horizon System Solutions ("NHSS"), owned by Capgemini. NHSS delivers application and infrastructure management services across OPG. OPG IT provides application management services to Commercial Operations due to the

1 commercially sensitive nature of the applications, as well as specific infrastructure and
2 application management services to staff at the hydroelectric sites.

3
4 Exhibit F3-1-1 Tables 6 and 7 present BAS costs that are allocated to hydroelectric and
5 nuclear, respectively, over the historical, bridge, and test years. The costs related to NHSS
6 services, which include Infrastructure Management, Application Maintenance, Data Centre
7 Services, and Other Services, are explained in more detail below.

8
9 Infrastructure Management costs refer to volume-based costs for NHSS services such as
10 network management for both data and voice, end-user services such as service desk
11 management and desktop support, IT security, disaster recovery and business continuity
12 planning.

13
14 Application Maintenance costs cover NHSS services for providing day-to-day support for
15 OPG's business applications including: application maintenance and support, applications
16 operations and monitoring, application upgrades, database and middleware support. IT also
17 works closely with application owners to plan for patches and technical upgrades, life cycle
18 planning, release management, testing and commissioning and overall demand
19 management.

20
21 Data Centre Service costs are NHSS services related to the management of the mainframe
22 and servers, storage and backup system, capacity planning and performance tuning, system
23 operations and monitoring and IT facilities.

24
25 The Other Services, referred to in the tables, include NHSS fixed costs for services such as
26 Account Management (contract governance), Service Management (incident, problem, asset
27 and configuration management as well as operational and service level reporting),
28 Commercial Operations Systems operations, monitoring and support.

The IT Support Costs identified in the tables refer to the cost of the internal IT support groups providing IT Service and Project Portfolio management, IT Enterprise Strategy and Architecture and IT Programming and Performance Management.

IT continues to use the benchmarking data services of Electric Utility Cost Group ("EUCG"), a non-profit association with membership from North America and international utilities.

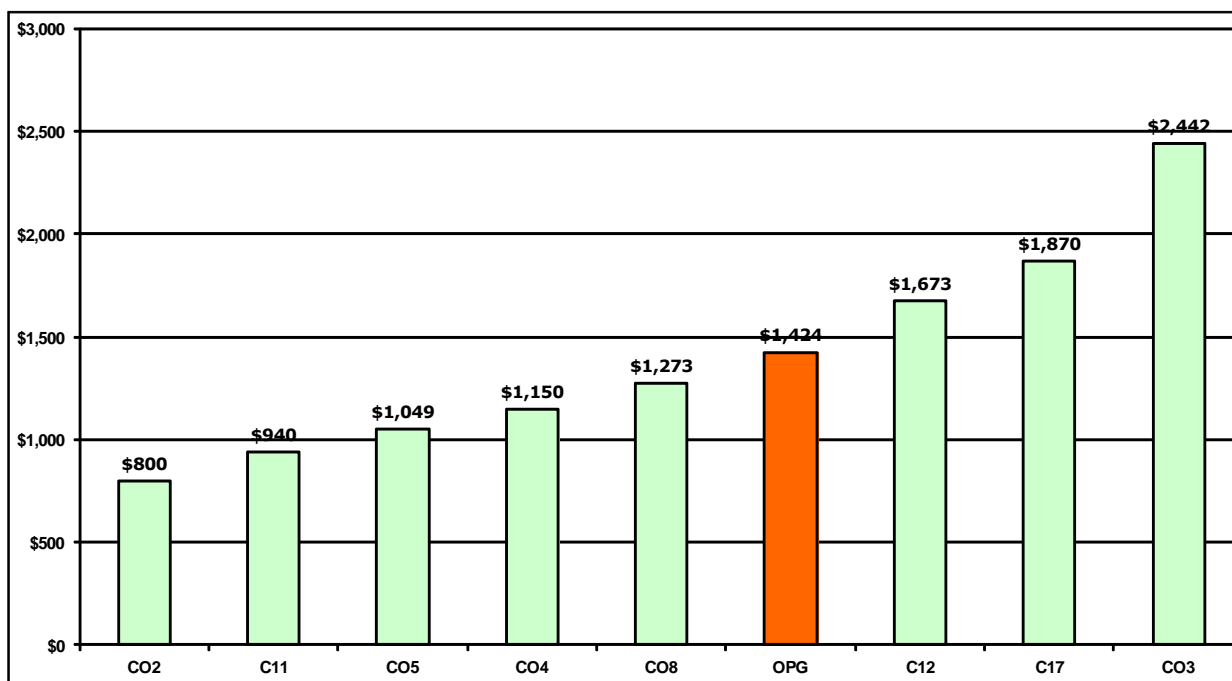
2011 EUCG data was used by IT to compare OPG against ten North America electric utilities' IT spending per employee and IT spending per GWh. The 2011 results for the two metrics are as follows:

2011 EUCG Comparator Group Data

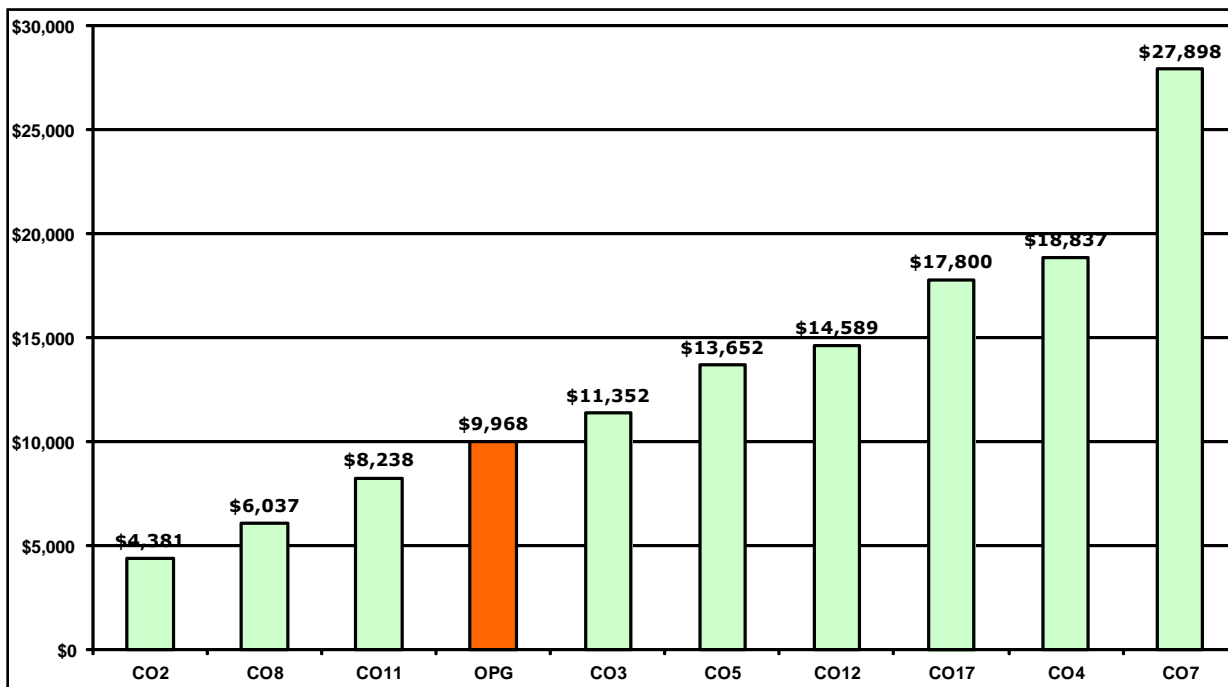
Metric	OPG	Q1	Median Q2	Q3	Average
IT Spending (k\$)/Employee	\$9.9	8.2<\$	13.6<\$	17.8<\$	\$13.6
IT Spending (k\$)/ GWh	\$1.4	1.0<\$	1.2<\$	1.8<\$	\$1.4

The 2011 results indicate the OPG's IT costs were within the second quartile for IT spending per employee and within the third quartile for IT spending per GWh. The IT group has committed to further cost reductions over the 2013 - 2015 business planning period through a series of cost saving initiatives by improving demand management, leveraging existing applications, storage reduction and re-tiering, data centre and server optimization, increased standardization and simplification of the information technology environments, and negotiated savings in software maintenance contracts and outsourced services.

2011 IT Spend Per GWH (CDN\$) – OPG shown in red



2011 IT Spend Per Employee (CDN\$) – OPG shown in red



Real Estate

The Real Estate group provides centralized support services through three departments: Real Estate Services, Facilities and Projects, and Business Services.

OM&A costs are tightly controlled through service area expertise, demand management, effective space and service utilization, economies of scale (as a centralized service provider), outsourcing (to the extent permitted under collective agreements), competitive procurement and staff reductions.

Real Estate Services

On a corporate-wide basis, Real Estate Services acquires, manages and disposes of real estate rights and interests; manages all commercial leases; consults on municipal planning issues; maintains real estate and property documents; and develops and implements accommodation strategies to meet space requirements outside the generating stations.

1 Facility and Projects

2 Facility and Projects provides property management services, space planning, furniture and
3 facility project management; and company-wide fleet administration. In addition, emergency
4 response services are provided for all facilities under its control, along with generating station
5 support as requested.

6
7 Business Services

8 Business Services provides a suite of administrative services to OPG clients including:
9 records management and storage; document processing; graphics and printing services;
10 mail and courier service, audio/visual; office equipment and supplies; library services; Real
11 Estate and Services call centre; and administrative support for staff located at 700 University
12 Avenue, Pickering, and Darlington, as well as other nuclear groups located at certain
13 facilities in Durham Region.

14
15 Real Estate OM&A consists of costs to support these services, as well as costs of managing
16 common real estate assets (e.g., OPG Head Office at 700 University Avenue). The
17 generation businesses are charged an asset service fee related to the use of these common
18 assets (Ex. F3-2-1).

19
20 Exhibit F3-1-1 Tables 6 and 7 summarize Real Estate costs allocated to hydroelectric and
21 nuclear over the historical, bridge, and test years.

22
23 Supply Chain

24 The Supply Chain group is responsible for procuring services and materials and managing
25 contracts for OPG's Nuclear, Hydro-Thermal, and Support Services groups. Supply Chain
26 focuses on maintaining integrity in the procurement process, delivering value for money and
27 protecting OPG and its assets. In addition, Supply Chain performs market analysis and
28 develops long term sourcing strategies for the supply of uranium.

29
30 Exhibit F3-1-1 Tables 6 and 7 summarizes Supply Chain costs allocated to hydroelectric and
31 nuclear over the historical, bridge, and test years.

3.2 Finance

Finance provides strategic advice, services, and support in the areas of controllership, investment planning, assurance (internal audit and nuclear oversight), treasury, and fund management. On behalf of the company, it prepares financial statements and maintains accounting policies and procedures in accordance with U.S. Generally Accepted Accounting Principles.

