BASE OM&A - REGULATED HYDROELECTRIC

1.0 PURPOSE
This section provides a description of the base OM&A costs for the regulated hydroelectric facilities. Base OM&A costs represent the resources required to fund routine day-to-day operations and maintenance-related activities in support of the production of electricity from OPG’s regulated hydroelectric generating units, along with associated administration and Hydroelectric Central Support Group costs.

2.0 REGULATED HYDROELECTRIC BASE OM&A
The regulated hydroelectric OM&A budget is established through the annual business planning process (see Ex. A2-T2-S1). Base OM&A expenditures for OPG’s regulated hydroelectric facilities are attributed on a work program basis, consistent with how costs are incurred. Base OM&A budgets are attributed to each of the plant groups based on the following work programs: operations, maintenance, and administration support.

Operations costs include all direct costs to operate the generating facilities for the purpose of generating electricity or producing other related products (e.g., ancillary services required by the electricity system). These costs include costs for control room operators, water management activities including dam operations, waterway patrol, water flow monitoring/snow surveys, ice breaking, and log operations. These costs also include OPG’s portion of all joint works operations costs, shared with the New York Power Authority (“NYPA”) pursuant to Joint Works Agreements that are further described in Ex. A1-T4-S2.

Maintenance includes all costs associated with the direct maintenance of the facilities to ensure their normal, safe, and environmentally sound operation. Base maintenance activities are programmed by the type of work: preventive (to reduce the need for corrective maintenance), corrective (i.e., to address breakdowns), and emergent (condition based maintenance, resulting from inspections). Work is also categorized by the following objectives: regulatory (e.g., health and safety, dam safety, and environment) and contractual obligations (e.g., joint works), and maintain condition/sustaining (e.g., production, asset
Maintenance plans are established in a maintenance management system. The plans are used to prioritize work execution (i.e., 100 percent of regulatory work must be completed, etc.) and used to support budget requirements. As indicated in Ex. A1-T4-S2, investment in hydroelectric facilities (including base OM&A funding) is determined using a structured portfolio approach, and streamlined reliability-centred maintenance principles. The maintenance work program also includes OPG’s portion of the maintenance costs for joint works, which are shared with NYPA.

Administration costs within the plant groups include all common support costs incurred for the production facilities that are not directly related to the production of electricity. This typically includes the following functional areas: Asset Management and Technical Support Services, Project Management, Human Resources and other Support Services, Finance, and the Plant Manager’s Office.

Excluding the extraordinary expense related to a past grievance settlement with a First Nation, base OM&A expenditures for the regulated hydroelectric facilities are expected to remain relatively steady over the period from 2005 to 2009, with the exception of a 9 percent increase in 2008. As further discussed in Ex. F1-T2-S2 (Comparison of Regulated Hydroelectric Base OM&A), the 2008 increase is a result of the anticipated hiring of additional staff for both the Hydroelectric Central Support Groups and the regulated facilities, the timing of certain projects and initiatives, and other unforeseen events. In addition, all years are affected by increases in labour rates (per collective agreements) and changes in payroll burdens as discussed in Ex. F3-T4-S1 (Compensation and Benefits). Exhibit F1-T2-S1 Tables 1 and 2 provide a summary of base OM&A over the 2005 - 2009 period.

Detailed descriptions of the OM&A costs for the Niagara Plant Group and R.H. Saunders are provided below in sections 2.1, 2.2, and 2.3. Section 2.3 also describes the Ottawa - St. Lawrence Plant Group common support costs and the methodology for allocating these to R.H. Saunders. This level of allocation exists only for R.H. Saunders, as a result of it being the only regulated facility within the Ottawa - St. Lawrence Plant Group. Since the Niagara
Plant Group is comprised entirely of regulated facilities, no such allocation is necessary for Niagara.

In addition to those costs incurred within the plant groups, certain other costs incurred to support the regulated hydroelectric facilities are provided on a centralized basis. Hydroelectric Central Support Groups costs include functions and activities not provided within the plant groups such as specialized Engineering Services, Business Support and Regulatory Affairs, Water Resources and Aboriginal Affairs, Dam Safety and Emergency Preparedness, Environment, Hydroelectric Development, and Supply Chain. Section 2.4 includes a description of these Hydroelectric Central Support Groups and the methodology for allocating their costs to the Niagara Plant Group and R.H. Saunders.

