

Board Staff Interrogatory #227

Issue Number: 11.1

Issue: Is OPG's approach to incentive rate-setting for establishing the regulated hydroelectric payment amounts appropriate?

Interrogatory

Reference:

Ref: Exh A1-3-2 pages 12-15

In section 2.3.1, OPG documents the methodology for its proposed inflation factor. The inflation measure, or Input Price Index (IPI_{OPG}), uses that same data and formulation as the IPI_{dx} used for the current electricity distributor Price Cap IR and Annual Index IR plans, and only differs in having differing weights for labour (12% for OPG based on hydroelectric generation industry statistics versus 30% for electricity distributors) and non-labour (88% for OPG versus 70% for electricity distributors). OPG has calculated a preliminary IPI_{OPG} (annual percentage change) of 1.8% based on March 2016 StatsCan data. OPG proposes that it would file an annual hydroelectric IRM payment amounts adjustment application in each year and that the "payment amounts adjustment would be based on the values for the GDP-IPI (FDD) and Ontario AWE at the time of those applications."

- a) The OEB currently calculates and posts the IPI_{dx} and the derivation of it based on StatsCan's publication of Q2 national account data, as being the most current information available in time for the processing of IRM rate adjustment applications for January 1 of the following year. To ensure consistency of the data on which OPG's inflation index is based with that used for electricity distributors, the OEB could calculate and post the IPI_{OPG} and IPI_{dx} in early September of each year. Please confirm that this timing is acceptable or explain why not.
- b) Based on the 2016 Q2 National Accounts data released by Statistics Canada on August 31, 2016, which data are being used by the OEB to calculate the IPI for 2017 electricity distribution IRM rate adjustments, OEB staff has calculated the IPI_{OPG} for 2017, as proposed by OPG, to be 1.7%. This change reflects routine data revisions in the published StatsCan data. Please confirm this updated IPI based on OPG's proposed methodology. In the alternative, please explain.

Year	Inputs and Assumptions										
	Non-Labour GDP-IPI (FDD) - National							Labour AWE - All Employees - Ontario			Annual Growth for the 2-factor IPI based on OPG's proposed weights
	Q1	Q2	Q3	Q4	Annual	Annual % Change	Weight	Annual	Annual % Change	Weight	
2014	112.5	113.2	113.7	114.1	113.375			\$ 938.27			103.7
2015	114.4	114.8	115.6	116.1	115.225	1.6%	88%	\$ 962.73	2.6%	12%	105.5 1.7%

Sources:

- [GDP-IPI \(FDD\): Statistics Canada, Table 380-0066 - Price Indexes, gross domestic product, quarterly \(2007 = 100 unless otherwise noted\) - 2016 Q2, issued August 31, 2016](#)
- [Average Weekly Earnings \(AWE\): Statistics Canada, Table 281-0027 - Average weekly earnings \(SEPH\), by type of employee for selected industries classified using the North American Industry Classification System \(NAICS\), annual \(current dollars\)](#)

Data accessed August 31, 2016

Response

- a) As OPG is using the same indices as the distributors, and is using the same method of calculation as amended to reflect OPG's index weightings, OEB Staff's proposal is both transparent and efficient. In the context of OPG's proposed annual update process, the proposed timing of early September for the publication of the IPI for OPG appears reasonable.
- b) The 1.8% I-factor proposed by OPG more accurately reflects the data available from Statistics Canada. OPG used the same data as OEB Staff and the same annual average values, but did not round the result until the last stage of the calculation (calculating the final I-factor value). The annual average values for GDP-IPI-FDD are presented to three decimal places, whereas the annual change in the AWE-All Employees-Ontario is presented to two decimal places.

Applying the weighting proposed by OPG and used by OEB Staff in this example results in an I-factor of 1.75 % or 1.8% when rounded to one decimal, as presented in the following chart:

Index	Value	Weight	I-Factor Value (<i>rounded to two decimals</i>)
GDP-IPI-FDD	1.631	0.88	1.44
AWE	2.61	0.12	0.31
I-Factor	n/a	1.00	1.75

Board Staff Interrogatory #4

Issue Number: 1.2

Issue: Are OPG's economic and business planning assumptions that impact the nuclear facilities appropriate?

Interrogatory

Reference:

Ref: Exh A1-6-1

Ref: Exh C2-1-1 Table 1

Tab 6 of Exhibit A1 summarizes legislative framework. With respect to the OEB Act and O. Reg. 53/05, the evidence states, "The combination of the Act and the Regulation provide that OPG is entitled to receive just and reasonable payments, subject to specific rules in the Regulation, with respect to the output from the prescribed generating facilities."

Section 6(2)8 of O. Reg. 53/05 states that, "The Board shall ensure that Ontario Power Generation Inc. recovers the revenue requirement impact of its nuclear decommissioning liability arising from the current approved reference plan." In the current application, the 2017 forecast nuclear liability revenue requirement impact is \$144.9M of the total \$3,189.9M nuclear revenue requirement for 2017.

Please itemize all the aspects of the 2017 revenue requirement that are "subject to specific rules in the Regulation." Please respond in a format similar to the above paragraph regarding nuclear liabilities.

Response

The reference cited in this interrogatory cites section 6(2)8 of O. Reg. 53/05 which requires the OEB to accept the revenue requirement impact of an aspect of OPG's revenue requirement. The interrogatory requests OPG to cite all aspects of the 2017 revenue requirement that are subject to specific rules of O. Reg. 53/05 and to respond in a similar format. The format provides the specific revenue requirement impact that the OEB must accept. There is only one other 2017 revenue requirement impact that the OEB must accept that can be provided in a similar format. Section 6(2)9 requires that the OEB shall ensure that OPG recovers all the costs it incurs with respect to the Bruce nuclear stations. These costs are forecast at \$317.3M in 2017 as provided in Ex. G2-2-1 Table 1, line 8, col. (e).