Controllership

Controllership provides services directly to Nuclear, Hydroelectric, Thermal and Support Services groups. Staff are directly assigned to the business units and are located at the production sites they support. Controllership also provides shared financial services (e.g. accounting, processing of billings, accounts payables, business expenses, etc.), business planning and reporting, and income and commodity tax services.

Investment Planning

Investment Planning develops and evaluates major projects and strategic initiatives, develops guidelines for and provides advice on business cases and lifecycle plans, develops models combining engineering and financial aspects for evaluation of business decisions, develops and prepares data, market analysis, forecasts and modeling for valuing capital investments, designs and conducts risk assessments involving system / market, technical and financial considerations, and provides property tax services for all property owned by OPG.

Assurance

The Assurance group's responsibility encompasses the examination and evaluation of the adequacy and effectiveness of OPG's governance, systems of internal control and quality of performance in carrying out assigned responsibilities to achieve the organization's stated goals and objectives. Internal Audit provides independent, objective assurance of the organization's operations; evaluates the effectiveness of governance and controls; and maintains a strategic audit plan which includes key risk audits, mandatory audits, cyclical audits, major project audits, contract audits and other audits and reviews. Nuclear Oversight

1 provides assurance that the Nuclear Management System (a condition of OPG's operating
2 license) is effectively implemented in accordance with OPG's Nuclear Charter.

3
4 Treasury

5 The Treasury group is responsible for cash management, financial exposure management
6 and capital structure management. The Risk Management & Insurance department is
7 responsible for OPG's insurance program, claims processing and contract reviews.

8
9 Fund Management

10 Fund Management has the responsibility for management and oversight of OPG's Nuclear
11 Used Fuel Fund, Nuclear Decommissioning Fund, and OPG's Pension Fund. The investment
12 management of these three funds has been outsourced to third party investment managers.
13 Management and oversight of the three funds includes recommending the strategic asset
14 mix of the funds, monitoring compliance with legislation and agreements, selection of
15 investment managers, carrying out due diligence audits, and providing monitoring and
16 oversight of the fund activities.

17
18 CFO Office

19 The CFO Office manages the Finance Business Unit.

20
21 Exhibit F3-1-1 Tables 4 and 5 summarize Finance costs allocated to hydroelectric and
22 nuclear over the historical, bridge and test years.

23
24 Finance Benchmarking

25 Finance implemented a standardized platform for financial reporting and forecasting in 2010
26 based on the 2009 benchmarking evidence prepared by the Hackett Group. In the EB-2010-
27 0008 Decision with Reasons (p.94), the Board reviewed and accepted this evidence. The
28 Hackett report provided several areas of focus and recommendations which include ongoing
29 standardized reporting, business planning, forecasting and budgeting. A number of changes,
30 reflective of best practices in budgeting requirements, were implemented in 2012. These
31 changes include a shorter time horizon for detailed information submission, modified

1 budgeting practices to ensure financial targets are held at an appropriate level of detail in the
2 organization, and earlier submission and review of Support Services groups.

3
4 As part of the BT initiative, Finance will continue to pursue cost efficiencies by investing in a
5 new standardized management reporting system and leveraging a shared service delivery
6 model by centralizing or consolidating similar transactional based activities.

7 8 **3.3 People & Culture**

9 People & Culture support the organization in effectively managing and developing a highly
10 skilled workforce to achieve its goals and objectives. It provides strategic advice, services
11 and support in the areas of: talent management and staffing, human resource planning and
12 reporting, labour relations, employee safety and wellness, compensation and benefits, ethics
13 and code of business conduct, payroll services and generalist People & Culture services in
14 the field. There are generalist People & Culture departments dedicated to the nuclear, hydro-
15 thermal, and corporate business units, as well as specialist People & Culture departments
16 that serve all of OPG.

17 18 Total Compensation & Solutions Centre

19 Total Compensation & Solutions Centre is responsible for developing reward policy, strategy
20 and programs including base pay, performance based incentives, benefit programs and
21 recognition programs for OPG. In addition, two Employee Service Centres (ESC); one
22 dedicated to Nuclear and one to Non-Nuclear groups, administer the processing of new
23 employee hires, terminations, job changes, organization changes etc.

24 25 Health, Safety, Employee & Labour Relations

26 Health & Safety provides oversight, management, monitoring and reporting on the
27 implementation of the safety management system, and the disability management program
28 and sick leave benefits. This group provides central services to business units, as well as
29 station level services directly on site for Pickering and Darlington.

1 Employee & Labour Relations develops strategies and tactics for the management of OPG's
2 unionized employees and supports the development of employee-related principles, policies
3 and collective agreements. The Labour Relations department supports this service by
4 providing resources and operational support to the development and implementation of
5 labour relations strategies and the development of broader employee-related principles,
6 policies and collective agreements.

7
8 Business Partners Nuclear, Hydro/Thermal, Corporate

9 Business Partners Nuclear and Hydro/Thermal provide site-specific People & Culture
10 services including staffing and redeployment, labour relations, employee relations,
11 employment equity and diversity program co-ordination, human rights and harassment
12 support, compensation and benefits advice, counseling, sick leave and disability
13 management support, performance planning and reviews, development and succession
14 planning, regulatory compliance, etc.

15
16 Business Partners Corporate provides human resources leadership, support and expertise to
17 groups in Support Services in the development and implementation of initiatives eg.
18 transition and change management, employee engagement and achievement of targets,
19 succession planning, performance management activities, and employee development plans.

20
21 Talent Management & Business Change

22 Talent Management & Business Change provides long-range planning and the development
23 and support of employee development and talent management programs to support
24 business strategies and ensure the supply and development of employees across OPG.
25 Talent Management & Business Change also provide support and functional services to the
26 Support Services groups.

27
28 Learning & Development

29 The Learning & Development group is responsible for developing and sustaining training
30 programs in order to meet OPG's need for highly skilled and knowledgeable personnel
31 required for safe, reliable operations and to support performance improvements. Fleet

Operations Training provides delivery and evaluation of Nuclear License Certification programs including CNSC interface, Nuclear Non-Licensed Operator Training, and Hydro/Thermal Operations Training. Fleet Support Services Training provides delivery of Chemistry Technician training, Engineering training, Radiation Protection training, Health & Safety (Conventional) training programs including legislative and compliance programs. Fleet Maintenance Training provides delivery of trades and technical training including Electrical and Control Maintenance, Protection and Control, Mechanical Maintenance, and Civil Maintenance programs. Fleet Simulators & CBT is responsible for the development and maintenance of Computer Based Training products and desk-top simulations for Nuclear generating stations as well as full scope simulators for Nuclear control rooms. The Other Training Programs department provides delivery of Management and Supervisory training, SAP/Asset Suite 7 training, scheduling of training events, training policies and procedures, training design and development services.

Senior Vice-President

The Senior Vice President's Office manages the People & Culture Business Unit.

Exhibit F3-1-1 Tables 8 and 9 summarize People & Culture costs allocated to hydroelectric and nuclear over the historical, bridge, and test years.

People & Culture Benchmarking

OPG continues to participate in a benchmarking group called the Electric Utility HR Metrics Group ("EU-HRMG"). This group benchmarks performance on a cross-section of HR metrics annually. A consistent definition of HR functions is benchmarked across 42 member utilities. This information is used to analyze performance and trends.

Highlights from the latest EU-HRMG benchmarking study completed in 2013 using 2012 data include the following metrics:

- HR Expense Factor: HR Expense Factor is total HR expenses divided by the number of Regular HR Employees, or the HR expense per HR professional. OPG's HR

Expense Factor in 2012 was \$172 k / HR Employee. This is below median for all benchmarked utilities (\$194 k) and between median (\$155 k) and bottom quartile (\$175 k) when compared to OPG's peer group of very large utilities (\$174.3 K).

- HR FTE/Employee Ratio: OPG's ratio improved modestly since 2009 with an improvement of about 2%, from 64 to 65. OPG's 2012 HR Employee Ratio of 65 is in the bottom quartile. When OPG completes the Business Transformation process and initiatives, improvements in the HR FTE/Employee ratio are anticipated.

3.4 Commercial Operations and Environment

Commercial Operations and Environment includes Commercial Contracts, Environment, Regulatory Affairs, Electricity Sales & Trading, and Integrated Revenue Planning sections.

Commercial Contracts

Commercial Contracts includes Fuels, Commercial Services, and Bruce Lease Management departments. The Fuels department is responsible for the procurement and delivery of Fuel (excluding uranium), sales of By-products, acquisition of Emission Allowance and Credits, negotiation and contract management for generation and ancillary services with IESO and OPA. Commercial Services markets and manages a program for the sale of isotopes and heavy water products, and services for existing and future applications. Bruce Lease Management Office manages contracts with Bruce Power.

Environment

Environment provides oversight of OPG's environmental management and performance, provides advice and guidance to the Operating Units to minimize the environmental risk and impacts, and seeks opportunities for environmental leadership. The Environment Division supports OPG in a wide range of environmental subject areas including aquatic and terrestrial biology, environmental assessments, land, water and waste management, environmental approvals, environmental risk management, and legislative monitoring

Regulatory Affairs

Regulatory Affairs is responsible for OPG's interactions with economic regulators. These include the OEB, IESO, the National Energy Board and other Canadian and U.S. regulators that have an impact on OPG's operations. Regulatory Affairs provides regulatory intelligence, strategy, and advice and also manages regulatory interactions to obtain approvals and outcomes that allow OPG to accomplish its business goals.

Electricity & Sales Trading

The Electricity Sales & Trading group co-ordinates the offering of OPG's generation into the IESO market to maximize OPG's net revenues by integrating and optimizing the generation portfolio and trading activities. This includes outage planning and strategies to optimize production based on market signals; to manage generation risks; and to engage in interconnected market electricity trading.

Integrated Revenue Planning

Integrated Revenue Planning provides power market forecasts of OPG unit production, price, revenue, and gross profit margin for OPG units along with appropriate risk measures. This group includes Market Affairs which monitors, provides advice and analysis on potential changes to the market, responds to potential compliance and surveillance issues and provides support for OEB rate submissions.

3.5 Corporate Centre

The corporate centre includes the Executive Office (Chairman, President and CEO offices), Corporate Executive Operations, Law, Corporate Relations and Communications, and Corporate Business Development & Enterprise Risk Management.

Executive Office

The Executive Office is responsible for the overall management and strategy of the company.

Corporate Executive Operations

1 The Corporate Executive Operations function supports OPG's Board of Directors and the
2 Executive Office, and interfaces between the OPG Board, management and OPG's
3 shareholder.