The allocation of corporate support costs to the regulated hydroelectric facilities is detailed in Ex. F3-T1-S1.
2.1 Niagara Plant Group Costs

The following Niagara Plant Group departments operate under the direction, leadership, management, and administrative support of the Niagara Plant Group management office:

- Human Resources Department
- Business Support Department
- Production Department
- Asset Management and Technical Support Serviced Department
- Project Management Department
- Services Department

2.1.1 Human Resources Department

The Human Resources Department provides plant group support in the areas of employee services, labour relations, vacancy management, health and safety, disability management, compensation, and pay services. The staff associated with these functions form part of OPG’s Corporate Human Resources Department and the costs associated with supporting the Niagara Plant Group are allocated through the cost allocation process described in Ex. F3-T1-S1. In addition, also reporting to the Manager of the Human Resources Department are seven full time staff directly funded by the Niagara Plant Group providing support for public affairs, stakeholder relations, community relations services, and environmental services functions within the Niagara Plant Group. Their costs are budgeted, collected, and reported in the Niagara Plant Group administrative costs rather than allocated through the cost allocation process described in Ex. F3-T1-S1.

2.1.2 Business Support Department

The Business Support Department, managed by the Site Controller, provides financial management and material management support to the Niagara Plant Group. This department is responsible for coordinating the budgeting process, performing financial assessments on all business cases related to the Niagara Plant Group and its facilities, and
monitoring for adherence to corporate policies with respect to business expenses, procurement, and internal control. The department also provides general services in areas such as administrative support, accounts receivable, accounts payable and material management. The Business Support Department prepares and reports on all financial performance results for projects, departments, stations and the plant group as a whole, including targets, current expenditures, forecasting and variance analysis. The staff associated with these functions are part of OPG’s Corporate Finance Group and the costs related to supporting the Niagara Plant Group are allocated through the cost allocation process described in Ex. F3-T1-S1. In addition, also reporting to the Site Controller are three full time staff directly funded by the Niagara Plant Group providing support for material management by operating the plant group’s stores function, including purchasing material and performing all shipping and receiving functions. Their costs are part of the plant groups staff complement, and, as such, are included as part of the plant group direct costs.

2.1.3 Production Department
The Production Department’s function is to operate and maintain the regulated generation assets to produce electrical capacity and energy and energy-related products and services at targeted performance levels. The scope of required work includes: operation and maintenance of the Sir Adam Beck I, Sir Adam Beck II, and Sir Adam Beck Pump Generating Station, and DeCew Falls I, Decew Falls II and all associated water conveyance structures in accordance with approved plans and applicable policies, contracts, and legal requirements. The department is managed by a Production Manager. All costs associated with the Production Department are budgeted, collected and reported in the Niagara Plant Group OM&A budget. There are 111 staff supporting the functional requirements of the Production Department.

2.1.4 Asset Management and Technical Support Services Department
The Asset Management and Technical Support Services Department provides specialist expertise in the area of business strategy, planning, programming, asset portfolio management, decision support, business effectiveness, due diligence, and engineering governance. The department also assists in ensuring the Niagara Plant Group meets its
targets for electrical capacity and energy, including energy-related products and services, as well as providing staff specialist expertise in the area of generation asset management consistent with Hydroelectric strategies, policies and programs. The department is managed by the Asset Management and Technical Services Manager and has two sub-departments, the Technical Services Department and the System Support Department. The Technical Services Department provides electrical, mechanical and civil engineering services, as well as technical services (separate and distinct from the services provided by the central Engineering Services group that will be discussed below in section 2.3), dam safety management, management systems coordination (including registration for International Organization for Standardization), compliance with market rules, as well as providing liaison services between the plant group and Hydro Central Engineering Services. The System Support Department provides drafting, clerical, administrative, records management, and information technology processes and services to the plant group. All costs associated with the department are budgeted, collected and reported in the Niagara Plant Group OM&A and capital budgets. There are 27 staff supporting the functions of the Asset Management and Technical Support Services Department.