There are other aspects of the 2017 nuclear revenue requirement that are subject to rules of O. Reg. 53/05 that do not require the OEB to accept an item of revenue requirement and therefore cannot be reported in a similar format to that reflected in the reference to the interrogatory. Section 6(2)4 and 6(2)4.1 require the OEB to ensure recovery of certain capital

Filed: 2016-10-26
EB-2016-0152
Exhibit L
Tab 1.2
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1 and non-capital costs and firm financial commitments. Section 6(2)4 addresses Darlington
2 Refurbishment Program and capital and non-capital costs and firm financial commitments to
3 increase the output of, refurbish or add operating capacity to a prescribed facility, section
4 6(2)4.1 addresses development of proposed new nuclear generation facilities. These costs
5 are subject to variance and deferral account treatment, will have a reference amount set by
6 the OEB based on the 2017 revenue requirement, and are subject to a prudence review by
7 the OEB.

Board Staff Interrogatory #138

Issue Number: 6.6

Issue: Are the test period human resource related costs for the nuclear facilities (including wages, salaries, payments under contractual work arrangements, benefits, incentive payments, overtime, FTEs and pension costs, etc.) appropriate?

Interrogatory

Reference:

Ref: Exh F4-3-1 page 6 and Attachment 1 Ref: Exh F2-1-1 Table 3

At page 6 of Exh F4-3-1, it states that there were 300 retirements in 2015 in the nuclear business. "Over two thirds of the 2015 retirements were in the critical operations, maintenance and technical roles and will need to be replaced."

- a) Table 3 of Exh F2-1-1 is a nuclear staff summary. There were 5,430.4 nuclear operations regular FTE in 2015. That number increases to 5,788.6 FTE in 2016. Despite retirements, staffing grew by 358.2 FTE overall, and by an amount well in excess of "over two thirds" of the 2015 retirements related to critical positions where replacement staff was anticipated to be needed. Please explain the increase.
- b) Attachment 1 of Exh F4-3-1 lines 10 to 15 summarizes the nuclear allocation FTE in the historical and forecast period. There were 1,628.9 nuclear allocated FTE in 2015. That number increases to 1,773.3 FTE in 2016. How many of the additional FTE are related to critical positions? Please explain the increase beyond the critical positions.

Response

- a) Between 2015 and 2016, the number of Regular Nuclear Operations FTE increases by 358 FTEs.

As shown in Chart 1 below, an increase of 269 FTEs (75%) in 2016 is associated with filling critical positions largely due to 2015 attrition. The remaining 89 FTEs (25%) are civil maintainers, project technicians, inspection & maintenance technicians, security and emergency response. Of the 89 positions that are in other functions, 42 (12%) are associated with Capital Project Portfolio, 22 (6%) are associated with Provision work programs such as Used Fuel Storage and planning for Decommissioning, and 25 (7%) with on-going Nuclear Operations OM&A.

1 **Chart 1**

Increase in Nuclear Operations Regular FTE (2015 vs. 2016)	2015 Actual (a)	2016 Budget (b)	Difference (c) = (b) - (a)
Critical Job Families (Authorized, Engineers, Mechanical & Control Maintainers, Operations Specialists)	3,791.0	4,059.9	268.9
Other Functions (Maintainers Service, Technical, Other)	1,639.4	1,728.7	89.3
Total	5,430.4	5,788.6	358.2

- 2
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4
5 b) Between 2015 and 2016, the number of FTE allocated to OPG's Nuclear facilities
6 increases by 144 FTE.

7
8 As shown in Chart 2 below, an increase of 75 FTE (52%) is associated with critical
9 positions supporting Nuclear Operations, such as Authorized Operations Trainers in the
10 Learning and Development corporate function.
11

12 **Chart 2**

Increase in Allocated FTE (2015 vs 2016)	Nuclear Ops	Darlington Refurb	Nuclear Total
Critical Job Families (Authorized, Engineers, Mechanical & Control Maintainers, Operations Specialists)	66	8	75
Other Functions (Procurement, Warehousing, Information Management, Facilities & Business Infrastructure)	37	32	70
Total	104	41	144

13 Note: numbers may not add due to rounding.

14
15 Of the remaining 70 positions that are in functions, 32 (22%) are associated with the
16 Darlington Refurbishment project, and 37 (26%) with on-going Nuclear Operations.
17 These increases are to fill support roles primarily in OPG's supply chain, information
18 technology and real estate services.

Board Staff Interrogatory #152

Issue Number: 6.6

Issue: Are the test period human resource related costs for the nuclear facilities (including wages, salaries, payments under contractual work arrangements, benefits, incentive payments, overtime, FTEs and pension costs, etc.) appropriate?

Interrogatory

Reference:

Ref: Exh F4-3-1 Attachment 2

The Towers Total Compensation Benchmarking Study benchmarked 78% of OPG incumbents (corporate wide). However, only half of the Society nuclear authorized staff and Society represented general industry staff were benchmarked.

- a) Please explain the low level of representation in the benchmarking.
- b) Is there any correlation between these positions not benchmarked by Towers and the positions not benchmarked by Goodnight in the report at Exh F2-1-1 Attachment 2?

Response

- a) The Nuclear Authorized segment is a relatively small population, with 111 Society incumbents in four different jobs. Two of these jobs were readily matched against roles included in Willis Towers Watson's (Towers) 2015 Compensation database. These two jobs were the Control Room Shift Supervisor and the Authorized Training Supervisor. There were a total of 53 incumbents in these jobs, which represented 48% of the total, as depicted at Ex. F4-3-1, Attachment 2, p.3.