4
5 Law

6 Law provides legal advice and services to support all business units across OPG, including
7 support for various procurement activities and corporate and commercial matters. Law
8 provides advice related to OPG's pension and nuclear funds; real estate; Bruce lease and
9 related agreements and water resources; municipal approvals and land use planning; energy
10 markets and regulatory matters, including the OEB payment amount application;
11 environmental approvals and compliance; nuclear licensing; litigation; First Nations and Métis
12 issues; freedom of information request; occupational health and safety compliance; and
13 labour employment and privacy law.

14
15 Corporate Relations and Communications

16 Corporate Relations and Communications supports all of OPG's Business Units by directing
17 the planning and delivery of communications and issue management advice, guidance and
18 services to support the Business Units' ongoing efforts to earn and maintain the public
19 franchise to operate facilities in Ontario. This includes the development of communications
20 and issue management strategies to improve OPG's relations with host communities, and
21 further their understanding of the company as a safe, reliable, environmental responsible
22 operator and steward of the Province's generating assets.

23
24 Corporate Business Development & Enterprise Risk Management

25 Corporate Business Development is responsible for developing and maintaining an
26 integrated corporate business development strategy to assess and recommend new
27 business opportunities; establish and maintain an integrated portfolio-based generation and
28 site asset strategy; and develop and implement external and internal partnerships in support
29 of the corporate strategy. Corporate Business Development (CBD) explores the concept and
30 definition of major hydroelectric and thermal generation development projects as well as

1 other business development initiatives. CBD also anticipates and develops strategies to deal
2 with project opportunities and challenges.

3
4 Enterprise Risk Management provides a framework that enables the organization to
5 effectively identify, assess, monitor, and report on the key strategic, emerging, external,
6 operational, financial, and transactional risks to the Corporation's objectives.

7 8 **4.0 METHODS OF ALLOCATION**

9 The cost allocation methodology is the same as was previously evaluated and accepted by
10 the OEB as part of EB-2010-0008 (page 94) and EB-2007-0905 (page 60). The cost
11 allocation methodology uses two methods to distribute costs among the business units:
12 direct assignment and allocation.

13
14 In addition, Support Services costs attributed to each of the newly regulated hydroelectric
15 plant groups are subsequently assigned and allocated between newly regulated hydro
16 stations and unregulated stations as discussed in Ex. F1-2-1. OPG uses a standardized
17 allocation methodology for attributing costs within plant groups that include newly regulated
18 and unregulated hydroelectric stations.

19
20 In 2012, staff were transferred from Operating business units to Support Services groups as
21 part of Business Transformation. This resulted in costs increasing in Support Services
22 groups and costs decreasing in Operating groups by an equal amount. The existing cost
23 allocation methodology continues to be used as it appropriately reflects the work that was
24 transferred from the Operating groups to the Support groups.

25
26 In 2013, OPG's allocation methodology was also independently evaluated by HSG Group
27 Inc.

28 29 **4.1 Direct Assignment**

30 Direct assignment is used when specific resources, both individual employees and specific
31 cost items, used by a particular business unit can be reasonably established. There is

specific identification of resources where there is a direct relationship between the costs incurred by a support group and the business unit that causes the costs to be incurred. Estimation of the resources used by the business unit may be based on current time estimates or historical activity.

4.2 Allocation

Allocations are used when more than one business unit uses a resource, but the portions of the resource that each uses cannot be directly established. In these cases, a cost driver is used to allocate the costs of the resource. A cost driver is a formula for sharing the cost of a resource among those who caused the cost to be incurred. There are two types of cost drivers: external and internal drivers. External drivers are based on data that are external to the allocation process. For example, computer hardware costs incurred by the IT group are allocated to business units based on the number of LAN ID's. Internal drivers are based on values computed as part of the cost allocation process. For example, a supervisor's salary may be allocated in proportion to the salaries of the people being supervised.

OPG continues to use three steps when allocating a department's costs:

- Step One – Specific Identification of Resources.
 - The costs of resources specifically identified to a business unit are assigned to it.
 - Labour costs associated with individuals who support only one business unit are assigned to it.
 - Non-labour costs associated directly caused by one business unit are assigned to it.

- Step Two – Estimation of Resources

The next step is to identify the resources in each department that directly support one or more business units and to estimate the resources attributable to each business unit. The costs of these resources are directly assigned to each business unit in proportion to the estimated time required by that business unit.

- Step Three – Assign Cost Drivers

- 1 OPG uses the appropriate standardized cost drivers for all remaining activities or expenses.
- 2
- 3 The resulting assignments and allocations of Support Services costs to regulated
- 4 hydroelectric, newly regulated hydroelectric, and nuclear over the historical, bridge, and test
- 5 years are shown in Ex. F3-1-1 Tables 2 and 3.

Numbers may not add due to rounding.

Filed: 2013-09-27

EB-2013-0321

Exhibit F3

Tab 1

Schedule 1

Table 1

Table 1
Corporate Support & Administrative Groups - OPG (\$M)

Line No.	Corporate Costs	2010 Actual	2011 Actual	2012 Actual	2013 Budget	2014 Plan	2015 Plan
		(a)	(b)	(c)	(d)	(e)	(f)
1	Business and Administrative Service	188.7	181.0	289.0	300.5	295.6	281.2
2	Finance	56.4	60.7	65.1	66.1	62.0	58.7
3	People and Culture	50.6	54.9	113.4	121.9	118.4	113.8
4	Commercial Operations and Env.	47.1	45.8	36.6	43.9	42.6	39.1
5	Corporate Centre	19.2	22.3	43.6	65.5	59.0	54.9
6	Total	362.0	364.7	547.7	597.9	577.6	547.8

Numbers may not add due to rounding.

Filed: 2013-09-27

EB-2013-0321

Exhibit F3

Tab 1

Schedule 1

Table 2

Table 2

Allocation of Corporate Support & Administrative Costs - Previously Regulated Hydroelectric and Newly Regulated Hydroelectric (\$M)

Line No.	Corporate Group	2010 Actual	2011 Actual	2012 Actual	2013 Budget	2014 Plan	2015 Plan
		(a)	(b)	(c)	(d)	(e)	(f)
	<u>Niagara Plant Group and Saunders GS:</u>						
1	Business and Administrative Service	8.2	7.2	8.3	7.9	8.6	7.7
2	Finance	3.3	3.8	3.2	3.2	3.4	2.9
3	People and Culture	2.0	2.6	3.4	4.8	4.7	5.0
4	Commercial Operations and Env.	7.3	7.1	5.5	7.7	8.0	6.9
5	Corporate Centre	1.6	1.3	4.2	6.1	5.1	4.4
6	Subtotal	22.4	22.0	24.5	29.7	29.8	26.9
	<u>Newly Regulated Hydroelectric:</u>						
	Ottawa-St. Lawrence¹, Central, Northeast and Northwest Plant Groups:						
7	Business and Administrative Service	14.6	14.1	14.3	13.5	15.3	13.9
8	Finance	5.2	4.9	4.6	4.2	4.9	4.7
9	People and Culture	3.8	3.8	6.8	7.2	7.9	7.6
10	Commercial Operations and Env.	6.2	6.2	4.9	5.0	5.2	5.1
11	Corporate Centre	1.6	3.3	6.0	8.9	8.8	8.4
12	Subtotal	31.4	32.3	36.6	38.8	42.1	39.6
13	Total	53.8	54.3	61.1	68.5	71.9	66.5

Notes:

1 Ottawa-St. Lawrence Plant Group values are for the balance of the Plant Group, i.e. Saunders GS costs are excluded.

Numbers may not add due to rounding.

Filed: 2013-09-27

EB-2013-0321

Exhibit F3

Tab 1

Schedule 1

Table 3

Table 3

Allocation of Corporate Support & Administrative Costs - Nuclear (\$M)

Line No.	Corporate Group	2010 Actual	2011 Actual	2012 Actual	2013 Budget	2014 Plan	2015 Plan
		(a)	(b)	(c)	(d)	(e)	(f)
1	Business and Administrative Service	132.2	128.2	237.2	255.2	245.5	237.3
2	Finance	33.3	38.0	46.2	47.4	45.3	43.4
3	People and Culture	33.9	38.0	90.0	95.6	92.2	89.3
4	Commercial Operations and Env.	16.7	16.4	12.7	17.7	18.1	17.3
5	Corporate Centre	10.4	12.5	22.3	35.1	32.8	30.1
6	Total	226.5	233.1	408.4	451.0	433.9	417.4

Numbers may not add due to rounding.

Filed: 2013-09-27

EB-2013-0321

Exhibit F3

Tab 1

Schedule 1

Table 4

Table 4

Allocation of Finance Costs - Previously Regulated Hydroelectric and Newly Regulated Hydroelectric (\$M)

Line No.	Costs	2010 Actual	2011 Actual	2012 Actual	2013 Budget	2014 Plan	2015 Plan
		(a)	(b)	(c)	(d)	(e)	(f)
	<u>Niagara Plant Group and Saunders GS:</u>						
1	Controllership	2.4	2.7	2.4	2.4	2.4	2.2
2	Investment Planning	0.4	0.4	0.3	0.2	0.2	0.1
3	Assurance	0.2	0.2	0.4	0.4	0.6	0.4
4	Corporate Risk Management	0.3	0.4	0.0	0.0	0.0	0.0
5	Treasury & Fund Management	0.1	0.1	0.1	0.1	0.1	0.1
6	CFO Office	(0.1)	0.0	0.0	0.1	0.1	0.1
7	Subtotal	3.3	3.8	3.2	3.2	3.4	2.9
	<u>Newly Regulated Hydroelectric:</u>						
	Ottawa-St. Lawrence¹, Central, Northeast and Northwest Plant Groups:						
8	Controllership	3.5	3.5	3.4	2.9	3.6	3.5
9	Investment Planning	0.8	0.4	0.3	0.3	0.3	0.1
10	Assurance	0.2	0.2	0.6	0.4	0.4	0.5
11	Corporate Risk Management	0.5	0.4	0.0	0.0	0.0	0.0
12	Treasury & Fund Management	0.3	0.3	0.3	0.4	0.4	0.4
13	CFO Office	(0.1)	0.1	0.0	0.2	0.2	0.2
14	Subtotal	5.2	4.9	4.6	4.2	4.9	4.7
15	Total	8.5	3.8	3.2	3.2	3.4	2.9

Notes:

1 Ottawa-St. Lawrence Plant Group values are for the balance of the Plant Group, i.e. Saunders GS costs are excluded.

Numbers may not add due to rounding.

Filed: 2013-09-27

EB-2013-0321

Exhibit F3

Tab 1

Schedule 1

Table 5

Table 5
Allocation of Finance Costs - Nuclear (\$M)

Line No.	Costs	2010 Actual	2011 Actual	2012 Actual	2013 Budget	2014 Plan	2015 Plan
		(a)	(b)	(c)	(d)	(e)	(f)
1	Controllership	24.9	27.3	31.4	31.3	29.8	28.9
2	Investment Planning	2.2	2.5	3.2	2.6	2.8	2.3
3	Assurance	2.7	2.8	9.0	8.5	7.9	7.6
4	Corporate Risk Management	1.5	1.9	0.0	0.0	0.0	0.0
5	Treasury & Fund Management	2.2	2.5	2.4	2.9	2.9	2.9
6	CFO Office	(0.2)	1.0	0.2	2.1	1.9	1.7
7	Total	33.3	38.0	46.2	47.4	45.3	43.4

Numbers may not add due to rounding.

