

## **CAPITAL EXPENDITURES – SUPPORT SERVICES**

### **1.0 PURPOSE**

This evidence provides an overview of the capital expenditures by OPG's Support Services groups, described in Ex. F3-1-1, for the historical years, bridge year, and the test period. It also provides period-over-period changes in these expenditures.

### **2.0 OVERVIEW OF SUPPORT SERVICES CAPITAL EXPENDITURES**

Capital expenditures by OPG's Support Services groups that impact rate base or the asset service fee are presented in Ex. D3-1-1 Table 1. Capital expenditures increase slightly in 2014 (\$43.9M) and decrease in 2015 (\$30.7M) relative to 2013 (\$31.4M). Explanations for the changes are discussed in Section 3. A listing of capital projects is provided in Ex. D3-1-2.

#### **2.1 Project Management**

The capital expenditures by OPG's Support Services groups for the regulated facilities are from the Information Technology ("IT") and Real Estate groups within the Business and Administrative Services ("BAS") business unit. BAS projects follow OPG's capitalization policy and project management process as provided in Ex. D4-1-1 and Ex. A2-2-1, respectively.

The capital budget available for a given period is established through the business planning process. It is based on an assessment of the needs of the business units in order to sustain the reliability, availability, and performance of existing assets and services, as well as to meet changing regulatory requirements, and to improve overall business value.

Business units may request the addition of higher priority out-of-plan projects driven by changing priorities. Consideration is also given to the IT group's capacity to deliver projects and the business unit's ability to absorb the business process changes associated with the capital project.

Once capital projects are completed, the resulting assets are declared in-service. Details on in-service additions are provided in Ex. D3-1-2 Tables 1 through 5. In the case where the assets can be directly assigned to either hydroelectric or nuclear, they are declared as in-service additions to the rate base for the respective business units. If the assets cannot be directly assigned because they are utilized by multiple groups, they are held centrally, and the regulated businesses are charged a service fee for the use of these assets (see Ex. F3-2-1).

### **3.0 PERIOD-OVER-PERIOD VARIANCES IN CAPITAL EXPENDITURES:**

Period-over-period comparisons of capital expenditures by OPG's corporate groups are presented in Ex. D3-1-1 Table 2.

#### **3.1 PERIOD-OVER-PERIOD CHANGES – TEST PERIOD**

##### **2015 Plan versus 2014 Plan (\$30.7M versus \$43.9M)**

Capital costs in 2015 Plan are lower than 2014 Plan primarily due to the completion of the Enterprise Systems Consolidation Project, Windows 7 Network and Desktop Upgrade, Business Planning System Lifecycle Upgrade, and the Financial Reporting System.

##### **2014 Plan versus 2013 Budget (\$43.9M versus \$31.4M)**

Capital costs in 2014 are higher than 2013 Budget due to the execution of the Enterprise Systems Consolidation Project, Windows 7 Network and Desktop Upgrade, partially offset by the completion in 2013 of the Roof and Washroom Upgrade Project for the 700 University Avenue building by Real Estate.

#### **3.2 PERIOD-OVER-PERIOD CHANGES – BRIDGE YEAR**

##### **2013 Budget versus 2012 Actual (\$31.4M versus \$23.8M)**

Capital costs in 2013 Budget are higher than 2012 Actual primarily due to the execution of the Enterprise Systems Consolidation Project and Washrooms and Kitchens upgrade for the 700 University Avenue building by Real Estate.

#### **3.3 PERIOD-OVER-PERIOD CHANGES – HISTORICAL PERIOD**

**2012 Actual versus 2012 Board Approved (\$23.8M versus \$27.7M)**

Capital costs for 2012 Actual are lower than 2012 Board Approved primarily due to the deferral of the SAP Upgrade, Windows 7 Network and Desktop Upgrade Projects, and lower than planned costs for the Passport Upgrade Project.

**2012 Actual versus 2011 Actual (\$23.8M versus \$31.2M)**

Capital costs in 2012 Actual are lower than 2011 Actual primarily due to the completion of the Warehouse Work Management System Project, Internet Explorer 6 Upgrade, Email Archiving Project, Ontario Settlements Refresh Project, Decew Falls In-Plant Re-Cabling, Pickering Wireless Communication Project and 700 University Chiller Replacement Project Upgrade in 2011.

**2011 Actual versus 2011 Board Approved (\$31.2M versus \$26.2M)**

Capital costs in 2011 Actual are higher than 2011 Board Approved primarily due to the advancement of the Passport/Asset Suite Upgrade project and execution of the Warehouse Work Management System Project, Internet Explorer 6 Upgrade, Preventive Maintenance Living Program, Ontario Settlements Refresh Project, Decew Falls In-Plant Re-Cabling, partially offset by the deferral of the SAP Upgrade Project.

**2011 Actual versus 2010 Actual (\$31.2M versus \$27.0M)**

Capital costs in 2011 Actual are higher than 2010 Actual costs primarily due to timing of expenditures on the 700 University Chiller Replacement Upgrade project between 2010 and 2011, completion of the Warehouse Work Management System Project, and advancement of the Passport/Asset Suite Upgrade project in 2011.

**2010 Budget versus 2010 Actual (\$29.2M versus \$27.0M)**

Capital costs in 2010 Budget are higher than 2010 Actual costs primarily due to timing of expenditures on the 700 University Chiller Replacement Upgrade project between 2010 and 2011, and better than expected costs for the Energy Trading Risk Management ("ETRM") project.