The remaining two jobs could not be matched and were excluded from the study. This included employees who are training to become Control Room Shift Supervisors (Shift Supervisors in Training) and Unit 0 Training Supervisors.

This level of representation, while below the 78% achieved corporate wide, was an increase over that captured in the previous benchmarking study performed by Aon Hewitt (Aon) which was submitted in EB-2013-0321, Ex. F5-4-1. In that study, there were no suitable matches for any Society represented positions in the Nuclear Authorized segment (refer to the Operations job family, EB-2013-0321, Ex. F5-4-1, p.24). Referring to page 29 of the Aon benchmarking study (see EB-2013-0321, Ex. F5-4-1, p.29), suitable matches were found for a total of 74 incumbents in General Industry positions represented by the Society. Most of these were in the Finance and Information Technology job families.

- 1
2 More matches for Society represented positions in the General Industry were available in
3 the Towers benchmarking study, with 290 incumbents (51%) matched as shown, in the
4 aggregate and by job family, at Ex. F4-3-1, Attachment 2, pp. 3 and 23, respectively.
5
6 There were 282 Society represented positions in the General Industry that could not be
7 matched by Towers. As described at Ex. F4-3-1, Attachment 2, p. 7, both the function of
8 a position and the associated accountabilities are considered in finding an appropriate
9 match. If a suitable match cannot be found, the position is excluded from the study.
10
11 In addition, some positions in the security function were excluded from the Towers
12 benchmarking study due to the sensitive and protected nature of this information.
13
14 b) Both the Willis Towers Watson compensation benchmarking study (Ex. F4-3-1,
15 Attachment 2) and the Goodnight analysis (Ex. F2-1-1, Attachment 2) excluded the
16 security function as noted in part (a) above. There was no other correlation between
17 positions that were excluded from these studies.

General Industry Segment Results by Job Family

Society

Segment: General Industry
 OPG Group: Society

Job Family		# OPG Matched Incumbents	Base Salary				Total Direct Compensation				
			Avg. OPG	Avg. P50	% +/- P50	Avg. P75	% +/- P75	Avg. OPG	Avg. P50	% +/- P50	Avg. P75
Administration	14	\$105	\$85	23%	\$100	5%	\$105	\$93	13%	\$114	-8%
Corporate Services	20	\$114	\$82	39%	\$95	20%	\$114	\$90	27%	\$106	8%
Engineering											
Environment, Health & Safety											
Finance	142	\$123	\$88	40%	\$101	22%	\$123	\$96	29%	\$112	10%
Human Resources	7	\$104	\$68	54%	\$79	33%	\$104	\$72	46%	\$87	20%
Information Technology	79	\$124	\$93	34%	\$103	21%	\$124	\$100	24%	\$114	10%
Maintenance											
Operations											
Supply Chain	28	\$118	\$85	39%	\$96	23%	\$118	\$91	30%	\$105	12%
Average (weighted average)				38%		21%			27%		9%

Note: 75th percentile % above or below the market reflects the variance between the sum of OPG's compensation and the sum of market results for all incumbents benchmarked where 75th percentile market data is available.

Board Staff Interrogatory #167

Issue Number: 6.7

Issue: Are the corporate costs allocated to the nuclear businesses appropriate?

Interrogatory

Reference:

Ref: Exh F3-1-1 Table 3

Please provide the reasons for the increase in Corporate Centre costs from \$26.9 M in 2014 to \$44.3M in 2016. What are the factors that caused the increase and does OPG expect these factors to continue in the test years?

Response

The increase in Corporate Centre costs from \$26.9M in 2014 to \$44.3M in 2016 is due to the transfer of the Assurance group from Finance, a budget transfer of legal fees associated with labour relations from People and Culture, and incremental costs for independent oversight advisors reporting to the Darlington Refurbishment Committee of OPG's Board of Directors. These costs are expected to continue in the test years.

Board Staff Interrogatory #169

Issue Number: 6.7

Issue: Are the corporate costs allocated to the nuclear businesses appropriate?

Interrogatory

Reference:

Ref: Exh F3-1-1 page 14

Ref: EB-2010-0008 Exh F5-3-2

Figure 1 on page 14 presents a summary of corporate cost benchmarking results.

- a) Are the peer results at column (c) at 2014?
- b) In EB-2010-0008, OPG filed a Finance benchmarking report prepared by the Hackett Group. The report included reporting by peer group quartiles. What was OPG's performance by quartile for each corporate function in 2010 and 2014?
- c) For the 2017-2021 test period, please provide IT cost per end user, HR cost per employee, finance cost as a percent of forecast revenue and ECS cost as a percent of forecast revenue.

Response

- a) As shown in Ex. F3-1-1, Attachment 1, p. 6, all data is represented in 2014 Canadian Dollars for comparison purposes.
 - PPP (Purchasing Power Parity) was used to adjust the peer data from US to Canadian Dollars
 - A 2%/year inflation rate was applied to the peer companies and OPG's 2010 costs/revenue to normalize the data to 2014 Canadian Dollars
- b) Attachment 1 to this response is OPG's performance by quartile as provided by the Hackett Group. Note, Attachment 1 is marked "confidential", however, OPG has determined this attachment to be non-confidential in its entirety.
- c) Referring to the 2014 values at Ex. F3-1-1, Attachment 1, and forecasted corporate costs in Ex. F3-1-1, OPG has completed a high level estimate of the HR cost per employee, finance cost as a percent of forecast revenue and ECS cost as a percent of forecast revenue for OPG's nuclear business for 2017-2021, as illustrated in Chart 1 below. IT cost per end user is not included as OPG does not forecast end users.

Chart 1: Estimate of 2017-2021 HR cost per employee, Finance cost as a percent of forecast revenue and ECS cost as a percent of forecast revenue, for OPG's nuclear business.