Filed: 2013-09-27

EB-2013-0321

Exhibit F3

Tab 1

Schedule 1

Table 6

Table 6

Allocation of Business and Administrative Service Costs - Previously Regulated Hydroelectric and Newly Regulated Hydroelectric (\$M)

Line No.	Costs	2010 Actual	2011 Actual	2012 Actual	2013 Budget	2014 Plan	2015 Plan
		(a)	(b)	(c)	(d)	(e)	(f)
	<u>Niagara Plant Group and Saunders GS:</u>						
1	Infrastructure Management	1.4	1.4	1.6	1.8	1.8	1.8
2	Application Maintenance	0.5	0.6	0.5	0.4	0.4	0.3
3	Data Centre Services	0.2	0.3	0.3	0.4	0.3	0.3
4	Other Services	0.8	0.7	0.6	0.3	0.3	0.2
5	NHSS Base Costs	3.0	3.0	3.0	2.9	2.8	2.6
6	IT Support Costs	2.7	2.6	2.6	2.4	2.5	2.5
7	Supply Chain	0.2	0.1	0.9	0.9	1.4	1.2
8	Real Estate	1.6	1.3	1.4	1.1	1.1	1.1
9	OM&A Project Costs	0.7	0.2	0.4	0.6	0.8	0.3
10	Subtotal	8.2	7.2	8.3	7.9	8.6	7.7
	<u>Newly Regulated Hydroelectric:</u>						
	Ottawa-St. Lawrence¹, Central, Northeast and Northwest Plant Groups:						
11	Infrastructure Management	3.0	3.2	3.0	3.4	3.5	3.5
12	Application Maintenance	1.0	1.1	1.1	0.7	0.8	0.7
13	Data Centre Services	0.3	0.4	0.5	0.5	0.4	0.4
14	Other Services	1.1	1.1	0.9	0.6	0.5	0.5
15	NHSS Base Costs	5.3	5.8	5.5	5.2	5.2	5.1
16	IT Support Costs	5.7	5.0	4.6	4.6	5.0	4.6
17	Supply Chain	0.3	0.3	1.0	1.0	1.9	1.8
18	Real Estate	2.1	2.3	2.5	1.8	1.9	1.9
19	OM&A Project Costs	1.2	0.6	0.6	0.9	1.3	0.6
20	Subtotal	14.6	14.1	14.3	13.5	15.3	13.9
21	Total	22.8	21.3	22.6	21.4	23.9	21.6

Notes:

1 Ottawa-St. Lawrence Plant Group values are for the balance of the Plant Group, i.e. Saunders GS costs are excluded.

Numbers may not add due to rounding.

Filed: 2013-09-27

EB-2013-0321

Exhibit F3

Tab 1

Schedule 1

Table 7

Table 7

Allocation of Business and Administrative Service Costs - Nuclear (\$M)

Line No.	Costs	2010 Actual	2011 Actual	2012 Actual	2013 Budget	2014 Plan	2015 Plan
		(a)	(b)	(c)	(d)	(e)	(f)
1	Infrastructure Management	31.0	29.4	29.6	29.6	29.2	29.5
2	Application Maintenance	11.5	12.4	13.2	14.0	14.0	11.6
3	Data Centre Services	13.2	13.2	13.4	11.6	10.2	9.6
4	Other Services	6.8	6.2	4.3	4.0	3.9	3.7
5	NHSS Base Costs	62.5	61.2	60.5	59.3	57.3	54.4
6	IT Support Costs	27.8	24.6	22.6	24.7	24.5	23.8
7	Supply Chain	3.4	2.6	48.4	51.0	46.5	46.1
8	Real Estate	31.7	31.7	96.2	109.4	108.3	106.6
9	OM&A Project Costs	6.8	8.1	9.5	10.7	8.9	6.4
10	Total	132.2	128.2	237.2	255.2	245.5	237.3

Numbers may not add due to rounding.

Filed: 2013-09-27

EB-2013-0321

Exhibit F3

Tab 1

Schedule 1

Table 8

Table 8

Allocation of People and Culture Costs - Previously Regulated Hydroelectric and Newly Regulated Hydroelectric (\$M)

Line No.	Costs	2010 Actual	2011 Actual	2012 Actual	2013 Budget	2014 Plan	2015 Plan
		(a)	(b)	(c)	(d)	(e)	(f)
	<u>Niagara Plant Group and Saunders GS:</u>						
1	Site P&C & Employee Safety	0.8	1.3	1.1	1.6	1.7	1.8
2	Corporate P&C & Employee Safety	0.1	0.1	0.2	0.4	0.4	0.4
3	P&C Services	0.4	0.4	0.4	0.3	0.3	0.3
4	Labour Relations, Safety and Wellness	0.3	0.3	0.3	0.5	0.6	0.6
5	SVP Office	0.2	0.2	0.2	0.3	0.3	0.3
6	Leadership & Org Development	0.2	0.3	0.2	0.3	0.3	0.3
7	Training	0.0	0.0	1.0	1.4	1.1	1.3
8	Subtotal	2.0	2.6	3.4	4.8	4.7	5.0
	<u>Newly Regulated Hydroelectric:</u>						
	Ottawa-St. Lawrence¹, Central, Northeast and Northwest Plant Groups:						
9	Site P&C & Employee Safety	1.9	1.8	2.4	2.4	2.6	2.7
10	Corporate P&C & Employee Safety	0.1	0.1	0.3	0.5	0.5	0.5
11	P&C Services	0.6	0.6	0.6	0.5	0.5	0.5
12	Labour Relations, Safety and Wellness	0.5	0.5	0.5	0.8	1.0	1.0
13	SVP Office	0.3	0.4	0.4	0.6	0.5	0.5
14	Leadership & Org Development	0.4	0.4	0.3	0.5	0.5	0.5
15	Training	0.0	0.0	2.3	1.9	2.3	1.9
16	Subtotal	3.8	3.8	6.8	7.2	7.9	7.6
17	Total	5.8	6.4	10.2	12.0	12.6	12.5

Notes:

1 Ottawa-St. Lawrence Plant Group values are for the balance of the Plant Group, i.e. Saunders GS costs are excluded.

Numbers may not add due to rounding.

Filed: 2013-09-27

EB-2013-0321

Exhibit F3

Tab 1

Schedule 1

Table 9

Table 9
Allocation of People and Culture Costs - Nuclear (\$M)

Line No.	Costs	2010 Actual	2011 Actual	2012 Actual	2013 Budget	2014 Plan	2015 Plan
		(a)	(b)	(c)	(d)	(e)	(f)
1	Site P&C & Employee Safety	11.1	12.5	4.8	4.1	3.8	3.8
2	Corporate P&C & Employee Safety	1.0	1.3	1.5	1.4	1.5	1.3
3	P&C Services	9.2	9.8	9.3	8.5	8.5	7.7
4	Labour Relations, Safety and Wellness	5.1	5.7	11.7	12.7	10.7	10.4
5	SVP Office	3.3	4.3	4.3	6.4	5.9	5.7
6	Leadership & Org Development	4.2	4.4	3.2	2.3	2.5	2.2
7	Training	0.0	0.0	55.2	60.2	59.3	58.2
8	Total	33.9	38.0	90.0	95.6	92.2	89.3

COMPARISON OF ALLOCATION OF SUPPORT SERVICES COSTS

1.0 PURPOSE

This evidence describes the period-over-period changes in the Support Services costs that are assigned and allocated to the hydroelectric and nuclear businesses.

2.0 PERIOD-OVER-PERIOD CHANGES - TEST PERIOD, REGULATED HYDROELECTRIC

Exhibit F3-1-2 Table 1 provides the period-over-period changes in the allocated Support Services costs for the test years.

2015 Plan versus 2014 Plan (\$26.9M versus \$29.8M)

Support Services costs decrease by \$2.9M in 2015 primarily due to lower OEB-related costs in Commercial Operations & Environment and Corporate Centre (non rate hearing year), lower external purchased services resulting from the completion of the Business Transformation ("BT") initiative in Corporate Centre, lower SAP support cost and completion of the Enterprise System Consolidation Project in Business and Administrative Services, and staff reductions in all the Support Services groups.

2014 Plan versus 2013 Budget (\$29.8M versus \$29.7M)

The level of allocated Support Services costs remains relatively stable in both 2014 and 2013.

2.1 PERIOD-OVER-PERIOD CHANGES – BRIDGE YEAR, REGULATED HYDROELECTRIC

Exhibit F3-1-2 Table 1 provides the period-over-period changes in the allocated Support Services costs for the bridge year.

2013 Budget versus 2012 Actual (\$29.7M versus \$24.5M)

Support Services costs increase by \$5.2M for 2013 compared to 2012 mainly due to planning activities for the BT initiative in Corporate Centre and People & Culture, various

1 strategic initiatives in Corporate Centre, and higher OEB related costs in Commercial
2 Operations & Environment, partially offset by lower labour costs as a result of not replacing
3 staff that will retire.

4 5 **2.2 PERIOD-OVER-PERIOD CHANGES - HISTORICAL PERIOD, REGULATED** 6 **HYDROELECTRIC**

7 Exhibit F3-1-2 Table 1 provides the period-over-period changes for the historical period.

8 9 **2012 Actual versus 2012 Board Approved (\$24.5M versus \$26.3M)**

10 Support Services costs decrease by \$1.8M in 2012 versus the 2012 Board Approved mainly
11 due to \$4.1M in lower costs in Commercial Operations & Environment and Corporate Centre
12 due to a decision to defer OPG's rate application filing. This is partially offset by an increase
13 in costs of \$2.4M due to the transfer of Business Unit staff to Support Services groups as
14 part of the implementation of Business Transformation. Organization structure changes from
15 Business Transformation include transfer of Hydro Business Development to Corporate
16 Centre (\$0.7M), Environment Support and Commercial Contracts Support to Commercial
17 Operations and Environment (\$0.9M) and Supply Chain to Business and Administrative
18 Services (\$0.8M).

19 20 **2012 Actual versus 2011 Actual (\$24.5M versus \$22.0M)**

21 Support Services costs increase by \$2.5M in 2012 versus the 2011 Actual primarily due to
22 the transfer of Business Unit staff to Support Services groups as part of Business
23 Transformation in 2012. Organization structure changes from Business Transformation
24 include transfer of Hydro Business Development to Corporate Center (\$0.7M), Environment
25 Support and Commercial Contracts Support to Commercial Operations and Environment
26 (\$0.9M) and Supply Chain to Business and Administrative Services (\$0.8M).