2.1.5 Project Management Department

The Project Management Department is responsible for delivering projects at targeted levels of performance and results. The scope of the assigned work includes project management, pre-project planning, and concept studies in support of the Asset Manager. The group also supports labour assignment processes. The department is responsible for the execution of all Niagara Plant Group controlled capital and non-standard projects and includes a Site Project Group, Engineering Management Group, and a Rehabilitation Crew. There are 25 staff executing the responsibilities of the Project Management Department and the costs associated with their services are budgeted, collected, and reported against the Niagara Plant Group capital and OM&A budgets. In the event there should be a lower amount of project work, labour costs not associated with project work are recorded as base OM&A.

2.1.6 Services Department
The Services Department is responsible for an annual work program which supports the needs of the Niagara Plant Group that are not part of the direct production operations and maintenance. This includes items such as outside maintenance, snow removal, ice breaker operations, and property maintenance related to generating facilities. The department is also responsible for the joint works program as agreed with New York Power Authority, which includes joint works operations and the International Control Dam, as well as the cost recoveries from New York Power Authority under the Joint Works Agreement. The department is managed by the Services Manager and has three sections: River Control Operations (i.e., Niagara International Control Works), Field Services, and Shop Services. These are described in the following paragraphs.

The River Control Operations section is responsible for managing the Niagara River water flows through the operation of the Niagara International Control Works, in accordance with the International Boundary Waters Treaty, described at Ex. A1-T4-S2. The costs associated with this function are budgeted, collected, and reported against the Niagara Plant Group operations budget and shared with New York Power Authority pursuant to the Joint Works Agreement, as described in Ex. A1-T4-S2. There are ten staff associated with the River Control Operations section.

The Field Services section performs site services work, such as general transport and work equipment management, river control maintenance under the joint works program, operation and maintenance of the Niagara Queen ice breaker, management and performance of regulatory maintenance on such systems as heating, ventilation and air conditioning, elevators, fire systems, and public safety systems. There are 27 staff associated with the Field Services section.

The Shop Services section provides specialized machine shop services and welding shop services to the Niagara Plant Group. A small amount of work is done for other OPG non-regulated facilities. The cost of such work is charged directly to the non-regulated facility at incurred cost. There are 19 staff associated with the Shop Services section.
All costs associated with the joint works program are budgeted, collected, and reported in accordance with the Joint Works Agreements as described in Ex. A1-T4-S2. All costs associated with the Niagara Plant Group regulated facilities and structures are budgeted, collected and reported in the Niagara Plant Group OM&A budget. There are a total of 56 staff carrying out the responsibilities of the Services Department.

2.2 R.H. Saunders Generating Station Costs

The R.H. Saunders Production Department manages the station to produce electrical capacity and energy-related products and services at targeted performance levels. The scope of required work includes: operation and maintenance of R.H. Saunders Generating Station in accordance with approved plans and applicable policies, contracts, and legal requirements. Almost all of the OM&A budget for R.H. Saunders is comprised of maintenance and operations expenses. Starting in 2008, the R.H. Saunders Production Department assumed responsibility for project execution. The new Production/Project Department is responsible for managing their assigned resources and assets. All other services are provided to R.H. Saunders from either the Ottawa - St. Lawrence Plant Group or by Hydroelectric Central Support Groups, both of which are discussed in subsequent sections of this exhibit. The R.H. Saunders Production/Project Department staff complement has remained relatively stable around the planned number of 68 staff. Similarly, the OM&A budget has also remained relatively stable.

Operations expenses include control room operations, which have a total staff of 15 and various water management activities such as dam operations, waterway patrol, water flow monitoring, and ice management, and all joint works operations expenses shared with NYPA.

