

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.