27 28 **2011 Actual versus 2011 Board Approved (\$22.0M versus \$24.8M)**

29 Actual Support Services costs decrease by \$2.8M in 2011 compared to the 2011 Board
30 approved due to successful contract negotiations with software suppliers, hardware
31 optimization, a storage reduction initiative, a reduction of IT services in Information

Technology, and lower than planned costs in Commercial Operations & Environment and Corporate Centre.

2011 Actual versus 2010 Actual (\$22.0M versus \$22.4M)

Actual Support Services costs increase by \$0.4 in 2011 compared to the 2010 Actual costs due to labour burden rate changes, and increased consulting services in People & Culture.

2010 Actual versus 2010 Budget (\$22.4M versus \$25.1M)

Actual Support Services costs decrease by \$2.7M in 2010 compared to the 2010 Budget due to successful contract negotiations with software suppliers, hardware optimization, a reduction of IT services in Information Technology, lower employee business expenses, and lower spending for pandemic supplies.

**3.0 PERIOD-OVER-PERIOD CHANGES – TEST PERIOD, NEWLY REGULATED
HYDROELECTRIC**

Exhibit F3-1-2 Table 2 provides the period-over-period changes in the allocated Support Services costs for the test years.

2015 Plan versus 2014 Plan (\$39.6M versus \$42.1M)

Support Services costs decrease by \$2.5M in 2015 primarily due to completion of the BT initiative in Corporate Centre, lower SAP support cost and completion of Enterprise System Consolidation Project in Business and Administrative Services, and staff reductions in the Support Services groups.

2014 Plan versus 2013 Budget (\$42.1M versus \$38.8M)

Support Services costs increase by \$3.3M in 2014 mainly due to reassignment of work and shifting resources.

**3.1 PERIOD-OVER-PERIOD CHANGES – BRIDGE YEAR, NEWLY REGULATED
HYDROELECTRIC**

Exhibit F3-1-2 Table 2 provides the period-over-period changes in the allocated Support Services costs for the bridge year.

2013 Budget versus 2012 Actual (\$38.8M versus \$36.6M)

Support Services costs increase by \$2.2M for 2013 compared to 2012 mainly due to planning activities for the BT initiative and various business development initiatives in Corporate Centre, partially offset by staff reductions in other Support Services groups.

**3.2 PERIOD-OVER-PERIOD CHANGES - HISTORICAL PERIOD, NEWLY
REGULATED HYDROELECTRIC**

Exhibit F3-1-2 Table 2 provides the period-over-period changes in the allocated Support Services costs for the bridge year.

2012 Actual versus 2011 Actual (\$36.6M versus \$32.3M)

Support Services costs increase by \$4.3M in 2012 versus the 2011 Actual mainly due to the transfer of Business Unit staff to Support Services groups as part of the BT initiative in 2012. Organization structure changes from Business Transformation include transfer of Hydro Business Development to Corporate Center , Environment Support and Commercial Contracts Support to Commercial Operations and Environment and Supply Chain to Business and Administrative Services .

2011 Actual versus 2010 Actual (\$32.3M versus \$31.4M)

Actual Support Services costs increase by \$0.9M in 2011 compared to the 2010 Actual costs due to labour burden rate changes, and increased consulting services in People & Culture.

4.0 PERIOD-OVER-PERIOD CHANGES - TEST PERIOD, NUCLEAR

Exhibit F3-1-2 Table 3 provides the period-over-period changes in the allocated Support Services costs for the test years. The level of allocated Support Services costs decrease over the bridge and test period.

2015 Plan versus 2014 Plan (\$417.4M versus \$433.9M)

Support Services costs decrease by \$16.5M in 2015 primarily due to lower SAP support cost and completion of Enterprise System Consolidation Project in Business and Administrative Services, completion of BT initiative in People & Culture and Corporate Centre, lower OEB-related costs in Commercial Operations & Environment and Corporate Centre (non rate hearing year), and staff reductions across the Support Services groups.

2014 Plan versus 2013 Budget (\$433.9M versus \$451.0M)

Support Services costs decrease by \$17.1M in 2014 plan compared to the 2013 Budget mainly due to reduction of IT costs driven by Information Management Transformation Program in Business and Administrative Services, lower external purchases services costs due to near completion of the BT initiative, and staff reductions across the Support Services groups.

4.1 PERIOD-OVER-PERIOD CHANGES – BRIDGE YEAR, NUCLEAR

Exhibit F3-1-2 Table 3 provides the period-over-period changes for the bridge year.

2013 Budget versus 2012 Actual (\$451.0M versus \$408.4M)

Support Services costs increase by \$42.6M for 2013 compared to 2012 mainly due to planning activities for the BT initiative and various business development initiatives in Corporate Centre, increased Nuclear training requirements in People & Culture, and higher OEB related costs in Commercial Operations & Environment in anticipation of a rate application in 2013.

4.2 PERIOD-OVER-PERIOD CHANGES - HISTORICAL PERIOD, NUCLEAR

Exhibit F3-1-2 Table 3 provides the period-over-period changes for the historical period.

2012 Actual versus 2012 Board Approved (\$408.4M versus \$252.3M)

Support Services costs increase by \$156.1M in 2012 versus the 2012 Board approved due to the transfer of Business Unit staff to Support Services groups totaling \$176.1M as part of as

part of Business Transformation. Organization structure changes from Business Transformation include transfer of Supply Chain, Facility Management, Records Controlled and Administrative Services to Business and Administrative Services (\$106.3M), Finance Business Support to Finance (\$12.3M), Training Services to People and Culture (\$53.5M), and Environment Support and Commercial Contracts Support to Commercial Operations and Environment (\$4.0M). These are partially offset by \$20.0M in lower costs in Commercial Operations & Environment and Corporate Centre due to a decision to defer the rate application filing, successful contract negotiations with software suppliers, hardware optimization, a storage reduction initiative, and a reduction of IT services in information technology, and lower labour costs resulting from lower staff levels as a result of aggressively managing attrition and not filling staff vacancies.

2012 Actual versus 2011 Actual (\$408.4M versus \$233.1M)

Support Services costs increase by \$175.3M in 2012 versus the 2011 Actual due to the transfer of Business Unit staff to Support Services groups as part of Business Transformation in 2012. Organization structure changes from Business Transformation include transfer of Supply Chain, Facility Management, Records Controlled and Administrative Services to Business and Administrative Services (\$106.3M), Finance Business Support to Finance (\$12.3M), Training Services to People and Culture (\$53.5M), and Environment Support and Commercial Contracts Support to Commercial Operations and Environment (\$4.0M)

2011 Actual versus 2011 Board Approved (\$233.1M versus \$249.2M)

Actual Support Services costs decrease by \$16.1M in 2011 compared to the 2011 Board Approved, due to successful contract negotiations with software suppliers, hardware optimization, a storage reduction initiative, a reduction of IT costs in information technology, and lower than planned costs in Commercial Operations & Environment and Corporate Centre. This is partially offset by higher costs in Finance for oversight of the Nuclear Funds and external reporting requirements, and increased spend in consulting services in People & Culture.

2011 Actual versus 2010 Actual (\$233.1M versus \$226.5M)

Actual Support Services costs increase by \$6.6M in 2011 compared to the 2010 Actual costs due to labour burden rate changes, increased consulting services in People & Culture, and higher costs in Finance for oversight of the Nuclear Funds and external reporting requirements. This is partially offset by successful contract negotiations with software suppliers, hardware optimization, a storage reduction initiative, and a reduction of IT services in information technology.

2010 Actual versus 2010 Budget (\$226.5M versus \$247.0M)

Actual Support Services costs decrease by \$20.5M in 2010 compared to the 2010 Budget due to hardware optimization, a reduction of IT services, lower expenditure on projects in information technology, decreased spending for pandemic supplies in Commercial Operations & Environment, efforts to manage staff vacancies, and lower than planned employee business expenses across the Support Services groups.

Numbers may not add due to rounding.

Filed: 2013-09-27

EB-2013-0321

Exhibit F3

Tab 1

Schedule 2

Table 1

Table 1
Comparison of Allocation of Corporate Support & Administrative Costs (\$M)
Previously Regulated Hydroelectric

Line No.	Corporate Group	2010 Budget	(c)-(a) Change	2010 Actual	(g)-(c) Change	2011 Board Approved	(g)-(e) Change	2011 Actual	(i)-(g) Change	2012 Actual
		(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)
1	Business and Administrative Service	9.2	(1.0)	8.2	(1.0)	9.5	(2.3)	7.2	1.1	8.3
2	Finance	3.5	(0.2)	3.3	0.5	3.7	0.1	3.8	(0.6)	3.2
3	People and Culture	2.2	(0.2)	2.0	0.6	2.3	0.3	2.6	0.8	3.4
4	Commercial Operations and Env.	8.3	(1.0)	7.3	(0.2)	7.7	(0.6)	7.1	(1.7)	5.5
5	Corporate Centre	1.9	(0.3)	1.6	(0.3)	1.6	(0.3)	1.3	2.9	4.2
6	Total	25.1	(2.7)	22.4	(0.4)	24.8	(2.8)	22.0	2.5	24.5

Line No.	Corporate Group	2012 Board Approved	(c)-(a) Change	2012 Actual	(e)-(c) Change	2013 Budget	(g)-(e) Change	2014 Plan	(i)-(g) Change	2015 Plan
		(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)
7	Business and Administrative Service	9.5	(1.2)	8.3	(0.4)	7.9	0.7	8.6	(0.9)	7.7
8	Finance	3.7	(0.5)	3.2	0.0	3.2	0.2	3.4	(0.5)	2.9
9	People and Culture	2.3	1.1	3.4	1.4	4.8	(0.1)	4.7	0.3	5.0
10	Commercial Operations and Env.	8.7	(3.3)	5.5	2.3	7.7	0.3	8.0	(1.1)	6.9
11	Corporate Centre	2.1	2.1	4.2	1.9	6.1	(1.0)	5.1	(0.7)	4.4
12	Total	26.3	(1.8)	24.5	5.2	29.7	0.1	29.8	(2.9)	26.9

Numbers may not add due to rounding.