Maintenance plans have been developed for R.H. Saunders based on streamlined reliability-centred maintenance practices (see Ex. A1-T4-S2). Base maintenance activities are categorized by these objectives: regulatory, maintain condition, contractual (i.e., New York Power Authority joint works), dam safety, environmental, policy, and health and safety. There
are 53 staff that support the maintenance programs and project execution as of 2008 including the production/project manager, two first line managers for the electrical and mechanical trades and engineering support, and two clerical and three dedicated to supply chain activities.

2.3 Ottawa - St. Lawrence Plant Group Common Costs
This section describes the common functions in the Ottawa - St. Lawrence Plant Group central departments and explains the methodology for allocating a portion of the costs for these functions to R.H. Saunders.

There are four departments in the Ottawa - St. Lawrence Plant Group that provide common support services to R.H. Saunders. Effective 2008 the Project Management Department was amalgamated with the Production Departments in the Plant Group. This has resulted in the project management resources becoming a direct base OM&A expense, replacing the allocation.

The Plant Group Management Department leads, manages, and supports the provision of common services. The Human Resource and Support Services Department provides a range of common environmental services and expertise, and supplies public affairs, stakeholder relations, and community relations services. The Business Support Department provides general administrative support, fleet management administration, accounts receivables and payables, procurement support for project execution, and the administration of project management enterprise systems. The total cost of these three groups is allocated to R.H. Saunders based on its proportion of the total budgeted base OM&A within the Ottawa - St. Lawrence Plant Group. Base OM&A is generally linked to the size of the station and its generation and therefore provides a reasonable basis for allocating common services costs.

The Asset Management and Technical Support Services Department provides specialist expertise in the area of business strategy, planning, programming, asset portfolio management, decision support, business effectiveness, due diligence, and engineering governance. The department also provides electrical, mechanical, and civil engineering
services (separate and distinct from the more specialized services provided by the Central Engineering Services Group discussed below), information and records management services, and is responsible for business programming and performance reporting functions.

R.H. Saunders is already resourced to provide the vast majority of asset management and engineering support so the level of support provided from Asset Management and Technical Support Services Department is fairly modest. In addition, R.H. Saunders is resourced to provide all of its own information and records management functions. As such, based on management’s time estimates, 15 percent of the asset management and engineering services costs and none of the information and records management function costs from this department are allocated to R.H. Saunders.

The Project Management Department is responsible for the execution of all capital and non-standard projects and includes two project crews at Chats Falls and Otto Holden Generating Stations, both within Ottawa - St. Lawrence Plant Group. Only costs associated with the project manager and the project engineers are considered common support costs and are allocated based on the relative percentage of budgeted Base OM&A. The rationale for this methodology is similar to that discussed above. The remaining project management expenditures are attributed to the non-regulated hydroelectric stations in the Plant Group as they are assigned to specific non-regulated stations. As discussed in sections 2.2 and 2.3, the Project Management Department has been disbanded effective 2008 as a result of restructuring. The project execution accountabilities and resources to support investment management at Saunders have been amalgamated with the previous R.H. Saunders Production Department. This eliminates the minor allocation associated with this common support department and replaces it with a reduced direct base OM&A expense. The Project Management Department is not shown in the organizational chart included earlier in this exhibit.

2.4 Hydroelectric Central Support Groups Descriptions and Cost Allocation Methodology

As mentioned previously, the Hydroelectric Central Support Groups provide common or specialized services to all of OPG’s hydroelectric plant groups, both regulated and non-
regulated. This section provides a brief description of the functions and key activities of each central support group and describes the methodology used to allocate costs to the regulated and non-regulated facilities.

The Hydroelectric business unit consists of the office of the Executive Vice President (“EVP”), five plant groups, and six support groups that provide common or specialized services to the plants and provide oversight for the EVP, as well as for the Hydroelectric Development Group which studies and undertakes new hydroelectric development projects.

The following Hydroelectric Central Support Groups’ costs are allocated in part to the regulated facilities:

- Engineering
- Dam Safety and Emergency Preparedness
- Water Resources and Aboriginal Affairs
- Business Support and Regulatory Affairs
- Environment
- Hydroelectric Development
- Supply Chain
- Executive Vice President’s Office

A brief description of the accountabilities of each central support group and allocation methodology is provided below.