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1
 2

	2017	2018	2019	2020	2021
HR per employee	\$2,659	\$2,661	\$2,695	\$2,781	\$2,839
ECS as a %	2.84	2.85	2.95	2.58	2.81
Finance as a %	0.78	0.78	0.81	0.71	0.77

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OPG notes that the values indicated in Chart 1 above represent an estimate based on information available to OPG, and have not been derived using the Hackett Group's taxonomy applied to 2010 and 2014 costs, or otherwise vigorously vetted by a similar taxonomy, as this is not an exercise OPG performs in its normal course of business.

Benchmarking Study of OPG's Corporate Support Functions and Costs – Quartile Data

September 2016

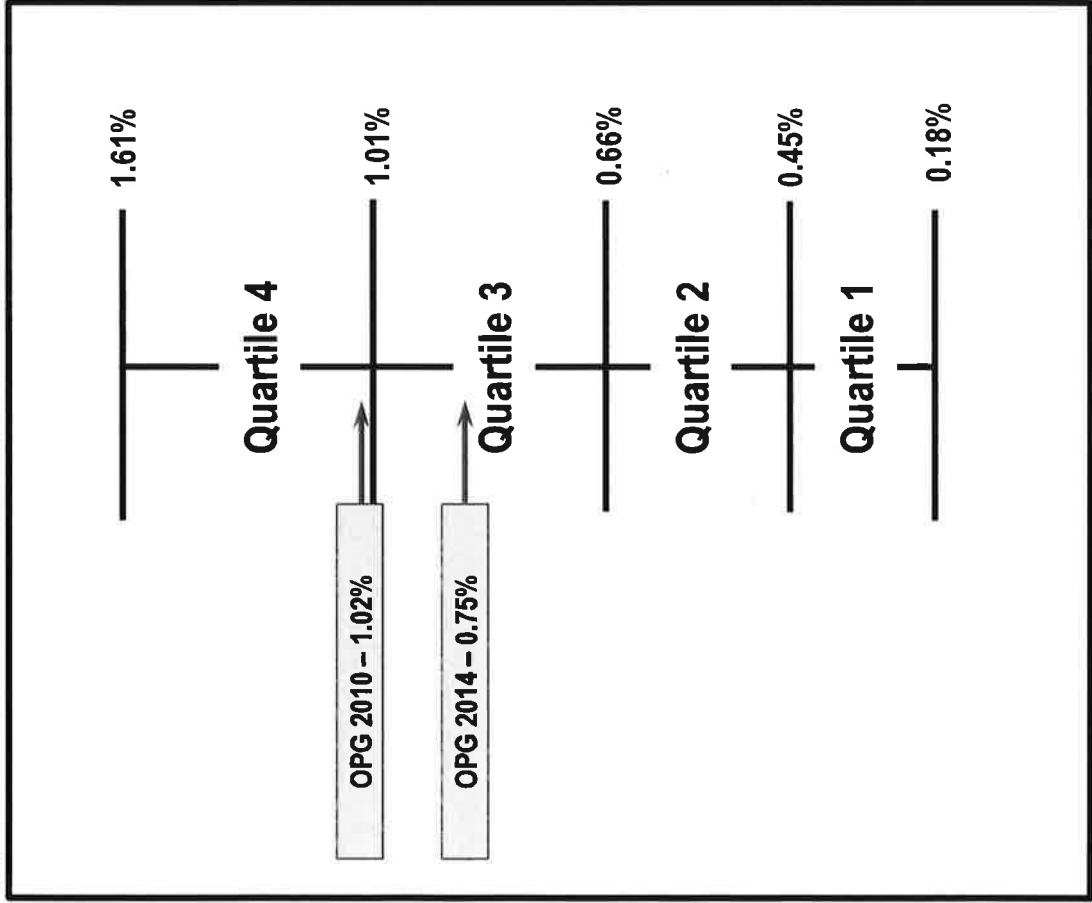
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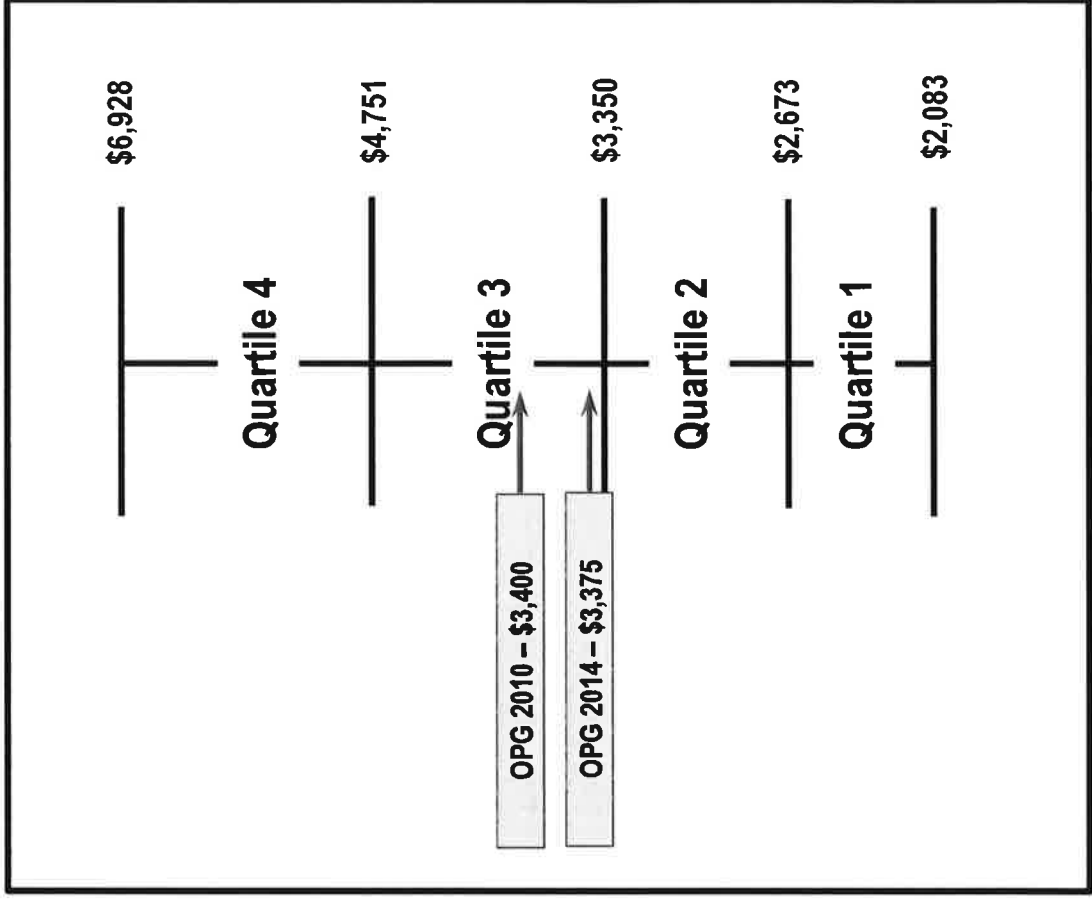
CONFIDENTIAL