Filed: 2013-09-27

EB-2013-0321

Exhibit F3

Tab 1

Schedule 2

Table 2

Table 2
Comparison of Allocation of Corporate Support & Administrative Costs (\$M)
Newly Regulated Hydroelectric

Line No.	Corporate Group	2010 Budget	(c)-(a) Change	2010 Actual	(g)-(c) Change	2011 Board Approved	(g)-(e) Change	2011 Actual	(i)-(g) Change	2012 Actual
		(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)
1	Business and Administrative Service	N/A		14.6	(0.5)	N/A		14.1	0.2	14.3
2	Finance	N/A		5.2	(0.3)	N/A		4.9	(0.3)	4.6
3	People and Culture	N/A		3.8	0.0	N/A		3.8	3.0	6.8
4	Commercial Operations and Env.	N/A		6.2	0.0	N/A		6.2	(1.4)	4.9
5	Corporate Centre	N/A		1.6	1.7	N/A		3.3	2.7	6.0
6	Total	N/A		31.4	0.9	N/A		32.3	4.3	36.6

Line No.	Corporate Group	2012 Board Approved	(c)-(a) Change	2012 Actual	(e)-(c) Change	2013 Budget	(g)-(e) Change	2014 Plan	(i)-(g) Change	2015 Plan
		(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)
7	Business and Administrative Service	N/A		14.3	(0.8)	13.5	1.8	15.3	(1.4)	13.9
8	Finance	N/A		4.6	(0.4)	4.2	0.7	4.9	(0.2)	4.7
9	People and Culture	N/A		6.8	0.4	7.2	0.7	7.9	(0.4)	7.6
10	Commercial Operations and Env.	N/A		4.9	0.1	5.0	0.2	5.2	(0.1)	5.1
11	Corporate Centre	N/A		6.0	2.9	8.9	(0.1)	8.8	(0.4)	8.4
12	Total	N/A		36.6	2.2	38.8	3.3	42.1	(2.5)	39.6

Numbers may not add due to rounding.

Filed: 2013-09-27

EB-2013-0321

Exhibit F3

Tab 1

Schedule 2

Table 3

Table 3
Comparison of Allocation of Corporate Support & Administrative Costs (\$M)
Nuclear

Line No.	Corporate Group	2010 Budget	(c)-(a) Change	2010 Actual	(g)-(c) Change	2011 Board Approved	(g)-(e) Change	2011 Actual	(i)-(g) Change	2012 Actual
		(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)
1	Business and Administrative Service	141.7	(9.5)	132.2	(4.0)	144.3	(16.1)	128.2	109.0	237.2
2	Finance	35.6	(2.3)	33.3	4.7	35.8	2.2	38.0	8.2	46.2
3	People and Culture	36.3	(2.4)	33.9	4.1	37.1	0.9	38.0	52.0	90.0
4	Commercial Operations and Env.	21.0	(4.3)	16.7	(0.3)	19.1	(2.7)	16.4	(3.7)	12.7
5	Corporate Centre	12.4	(2.0)	10.4	2.1	12.9	(0.4)	12.5	9.8	22.3
6	Total	247.0	(20.5)	226.5	6.6	249.2	(16.1)	233.1	175.3	408.4

Line No.	Corporate Group	2012 Board Approved	(c)-(a) Change	2012 Actual	(e)-(c) Change	2013 Budget	(g)-(e) Change	2014 Plan	(i)-(g) Change	2015 Plan
		(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)
7	Business and Administrative Service	144.2	93.0	237.2	18.0	255.2	(9.7)	245.5	(8.2)	237.3
8	Finance	36.0	10.2	46.2	1.2	47.4	(2.1)	45.3	(1.9)	43.4
9	People and Culture	37.6	52.4	90.0	5.6	95.6	(3.4)	92.2	(2.9)	89.3
10	Commercial Operations and Env.	20.6	(7.9)	12.7	5.0	17.7	0.4	18.1	(0.8)	17.3
11	Corporate Centre	13.9	8.4	22.3	12.8	35.1	(2.3)	32.8	(2.7)	30.1
12	Total	252.3	156.1	408.4	42.6	451.0	(17.1)	433.9	(16.5)	417.4

COMPARISON OF REGULATORY AFFAIRS COSTS

1.0 PURPOSE

This exhibit describes the period-over-period changes in Regulatory Affairs Department costs allocated to the regulated hydroelectric and nuclear businesses. These costs are set out in Ex. F3-1-3, Table 1.

2.0 PERIOD-OVER-PERIOD CHANGES – TEST PERIOD

2015 Plan versus 2014 Plan

Regulatory proceedings costs decrease by approximately \$1.7M in the 2015 Plan versus the 2014 Plan due to an expected lighter regulatory filing schedule in 2015 versus 2014. OEB assessments also decrease for the same reason.

2014 Plan versus 2013 Budget

No variance to report.

3.0 PERIOD-OVER-PERIOD CHANGES – BRIDGE YEAR

2013 Budget versus 2012 Actual

Regulatory proceedings costs increased by approximately \$3.0M in the 2013 Budget versus the 2012 Actual due to the fact that the 2013 Budget assumes a major rates filing while there was no major application in 2012. The 2013 Budget assumed a cost of service application for regulated hydroelectric and a Niagara prudence review proceeding. The 2013 Budget also assumed a higher OEB annual assessment. Higher salaries/wages and other operating costs relative to the 2012 Actual amounts are primarily due to the inclusion of additional allocation of Regulatory Affairs costs to the newly regulated hydroelectric facilities and also due to the additional regulatory activity that was assumed to occur in 2013.

4.0 PERIOD-OVER-PERIOD CHANGES – HISTORICAL PERIOD

2012 Actual versus 2012 Board Approved

Regulatory proceedings costs decreased by \$2.1M in the 2012 Actual versus the 2012 Board Approved Plan due to the deferral of the planned rate application in 2012. Actual

1 salaries/wages and other operating costs and the OEB assessment were also lower than the
2 Board approved level. This was primarily due to the deferral of the rate application.

3
4 2012 Actual versus 2011 Actual

5 Overall regulatory costs decreased by approximately \$0.7M in the 2012 Actual versus the
6 2011 Actual mainly due to reduced use of outside consultants in 2012 as a result of the
7 deferral of the planned rate application.

8
9 2011 Actual versus 2011 Board Approved

10 Regulatory proceedings costs were approximately \$0.7M higher for 2011 Actual versus the
11 2011 Board Approved Plan because of greater than expected work on consulting studies.
12 Actual 2011 salaries/wages and other operating expenses and actual OEB assessments
13 were approximately \$0.8M and \$0.5M lower than forecast respectively, as costs related to
14 the EB-2010-0008 rate application were accrued to 2010 and there was reduced preparatory
15 work due to the deferral of the planned rate application in 2012.

16
17 2011 Actual versus 2010 Actual

18 Overall regulatory costs decreased by approximately \$0.9M in the 2011 Actual versus the
19 2010 Actual as costs related to the EB-2010-0008 rate application were accrued to 2010,
20 and there were no major rate applications in 2011.

21
22 2010 Actual versus 2010 Budget

23 Regulatory proceedings costs decreased by approximately \$0.3M in the 2010 Actual versus
24 the 2010 Budget due to costs related to the EB-2010-0008 rate application coming in lower
25 than budget.

Numbers may not add due to rounding.

Filed: 2013-12-05
EB-2013-0321
Exhibit F3
Tab 1
Schedule 3
Table 1

Table1
Comparison of Base OM&A Coats Allocated to Regulated Operations (\$k) ¹
Regulatory Affairs Department

Line No.	Group	2010 Budget	(c)-(a) Change	2010 Actual	(g)-(c) Change	2011 Board Approved	(g)-(e) Change	2011 Actual	(i)-(g) Change	2012 Actual
		(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)
	Recurring Costs:									
1	Salaries/wages, operating expenses	3,039.0	(615.0)	2,424.0	203.3	3,432.0	(804.7)	2,627.3	261.5	2,888.8
	Regulatory Proceeding Costs:									
2	Expert Witnesses/Consultants	1,250.0	34.0	1,284.0	466.1	800.0	950.1	1,750.1	(806.9)	943.2
3	Intervenor cost awards	1,890.0	(336.0)	1,554.0	(1,451.7)	300.0	(197.7)	102.3	9.1	111.4
4	Other	134.0	(39.0)	95.0	12.0	127.0	(20.0)	107.0	5.0	112.0
5		3,274.0	(341.0)	2,933.0	(973.6)	1,227.0	732.4	1,959.4	(792.8)	1,166.6
6	OEB Annual Assessment and Sect 30	980.0	115.0	1,095.0	(85.0)	1,500.0	(490.0)	1,010.0	(148.0)	862.0
7	Total Regulatory Affairs Division	7,293.0	(841.0)	6,452.0	(855.3)	6,159.0	(562.3)	5,596.7	(679.3)	4,917.4
8	External Legal Costs	1,500.0	(676.0)	824.0	(113.0)	500.0	211.0	711.0	(461.3)	249.7

Line No.	Group	2012 Board Approved	(c)-(a) Change	2012 Actual	(e)-(c) Change	2013 Budget	(g)-(e) Change	2014 Plan	(i)-(g) Change	2015 Plan
		(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)
	Recurring Costs:									
1	Salaries/wages, operating expenses	3,496.0	(607.2)	2,888.8	660.7	3,309.5	240.0	3,549.5	(185.8)	3,363.7
	Regulatory Proceeding Costs:									
2	Expert Witnesses/Consultants	1,150.0	(206.8)	943.2	756.8	1,700.0	0.0	1,700.0	(500.0)	1,200.0
3	Intervenor cost awards	1,985.0	(1,873.6)	111.4	2,088.6	2,200.0	0.0	2,200.0	(1,200.0)	1,000.0
4	Other	144.0	(32.0)	112.0	118.0	200.0	30.0	230.0	10.0	240.0
5		3,279.0	(2,112.4)	1,166.6	2,963.4	4,100.0	30.0	4,130.0	(1,690.0)	2,440.0
6	OEB Annual Assessment and Sect 30	1,500.0	(638.0)	862.0	638.0	1,500.0	0.0	1,500.0	(200.0)	1,300.0
7	Total Regulatory Affairs Division	8,275.0	(3,357.6)	4,917.4	4,262.1	8,909.5	270.0	9,179.5	(2,075.8)	7,103.7
8	External Legal Costs	1,500.0	(1,250.3)	249.7	850.3	1,100.0	0.0	1,100.0	0.0	1,100.0

Note

¹ Figures for 2010 though 2012 are costs allocated to Previously Regulated Hydro and Nuclear.

Figures for 2013 though 2015 are costs allocated to Previously Regulated Hydro, Newly Regulated Hydro and Nuclear.

ASSET SERVICE FEES

1.0 PURPOSE

This evidence describes OPG's service fee methodology and explains the calculation of the proposed service fees for the test period.

2.0 BACKGROUND

Approximately 99 per cent of OPG's in-service fixed assets are directly associated with specific generation facilities. The remaining assets are either directly associated with a business unit, or are common assets used by both regulated and unregulated generation facilities.

The assets held centrally are not included in rate base and the depreciation and amortization expense in this rate submission does not include any depreciation or amortization related to these assets. Instead, the regulated facilities (as well as unregulated facilities) are charged a service fee for the use of these assets, which is included in their respective OM&A expenses.

The asset service fee for 2013 is similar to the amount charged in previous years and the fee increases over the test period, due to higher IT in-service additions and depreciation expense.