2.4.1 Engineering Services

The Engineering Services Division provides specialized civil, mechanical, and electrical engineering support to plant groups. It includes three main departments - Civil, Mechanical, and Electrical Engineering.

The Civil Engineering Department provides expertise in the following areas:

- Structural
- Geotechnical
- Instrumentation
- Hydrotechnical (hydraulics and hydrology)
- Specialized inspection and maintenance support
- Owner’s engineer and advice for projects
- Dam safety engineering
- Dam performance monitoring, instrumentation, assessment, data management, and reporting
- Dam safety emergency response support

The Mechanical Engineering Department provides expertise in the following areas:
- Hydraulic turbines
- Sluice and head gates
- Cranes
- Piping
- Non-destructive examinations

The Electrical Engineering department provides expertise in the following areas:
- Hydro generators
- Power transformers
- Breakers
- Rotating exciters
- Grounding
- Protections
- Static exciters / voltage regulators
- Metering
- Governor controls
- Market compliance

The Engineering Division has 47 staff, consisting of engineers, technicians, and clerks.
2.4.2 Dam Safety and Emergency Preparedness

The Dam Safety and Emergency Preparedness Group, which has four staff, provides oversight, guidance, and advice for OPG’s Dam Safety and Hydro’s Emergency Preparedness Program at all of OPG’s dams. Key elements of the program include oversight of dam-related comprehensive inspections, assessments, design reviews, monitoring, safety upgrades, and personnel training as follows:

- Develop and maintain a managed system for the dam safety, waterways public safety and emergency preparedness programs, including establishing program objectives, scope, accountabilities, assessment and reporting.
- Develop and maintain the hydroelectric standards for emergency preparedness, provide oversight on tests, drills and exercises, and coordinate participation with corporate emergency preparedness as required.
- Develop and maintain dam safety governance documents and technical standards that are aligned with regulations, corporate policy and industry best practices.
- Assess compliance with regulations, corporate dam safety policy and programs for waterways public safety and emergency preparedness, provide advice to meet/maintain compliance.
- Report annually to the OPG Board of Directors on the results of the dam and waterways public safety program and regular updates on emerging dam and public safety issues.

2.4.3 Water Resources and Aboriginal Affairs

The Water Resources and Aboriginal Affairs Group, which has 12 staff, provides business level expertise and services for the management of water resources and Aboriginal relations including:

- Water management policy and planning (negotiating, establishing, and maintaining relationships with regulatory agencies and boards).
- Energy forecasting.
- Administration of agreements (e.g., water power leases, licenses of occupation, crown leases, Parks Canada, Quebec, and water conveyance).
- Day-ahead coordination of hydroelectric resources.
• Integration of capacity and energy forecasts submitted by plant groups.
• Aboriginal relations.
• Provide expertise and lead OPG in past grievance negotiations with First Nations and administer payments associated with settled past grievances.

2.4.4 Business Support and Regulatory Affairs
The Business Support and Regulatory Affairs Division, which has nine staff, provides business related oversight/support for the EVP-Hydroelectric and support to the plant groups in the following areas:
• Business planning and budgeting (five year time horizon).
• Performance reporting.
• Production support and integration (e.g., Maintenance Module for Streamlined Reliability-Centred Maintenance).
• Benchmarking.
• Market operations support.
• Asset management oversight in areas such as project prioritization and life cycle planning.
• Annual incentive plan development and monitoring for Hydroelectric management.
• Interface with corporate support groups as required.
• Regulatory support for the preparation of Hydroelectric portions of OPG’s rate filing.
• Centralized document management support for the hydroelectric business.