Finance and HR Quartile Data

Finance Cost as a % of revenue

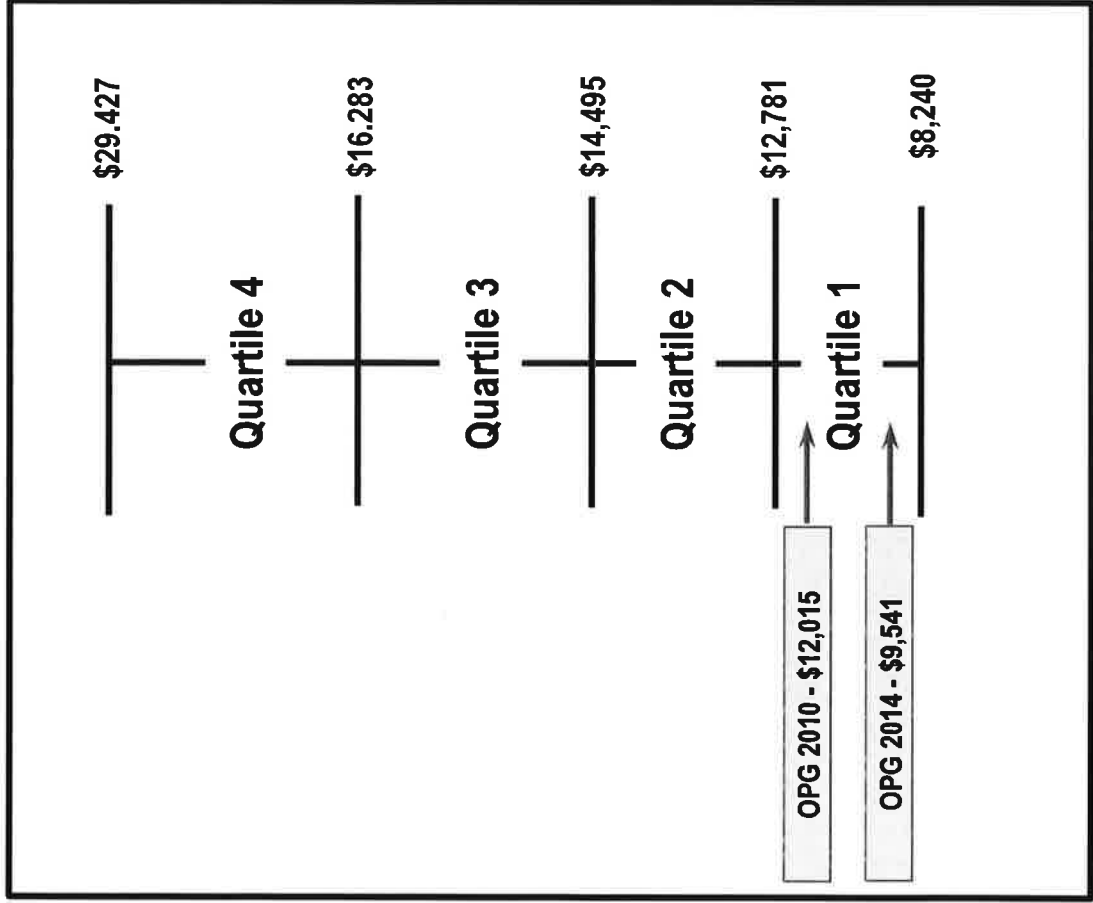


HR Cost per employee

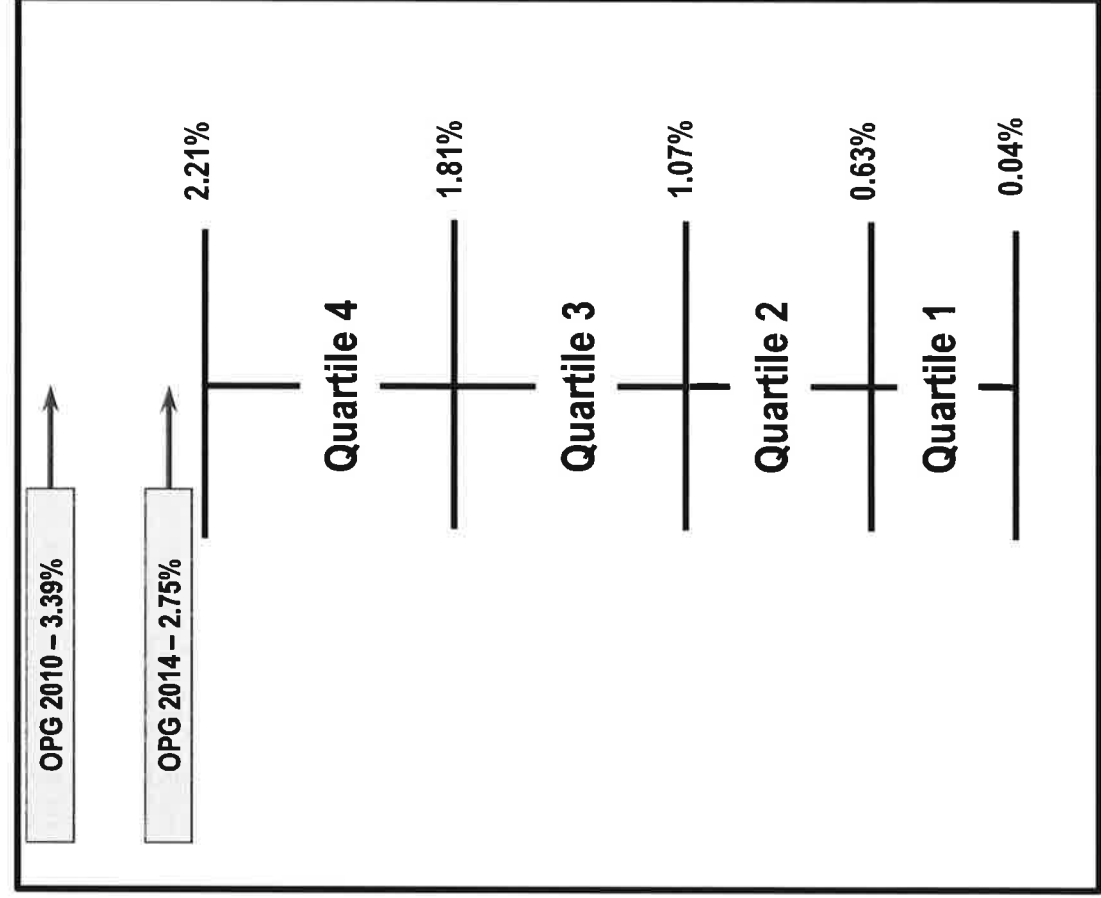


IT and ECS Quartile Data

IT Cost Per End User



ECS Cost as a % of revenue



Benchmark Methodology

Data Guidelines and Benchmark Scope

- Geographic Scope:
 - All OPG regulated operations
- Benchmark data collection period = Fiscal Year 2010 and 2014
- All data is represented in 2014 Canadian Dollars for comparison purposes
 - PPP (Purchasing Power Parity) was used to adjust the peer data from US to Canadian dollars
 - A 2%/year inflation rate was applied to the peer companies and OPG's 2010 costs/revenue to normalize the data to 2014 Canadian Dollars
- Out of Scope – The below items were not included in the benchmark to facilitate an apples to apples comparisons to the peer
 - All offices or operations of the unregulated portion of OPG
 - Direct functions of the Darlington Refurbishment Project
 - Integrated Revenue Planning, Electricity Sales & Trading, Commercial Contracts and Corporate Business Development
 - For Finance: Revenue cycle, Fund Management, nuclear-specific costs (e.g., nuclear insurance)
 - For Human Resources: Workforce Development Services (training) and Catering, Travel Services, Legal – Mergers and Acquisitions (M&A), nuclear-specific costs (e.g. nuclear facilities costs); Within Procurement, warehouse management & logistics and product development, design & support

Benchmark Comparisons

- **Peer Group** – represents the median of a custom group of companies in multiple industries that have similar size and business complexity to OPG

Normalization of Benchmark Data

- Data has been normalized based on the key demand drivers for each function:
 - Finance, ECS = Revenue (\$4,237B in 2010 and \$4,849B in 2014)