The service fee methodology used in this Application is the same as that accepted by the OEB in EB-2010-0008 (p. 94) and EB-2007-0905 (p. 60). Ex. F3-2-1 Tables 1 and 2 present asset service fee amounts charged or expected to be charged to hydroelectric and nuclear facilities for years 2010 - 2015.

3.0 ASSET SERVICE FEE METHODOLOGY

Asset service fees are computed in a cost-based manner. The costs included in the computation of the service fees are depreciation expense, certain operating costs, property taxes, and a tax-adjusted return earned on these assets.

The regulated facilities are charged a service fee for the use of the following assets, which are further discussed below:

- OPG Head Office (located in Toronto, Ontario)
- Kipling Site Building Complex (located in Toronto, Ontario)
- Wesleyville (located in Durham County, Ontario)
- Certain shared IT and Energy Markets Assets (together "IT Assets")
- Joint use Hydroelectric Assets

The charts below provide budgeted service fee amounts by asset and by regulated business for the years ending December 31, 2014 and 2015.

Chart 1

Asset Service Fee Amounts – 2014

2014				
\$M	OPG Head Office	Kipling/Wesleyville	IT Assets	Total
Nuclear	8.6	4.4	10.3	23.3
Regulated Hydroelectric	0.7	0.3	0.5	1.5
Newly Regulated Hydro	0.9	0.4	0.7	2.0
Total	10.2	5.1	11.5	26.8

Chart 2

Asset Service Fee Amounts – 2015

2015				
\$M	OPG Head Office	Kipling/Wesleyville	IT Assets	Total
Nuclear	8.8	4.5	13.5	26.8
Regulated Hydroelectric	0.7	0.3	0.7	1.7
Newly Regulated Hydro	0.9	0.3	0.9	2.1
Total	10.4	5.1	15.1	30.6

OPG Head Office

OPG's Head Office (occupying several floors at 700 University Ave.) is partially used by personnel from the regulated business units and support services that support them. The service fee for the use of OPG's Head Office is computed based on an allocation of depreciation expense, operating costs related to maintaining the building, property taxes, and a tax-adjusted return on the capital invested in these assets. The cost allocation is based on the principles of OPG's support services cost allocation methodology discussed in Ex. F3-1-1. Depreciation expense and property tax expense, as per OPG's budget for the year, are apportioned based on the relative square footage used by the regulated operations, including an amount for the support services supporting them. As per the cost allocation methodology, operating costs incurred by Real Estate to maintain the building are apportioned based on the relative square footage used by the regulated operations, including an amount for support services supporting them.

The return on capital amounts for 2014 and 2015 are computed using after-tax rates of return which are consistent with the proposed weighted average cost of capital rates for the regulated operations as per Exhibit C. The return on equity component is grossed-up by OPG's budgeted statutory tax rate for the year in question. The tax-adjusted rate of return is applied to the average budgeted net book value of the building for the year, and then apportioned to each of the regulated facilities using relative square footage which is consistent with the allocation basis used to determine the depreciation expense in the Asset Service Fee.

The components used to establish the projected service fee for OPG's Head Office for the years ending December 31, 2014 and 2015, respectively, are presented below:

Chart 3

Components of Asset Service Fee for OPG's Head Office – 2014

2014				
\$M	Nuclear	Regulated Hydroelectric	Newly Regulated Hydro	Total
Depreciation Expense	1.7	0.1	0.2	2.0
Property Tax	2.2	0.2	0.2	2.6
Operating Costs	2.8	0.3	0.3	3.4
Tax-adjusted Return	1.9	0.1	0.2	2.2
Total	8.6	0.7	0.9	10.2

Chart 4

Components of Asset Service Fee for OPG's Head Office – 2015

2015				
\$M	Nuclear	Regulated Hydroelectric	Newly Regulated Hydro	Total
Depreciation Expense	1.8	0.1	0.2	2.1
Property Tax	2.3	0.2	0.2	2.7
Operating Costs	2.9	0.3	0.3	3.5
Tax-adjusted Return	1.8	0.1	0.2	2.1
Total	8.8	0.7	0.9	10.4

Kipling/Wesleyville

OPG's Kipling and Wesleyville sites are partially used by personnel from the regulated operations and support services that support them. The service fee for the use of Kipling and Wesleyville by the hydroelectric and nuclear business units is computed in the same manner as that used for the OPG Head Office. The same components (i.e., depreciation, property tax, operating costs, and the tax-adjusted return) are apportioned based on relative square footage.

The components used to establish the projected service fee for Kipling and Wesleyville for the years ending December 31, 2014 and 2015, respectively, are presented below:

Chart 5

Components of Asset Service Fee for Kipling/Wesleyville – 2014

2014				
\$M	Nuclear	Regulated Hydroelectric	Newly Regulated Hydro	Total
Depreciation Expense	0.4	0.0	0.0	0.4
Property Tax	0.4	0.0	0.0	0.4
Operating Costs	2.9	0.3	0.3	3.5
Tax-adjusted Return	0.7	0.0	0.1	0.8
Total	4.4	0.3	0.4	5.1

Chart 6

Components of Asset Service Fee for Kipling/Wesleyville – 2015

2015				
\$M	Nuclear	Regulated Hydroelectric	Newly Regulated Hydro	Total
Depreciation Expense	0.3	0.0	0.0	0.3
Property Tax	0.4	0.0	0.0	0.4
Operating Costs	3.0	0.3	0.2	3.5
Tax-adjusted Return	0.8	0.0	0.1	0.9
Total	4.5	0.3	0.3	5.1

IT Assets

IT assets include computer systems and applications used throughout OPG, such as SAP and other enterprise resource planning systems, document management and archiving systems, computer network hardware and the remote access system, as well as, information technology systems, applications and infrastructure related to generation portfolio management, trading and origination activities, and related administrative functions such as transaction settlements.

These assets are used by personnel from the regulated operations and the support services that support them. The service fee for the use of IT assets is computed based on an appropriate portion of depreciation expense and a tax-adjusted return. The portion of the costs included in the service fee is based on the principles of OPG's cost allocation methodology discussed in Ex. F3-1-1. For the majority of IT assets, depreciation expense is apportioned using the relative number of business workstations used by the regulated operations and the portion of support services that support them.

The return on capital amounts for 2014 and 2015 are computed using the proposed weighted average cost of capital rates for the regulated operations as per Exhibit C. The return on equity component is grossed-up by OPG's budgeted statutory tax rate for the year in question. The tax-adjusted rate of return is applied to the average budgeted net book value of the assets for the year apportioned using the relative number of business workstations used by the regulated facilities and the portion of support services that support them. This is consistent with the allocation basis used to determine depreciation expense portion of the Asset Service Fee.

The components used to establish the service fee for IT Assets for the years ending December 31, 2014 and 2015, respectively, are presented below:

Chart 7

Components of Asset Service Fee for IT Assets – 2014

2014				
\$M	Nuclear	Regulated Hydroelectric	Newly Regulated Hydro	Total
Depreciation Expense	7.3	0.4	0.5	8.2
Tax-adjusted Return	3.0	0.1	0.2	3.3
Total	10.3	0.5	0.7	11.5

Chart 8

Components of Asset Service Fee for IT Assets – 2015

2015				
\$M	Nuclear	Regulated Hydroelectric	Newly Regulated Hydro	Total
Depreciation Expense	8.8	0.5	0.6	9.9
Tax-adjusted Return	4.7	0.2	0.3	5.2
Total	13.5	0.7	0.9	15.1

Joint Use Hydroelectric Assets

Within the hydroelectric plant groups containing newly regulated hydroelectric stations, certain facilities such as control dams and service centers support both newly regulated hydro stations and stations which will remain unregulated, as they are under contract with the Ontario Power Authority.

OPG has applied an asset service fee treatment to those facilities whose dominant use is not the support of newly regulated hydro facilities.

To the extent that 90 per cent or more of aggregate station capacity serviced by the joint-use asset relates to newly regulated hydroelectric stations, the joint use asset is included in rate base. Joint use assets not passing this dominant use test are not included in regulated rate base, but are charged to newly regulated stations and stations under contract with the OPA largely based on the relative capacity of the stations. The asset fee structure is the same as used to charge common real estate and IT assets to regulated operations. The asset service fee for joint use diversion dams on Lake St Joseph has been allocated based on the incremental generation capacity created by the diverted water.

The components used to establish the service fee for Joint Use Hydroelectric Assets for the years ending December 31, 2014 and 2015, respectively, are presented below:

Chart 9
Components of Asset Service Fee for Joint Use Hydro Assets

\$M	2014	2015
Depreciation Expense	0.1	0.1
Property Tax	0.1	0.1
Tax-adjusted Return	0.7	0.7
Total	0.9	0.9

Numbers may not add due to rounding.

Filed: 2013-09-27
EB-2013-0321
Exhibit F3
Tab 2
Schedule 1
Table 1

Table 1
Asset Service Fees - Previously Regulated Hydroelectric and Newly Regulated Hydroelectric (\$M)

Line No.	Business Unit	2010 Actual	2011 Actual	2012 Actual	2013 Budget	2014 Plan	2015 Plan
		(a)	(b)	(c)	(d)	(e)	(f)
1	Niagara Plant Group and Saunders GS	2.1	1.6	1.8	1.7	1.5	1.7
	<u>Newly Regulated Hydroelectric:</u>						
	Ottawa-St. Lawrence ¹ , Central, Northeast and Northwest Plant Groups:						
2	Corporate - Asset Service Fee	2.5	2.4	2.3	2.1	2.0	2.1
3	Hydro - Asset Service Fee	1.1	1.0	1.0	1.0	0.9	0.9
4	Total	5.7	5.0	5.1	4.8	4.4	4.7

Notes:

1 Ottawa-St. Lawrence Plant Group values are for the balance of the Plant Group, i.e. Saunders GS costs are excluded.

Numbers may not add due to rounding.

Filed: 2013-09-27

EB-2013-0321

Exhibit F3

Tab 2

Schedule 1

Table 2

Table 2
Asset Service Fees - Nuclear (\$M)

Line No.	Business Unit	2010 Actual	2011 Actual	2012 Actual	2013 Budget	2014 Plan	2015 Plan
		(a)	(b)	(c)	(d)	(e)	(f)
1	Nuclear	24.5	22.1	23.0	22.7	23.3	26.8

COMPARISON OF ASSET SERVICE FEES

1.0 PURPOSE

This evidence presents the period-over-period changes in the asset service fees charged to the regulated hydroelectric and nuclear business units.

2.0 OVERVIEW

This evidence supports the approvals sought for asset service fees. Ex. F3-2-2 Table 1 sets out a comparison of budget to actual amounts and the year-over-year asset service fee costs for 2010 - 2015 for the regulated hydroelectric and newly regulated hydroelectric businesses. As shown in Ex. F3-2-2 Table 1, the asset service fee charged in 2011 is lower than 2010, the fee remains stable over the 2012 - 2015 period.