 - IT = End User Equivalents (11,011 in 2010, 12,267 in 2014)
 - HR = Employees (10,305 in 2010 and 9,292 in 2014)

Revenue: External Revenue Only, intercompany revenue not included. OPG includes revenue associated with regulated operations only. OPG revenue is adjusted to account for revenue deferred to future periods and to include revenue in 2010 from newly regulated hydroelectric facilities to facilitate transparent comparison before and after OPG's Business Transformation initiative.

Employees: Full-time, part-time, seasonal, and contingent employees. OPG includes employees associated with regulated operations only.

End User: An individual (typically either an employee or contractor) that spends at least 10% of his or her time using a company provided, funded, supported computing device that is part of the company's IT infrastructure (i.e. desktops, laptops, hand held devices, etc.) to support his or her business function. The user must have direct access to internal applications / systems to execute specific transactions on behalf of the company. OPG includes end users associated with regulated operations only.

Filed: 2016-05-27
 EB-2016-0152
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 Tab 1
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HR, number of employees was used to benchmark costs per employee. For Finance and Executive and Corporate Services ("ECS"), revenues were used to benchmark costs as a percentage of revenues.

The benchmarking study found that OPG's regulated corporate function costs declined 10 per cent from 2010 to 2014 while total regulated OPG headcount declined 11 per cent. It also found that OPG's overall cost benchmark performance at the functional level improved between 2010 and 2014 while comparisons to peer benchmarks varied by function, as shown in Figure 1.

Figure 1: Summary of Corporate Cost Benchmarking Results

Line No.	Corporate Function	OPG 2010	OPG 2014	Peer	OPG Improvement 2010 - 2014 (%)
		(a)	(b)	(c)	(d)
1	IT Cost per End User	\$12,015	\$9,541	\$14,995	21%
2	HR Cost per Employee	\$3,400	\$3,375	\$3,350	1%
3	Finance Cost as a Percent of Revenue	1.02%	0.75%	0.66%	26%
4	ECS Cost as a Percent of Revenue	3.39%	2.75%	1.07%	19%

As shown in Figure 1:

- OPG's IT cost per end user decreased between 2010 and 2014 by 21 per cent and was 36 per cent less than the peer benchmark
- OPG's HR cost per employee remained relatively flat between 2010 and 2014 and was in closer proximity to the peer benchmark
- OPG's Finance cost as a percentage of revenue significantly closed the gap to peer decreasing by approximately 26 per cent between 2010 and 2014.
- OPG's ECS cost as a percentage of revenue was reduced by approximately 19 per cent between 2010 and 2014. ECS is comprised of 11 diverse sub-categories.¹

¹ The 11 sub-categories are: Administrative Services, Transportation Services, Real Estate and Facilities Management, Government Affairs, Legal (includes Regulatory Affairs), Quality Management, Risk

Board Staff Interrogatory #219

Issue Number: 10.2

Issue: Is the monitoring and reporting of performance proposed by OPG for the regulated hydroelectric facilities appropriate?

Interrogatory

Reference:

Ref: Exh A1-3-2 Chart 11

Ref: EB-2013-0321 Decision page 17

OPG proposes to file safety, reliability and cost effectiveness performance measures for the regulated hydroelectric facilities annually. OPG states that these are the four measures under the same key performance areas were filed in the previous payment amounts proceeding, EB-2013-0321.

The proposed cost effectiveness measure is OM&A Unit Energy Cost (\$/MWh). In the EB-2013-0321 decision, the OEB found OPG's hydroelectric benchmarking to be inadequate, commenting that only base OM&A was considered, which is only 50% of total OM&A expenses.

Please confirm whether the proposed cost effectiveness measure is base OM&A only. If yes, please explain why this measure is appropriate in light of the EB-2013-0321 decision.

Response

As defined in EB-2013-0321, Ex. F1-1-1, p. 26, OM&A Unit Energy Cost is broader than base OM&A. It measures total hydroelectric OM&A expense, including allocated central support costs.



ONTARIO ENERGY BOARD

FILE NO.: EB-2013-0321

VOLUME: 4

DATE: June 17, 2014

BEFORE: Marika Hare Presiding Member

Christine Long Member

Allison Duff Member

1 MR. MAZZA: No, they review the individual data that's
2 provided.

3 MR. MILLAR: Okay. Thank you very much.

4 If we can look down at row 9, now, "administration
5 indirect", and if you just look at that cost category, it
6 says:

7 "Administrative cost related to hydro business,
8 corporate activities, example, hydro central
9 support costs, IT costs, corporate HR and
10 finance."

11 These look to be generally what OPG would term as
12 corporate cost; is that fair enough?

13 MR. MAZZA: These are -- no, most of the costs in this
14 bucket -- and again, these are decisions that are made by
15 the groups that benchmark -- they typically include costs
16 up to the, I guess we call it my boss's level, which means
17 the SVP of hydro thermal, so all those costs are included.

18 Some corporate costs, if they are -- if they are -- if
19 we are able to get them through an allocation process or if
20 they are deemed to be more direct, like IT costs, they do
21 make a decision at the data collection stage on whether to
22 include them or not.

23 MR. MILLAR: Okay. If we flip back, could you flip
24 back to page 2 of the staff compendium. This is the chart
25 we talked about yesterday.

26 Line 4 on table 1 is "Corporate costs"?

27 MR. MAZZA: Yes.

28 MR. MILLAR: Are those costs included -- those costs

1 would be included in your OM&A analysis for benchmarking;
2 is that right?

3 MR. MAZZA: No, not -- as mentioned, not all corporate
4 costs are included. A subset of corporate costs are
5 included, as per the, I guess, decisions that are made at
6 the benchmarking study group.

7 MR. MILLAR: So why would you exclude corporate costs
8 that have been allocated to hydro OM&A?

9 MR. MAZZA: Because other utilities don't bucket their
10 costs or don't have those costs available. There are a lot
11 of allocations that have to be done, and I guess if you are
12 not required to extract them, it was deemed by some
13 utilities not to provide them.

14 MR. MILLAR: Well, you are moving, through your
15 business transformation, you are moving a lot of costs. I
16 am not sure if this is so much the case on O&M -- I don't
17 have the numbers in front of me -- but I believe you're at
18 least moving some people from what would have been
19 considered as hydro to corporate, and then you're
20 allocating them back to hydro through corporate cost
21 allocation.

22 Do I understand that perhaps not all those costs will
23 be reflected in the benchmarking analysis that we looked at
24 on page 6?

25 MR. MAZZA: Well, in the benchmarking analysis that
26 you have that includes all the costs, there have been no
27 transfers of the staff that are going to be centrally held
28 in the future.

OPG
EB-2013-0321
Board Staff Compendium
Panel 2

Table 1: Previously Regulated Hydroelectric OM&A

\$million	2010 Plan	2010 Actual	2011 Approved	2011 Actual	2012 Approved	2012 Actual	2013 Budget	2013 Actual	2014 Plan	2015 Plan
1 Base	61.8	59.4	68.7	50.1	62.1	60.2	71.9	61.6	74.6	68.6
2 Project	5.3	5.4	9.7	6.6	10	13.6	13	14.7	13.5	17.9
3 SubTotal Operations	67.1	64.8	78.4	56.7	72.1	73.8	84.9	76.3	88.1	86.5
4 Corporate Costs	25.1	22.4	24.8	22.0	26.3	24.5	29.7	26.1	29.8	26.9
5 Centrally Held Costs	20.3	19.6	22.9	15.9	25.5	19.6	25.1	20.7	26.1	26.0
6 Asset Service Fee	2.0	2.1	2.1	1.6	2.0	1.8	1.7	1.6	1.5	1.7
7 SubTotal Other	47.4	44.1	49.8	39.5	53.8	45.9	56.5	48.4	57.4	54.6
8 Total OM&A	114.5	108.9	128.2	96.2	125.9	119.7	141.4	124.7	145.5	141.1
9 Exhibit N1 Update									149.2	144.2
10 Exhibit N2 Update									145.1	140.0