Exhibit F3-2-2 Table 2 provides a comparison of budget to actual amounts and the year-over-year asset service fee costs for 2010 – 2015 for the nuclear business. As shown in this table, the asset service fee charged in 2011 is lower than 2010 and the fee remains stable over the 2012 – 2014 period with an increase in 2015 as discussed in the following section.

3.0 PERIOD-OVER-PERIOD CHANGES – TEST PERIOD, NUCLEAR

2015 Plan versus 2014 Plan

The asset service fee for the nuclear business unit in 2015 is \$3.5M greater than the 2014 plan primarily due to higher IT in-service additions and depreciation expense.

2014 Plan versus 2013 Budget

The asset service fee for the nuclear business unit in 2014 is \$0.6M greater than the 2013 plan primarily due to higher IT depreciation expense.

4.0 PERIOD-OVER-PERIOD CHANGES – BRIDGE YEAR, NUCLEAR

2013 Budget versus 2012 Actual

Asset service fees for nuclear decreased by \$0.3M in the 2013 budget versus the 2012 actual mainly due to lower than planned IT depreciation.

1

2 **2012 Actual versus 2012 Board Approved Budget**

3 Actual asset service fees for nuclear decreased by \$0.7M versus the 2012 Board approved
4 budget due to lower than planned operating costs and property tax.

5

6 **5.0 PERIOD-OVER-PERIOD CHANGES – HISTORICAL PERIOD, NUCLEAR**

7 Actual asset service fees increased by \$0.9M in 2012 compared to 2011 actual due to higher
8 operating costs and offset by lower IT depreciation expense.

9

10 **2011 Actual versus 2011 Board Approved**

11 Actual asset service fees decreased by \$2.0M in 2011 compared to 2011 Board approved,
12 due to lower than planned operating costs, property tax and IT depreciation expense.

13

14 **2011 Actual versus 2010 Actual**

15 Actual asset service fees decreased by \$2.4M in 2011 compared to the 2010 actual costs,
16 primarily due to lower IT depreciation expense.

17

18 **2010 Actual versus 2010 Budget**

19 Actual asset service fees are flat compared to 2010 budget.

Numbers may not add due to rounding.

Filed: 2013-09-27

EB-2013-0321

Exhibit F3

Tab 2

Schedule 2

Table 1

Table 1

Comparison of Asset Service Fees - Previously Regulated Hydroelectric and Newly Regulated Hydroelectric (\$M)

Line No.	Business Unit	2010 Budget	(c)-(a) Change	2010 Actual	(g)-(c) Change	2011 Board Approved	(g)-(e) Change	2011 Actual	(i)-(g) Change	2012 Actual
		(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)
1	Niagara Plant Group and Saunders GS	2.0	0.1	2.1	(0.5)	2.1	(0.5)	1.6	0.2	1.8
	<u>Newly Regulated Hydroelectric:</u>									
	Ottawa-St. Lawrence ¹ , Central, Northeast and Northwest Plant Groups:									
2	Corporate - Asset Service Fee	N/A		2.5	(0.1)	N/A		2.4	(0.1)	2.3
3	Hydro - Asset Service Fee	N/A		1.1	(0.1)	N/A		1.0	0.0	1.0
4	Total	2.0	0.1	5.7	(0.7)	2.1	(0.5)	5.0	0.1	5.1

Line No.	Business Unit	2012 Board Approved	(c)-(a) Change	2012 Actual	(e)-(c) Change	2013 Budget	(g)-(e) Change	2014 Plan	(i)-(g) Change	2015 Plan
		(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)
5	Niagara Plant Group and Saunders GS	2.0	(0.2)	1.8	(0.1)	1.7	(0.2)	1.5	0.2	1.7
	<u>Newly Regulated Hydroelectric:</u>									
	Ottawa-St. Lawrence ¹ , Central, Northeast and Northwest Plant Groups:									
6	Corporate - Asset Service Fee	N/A		2.3	(0.2)	2.1	(0.1)	2.0	0.1	2.1
7	Hydro - Asset Service Fee	N/A		1.0	0.0	1.0	(0.1)	0.9	0.0	0.9
8	Total	2.0	(0.2)	5.1	(0.3)	4.8	(0.4)	4.4	0.3	4.7

Notes:

1 Ottawa-St. Lawrence Plant Group values are for the balance of the Plant Group, i.e. Saunders GS costs are excluded.

Filed: 2013-09-27
EB-2013-0321
Exhibit F3
Tab 2
Schedule 2
Table 2

Comparison of Asset Service Fees - Nuclear (\$M)

[illegible][illegible]

OPG PROCUREMENT PROCESS

1.0 PURPOSE

This evidence provides an overview of OPG's procurement process. It provides support for the OM&A purchased services information presented for each of hydroelectric (Ex. F1-5-1), nuclear (Ex. F2-6-1), and support services (Ex. F3-3-2).

2.0 OVERVIEW OF PROCUREMENT PROCESS

OPG's procurement process is the same as presented in the last proceeding and is conducted as follows¹: The need for a service or item is identified and a requisition is created and approved by the appropriate authority as per OPG's Organizational Authority Register ("OAR"). The OAR is provided at Ex. A2-2-1 Attachment 3.

- If no existing agreement is in place that can satisfy the need for the service or item, the procurement departments within nuclear, hydroelectric or support services, as applicable (collectively referred to as Supply Chain), in consultation with the requisitioner, seek quotations² or proposals³ using the following methods:
 - Invitational Competitive Process - this process uses the request for quotation or request for proposal ("RFQ/RFP") process as applicable. For the procurement of goods and services (both consulting and non-consulting), a request to submit a written quotation/proposal in response to OPG requirements is made to a minimum of three qualified suppliers.
 - Open Competitive Process - this process involves posting procurement documents using an approved OPG electronic tendering system. All consulting contracts with a procurement value greater than or equal to \$100k must be conducted through the open competitive process.

¹ This process applies to the acquisition of services or items above a threshold value of \$10k. Below this threshold value, purchasing authority is delegated to the businesses through the use of a purchasing card or local purchasing authority (purchase order-based transactions).

² A request for quotation ("RFQ") is a request for price and availability of items/services based on specified technical, quality, and commercial requirements where the value is estimated up to \$100k.

³ A request for proposal ("RFP") is a formal request for price and availability of an item and/or service based on specified technical quality and commercial requirements where the value is estimated to be greater than \$100k.

1 ○ Single Source Process - exceptions to a competitive procurement process are
2 allowed when it is not possible and/or is impractical to obtain the required items or
3 services through normal competitive procurement methods. Exceptions must be
4 justified and prior approval from the appropriate purchasing authority (according
5 to the OAR) must be granted when a single source strategy is used.

- 6 • OPG's RFQ/RFP process requires that the evaluation criteria and weightings be
7 established by Supply Chain and the requisitioner/project manager in advance of
8 issuing the RFQ/RFP. The criteria, weightings and evaluation methodology (the
9 process used to assess, evaluate and score supplier proposal) are fully disclosed to
10 proponents in the RFQ/RFP and typically include the following:

- 11 ○ Mandatory requirements, which are criteria that are assessed on a pass/fail basis.
12 ○ Rated requirements, which include all weights and sub-weights and a description
13 of any short-listing processes including any minimum rated score requirements
14 and the role and weighting, if applicable, of reference checks, oral interviews,
15 demonstrations and site visits.
16 ○ Price/cost and a description of the evaluation methodology that may include the
17 use of scenarios to determine cost for specific volumes and service levels. The
18 evaluation of price/cost is only completed if mandatory and minimum rated
19 requirements are met.

- 20 • For services performed on OPG premises, potential suppliers are pre-qualified with
21 respect to safety performance.
22 • To ensure the integrity of the procurement process, Supply Chain acts as the single
23 point of contact with potential suppliers until the evaluation of proposals or quotations
24 is complete and a supplier has been selected. Initial purchase price is part of the total
25 lifecycle cost criteria used in evaluating proposals or quotations; however, when more
26 of the lifecycle cost of an item or service is known, the additional lifecycle cost
27 elements are included and evaluated through the process. Additionally, the relative
28 weighting of the selection criteria varies and there may be instances when the lowest
29 initial purchase price supplier is not selected.
30 • Negotiation and finalization of the purchase order and/or agreement terms is led by
31 Supply Chain with support from the requisitioner as required. An agreement and/or

1 purchase order is issued once Supply Chain receives a requisition approved by the
2 appropriate OAR authority. In some areas, master agreements have been developed
3 with certain suppliers to shorten the procurement time for services and items through
4 pre-negotiated terms, conditions and rates. In other areas, OPG has established
5 master agreements with more than one supplier for the same type of service under
6 similar terms and conditions. This creates a competitive environment where the
7 suppliers under the master agreement competitively bid on each work package, thus
8 ensuring OPG receives the best value.

- 9 • Once the supplier is awarded business, an OPG contract administrator monitors the
10 contract to ensure the supplier meets all contractual obligations, confirms receipt of
11 the item or service, and approves submitted invoices for payment. The performance
12 of the supplier is assessed by the contract administrator and Supply Chain and this
13 assessment is considered when selecting proponents for future work.
- 14 • The requisitioner notifies Supply Chain once the contract requirements are complete
15 and final payment has been made. The purchase order is subsequently closed out by
16 Supply Chain.

17
18 This process is applicable throughout OPG; however, there are additional quality assurance
19 requirements in the nuclear procurement process.

1 **OM&A PURCHASED SERVICES – SUPPORT SERVICES**

2
3 **1.0 PURPOSE**

4 This evidence presents the purchases of OM&A services and products by Support Services
5 that meet the threshold in the OEB filing guidelines of 1 per cent of the total OM&A expense
6 before taxes.

7
8 **2.0 OVERVIEW**

9 An overview of OPG's procurement process is presented in Ex. F3-3-1. For Support
10 Services, the threshold of 1 per cent of total OM&A expense before taxes is approximately
11 \$4M in both 2010 and 2011 and increases to \$6M in 2012.

12
13 Information on vendor contracts for OM&A purchased services by the Support Services for
14 2010, 2011 and 2012 is presented in Chart 1. The information presented represents the total
15 value of these contracts for Support Services groups, and not an allocation to the regulated
16 facilities.

Chart 1

Purchased Services – Support Services OM&A Contracts

Vendor Name	Description/ Nature of Activities	Procurement Process	
		Competitive	Single Source
New Horizons System Solution	Provide OPG with information technology services as specified in F3-T1-S1.	✓ Until October 1, 2009	✓ Leveraged renegotiation after October 1, 2009
ARI Financial Services Inc.	Transport and work equipment leasing.	✓	
Microsoft	Enterprise software licensing		✓

Total 2011 spend = \$104M

Total 2012 spend = \$102M