Sources: Exh F1-1-1 Table 1, Exh L-6.1-CCC-17, Exh L-1-Staff-2 Table 15, Exh N2-1-1 Attachment 5

Compound Annual Growth Rate 2010 Actual -2015 Plan

Operations 5.9%

Total 5.2% Exhibit N2

2

Table 2: Newly Regulated Hydroelectric OM&A

\$million	2010 Actual	2011 Actual	2012 Actual	2013 Budget	2013 Actual	2014 Plan	2015 Plan	2010-2013 Average
11 Base	100.0	106.0	102.9	113.2	103.5	113.4	113.7	103.1
12 Project	39.8	21.6	20.3	16.0	23.1	24.5	32.1	26.2
13 SubTotal Operations	139.8	127.6	123.2	129.2	126.6	137.9	145.8	129.3
14 Corporate Costs	31.4	32.3	36.6	38.8	35.2	42.1	39.6	33.9
15 Centrally Held Costs	19.0	25.1	33.1	47.2	31.8	49.6	48.7	27.3
16 Asset Service Fee	3.6	3.4	3.3	3.1	3.0	2.9	3.0	3.3
17 SubTotal Other	54.0	60.8	73.0	89.1	70.0	94.6	91.3	64.5
18 Total OM&A	193.8	188.4	196.2	218.3	196.6	232.5	237.1	193.8
19 Exhibit N1 Update						239.3	242.6	
20 Exhibit N2 Update						234.9	237.3	

Sources: Exh F1-1-1 Table 2, Exh L-6.1-CCC-18, Exh L-1-Staff-2 Table 16, Exh N2-1-1 Attachment 5

Compound Annual Growth Rate 2010 Actual -2015 Plan

Operations 0.8%

Total 4.1% Exhibit N2

Numbers may not add due to rounding.

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Exhibit F1
Tab 1
Schedule 1
Table 1

Table 1
Operating Costs Summary - Previously Regulated Hydroelectric (\$M)

Line No.	Cost Item	2010 Actual (a)	2011 Actual (b)	2012 Actual (c)	2013 Budget (d)	2014 Plan (e)	2015 Plan (f)
	OM&A:						
1	Base OM&A ¹	59.4	50.1	60.2	71.9	74.6	68.6
2	Project OM&A	5.4	6.6	13.6	13.0	13.5	17.9
3	Allocation of Corporate Costs	22.4	22.0	24.5	29.7	29.8	26.9
4	Allocation of Centrally Held Costs	19.6	15.9	19.6	25.1	26.1	26.0
5	Asset Service Fee	2.1	1.6	1.8	1.7	1.5	1.7
6	Total OM&A	108.8	96.3	119.7	141.3	145.5	141.1
7	Gross Revenue Charge	252.2	259.4	244.5	243.5	253.3	269.5
	Other Operating Cost Items:						
8	Depreciation and Amortization	63.5	65.6	70.0	79.0	82.1	81.9
9	Income Tax	29.9	33.4	32.3	(0.7)	48.5	61.5
10	Capital Tax	2.8	N/A	N/A	N/A	N/A	N/A
11	Property Tax	0.1	0.2	0.2	0.3	0.3	0.3
12	Total Operating Costs	457.4	454.9	466.6	463.5	529.5	554.4

Notes:

- 1 2011 Actual Base OM&A cost includes an extraordinary credit of \$19.0M in Niagara Plant Group related to the reversal of a provision for the environmental cleanup of Lake Gibson (DeCew Falls GS).

Numbers may not add due to rounding.

Filed: 2013-09-27
EB-2013-0321
Exhibit F1
Tab 1
Schedule 1
Table 2

Table 2
Operating Costs Summary - Newly Regulated Hydroelectric (\$M)

Line No.	Cost Item	2010 Actual (a)	2011 Actual (b)	2012 Actual (c)	2013 Budget (d)	2014 Plan (e)	2015 Plan (f)
	OM&A:						
1	Base OM&A ¹	100.0	106.0	102.9	113.2	113.4	113.7
2	Project OM&A	39.8	21.6	20.3	16.0	24.5	32.1
3	Allocation of Corporate Costs	31.4	32.3	36.6	38.8	42.1	39.6
4	Allocation of Centrally Held Costs	19.0	25.1	33.1	47.2	49.6	48.7
5	Asset Service Fee	3.6	3.4	3.3	3.1	2.9	3.0
6	Total OM&A	193.8	188.4	196.2	218.2	232.5	237.2
7	Gross Revenue Charge	54.9	67.7	65.6	75.6	75.6	77.5
	Other Operating Cost Items:						
8	Depreciation and Amortization	58.3	58.0	58.6	61.4	62.2	63.1
9	Income Tax	N/A	N/A	N/A	N/A	31.4	43.2
10	Capital Tax	N/A	N/A	N/A	N/A	N/A	N/A
11	Property Tax	0.2	0.2	0.2	0.2	0.2	0.2
12	Total Operating Costs	307.2	314.3	320.6	355.5	401.9	421.2

Notes:

- 1 2011 Actual Base OM&A cost includes an extraordinary credit of \$19.0M in Niagara Plant Group related to the reversal of a provision for the environmental cleanup of Lake Gibson (DeCew Falls GS).