2.4.5 Environment
The Environment Division which has seven staff (environmental specialists), provides environmental oversight for the EVP-Hydroelectric. In addition, this division supports the business by providing expertise and services in a wide range of environmental subject areas including:
• ISO 14001 Environmental Management Systems.
• Legislative monitoring and compliance.
• Aquatic and terrestrial biology.
• Environmental assessments.
• Environmental approvals.
• Land, water, and waste management
• Environmental risk management

2.4.6 Hydroelectric Development
Hydroelectric Development’s role is to expand and redevelop OPG’s existing sites as well as to develop new capacity in new locations where feasible. This group identifies, studies, plans, and oversees the design and execution of hydroelectric redevelopment and new development projects (e.g., Niagara Tunnel project). The group includes the Vice President of Hydroelectric Development, project managers, project engineers, and project specialists. The work program is primarily capital in nature. However, before a project is approved and released, costs incurred for concept and preliminary engineering studies are classified as OM&A expenses. There are also general OM&A expenses incurred by this group that must be allocated to the Plant Groups. These include costs to maintain a Hydroelectric Developments database, develop and provide information to the Ontario Power Authority’s Integrated Power System Plan process, and interface with the various government ministries (Ministry of Natural Resources, Ministry of the Environment, and Ministry of Finance) with respect to hydroelectric developments.

2.4.7 Hydroelectric Supply Chain
The Supply Chain Division, which has 11 staff, provides procurement support activities and materials management activities for the hydroelectric plant groups and Hydroelectric Development.

2.4.8 Executive Vice President’s Office
The costs budgeted in this category include various expenses incurred by the EVP-Hydroelectric, including travel, administrative support and membership costs in various hydroelectric associations, such as the International Hydropower Association and Canadian Hydropower Association. The EVP budget also includes a small contingency for any unforeseen work that may emerge in any given year and cannot be deferred to a subsequent
year (e.g., safety work and environmental work). This is held at the EVP level and is only
used if the unforeseen project cannot be funded through the normal OM&A base or project
budgets for the year. The total amount kept for contingency is less than 0.5 percent of the
total Hydroelectric OM&A budget (i.e., less than $1M per year which is allocated for the
purposes of this application to each plant group using the allocation methodology for the EVP
costs indicated below).

2.4.9 Allocation Methodology for Hydroelectric Central Support Groups Costs

The method for allocating Hydroelectric Central Support Group Costs has evolved since
2005. The methodology was reviewed by R.J. Rudden Associates in 2006 as part of an
OPG-wide review (see Ex. F4-T1-S1) and its recommendations were incorporated for 2006
through 2009, where practical. R.J. Rudden also reviewed the allocation of Ottawa - St.
Lawrence common costs to R.H. Saunders Generating Station and its recommendations
were adopted (see allocation methodology section 2.3 above).

In 2005, the Hydroelectric Business Unit and Fossil Business Unit were part of the same
organization known as Electricity Production. The Electricity Production central support
organization consisted of an executive responsible for the Electricity Production business,
and a number of Electricity Production central support groups. The costs for these central
support groups were allocated using a full time equivalent (staff numbers) approach. The
number of full time equivalent staff in a particular hydroelectric plant group or fossil plant was
divided by the total staff in the plant groups plus fossil plants to determine the amount of
central support costs to be allocated to the particular plant group. The only exceptions were
the Water Resources and Dam Safety and Emergency Preparedness Groups which were
specific to Hydroelectric and existed as separate groups under the old Electricity Production
structure. These two groups were allocated using the staff in a particular plant group divided
by the total staff in the plant groups.

After 2005, the Hydroelectric and Fossil organizations were separated (see Ex. A1-T4-S2),
and the allocation approach changed based on the corporate-wide review and
recommendations made by R.J. Rudden Associates. R.J. Rudden Associates recommended
that as a general principle, direct assignment (i.e., time estimates or management estimates
of full time equivalents dedicated to a particular group) should be used where practical and
efficient, and base OM&A costs should be used to allocate all other central support group
costs that cannot be directly assigned.

With respect to Hydroelectric, R.J. Rudden Associates recommended that plant group base
OM&A costs should be used to allocate costs that cannot be directly assigned or where it is
inefficient to perform direct assignment. This includes costs for the office of the EVP-
Hydroelectric, Business Support and Regulatory Affairs, Water Resources and Aboriginal
Affairs, Dam Safety and Emergency Preparedness and Environment. As such, the base
OM&A approach is used to allocate planned and actual costs for each of these central
support groups (after 2005).

2.4.10 Direct Assignment
A direct assignment type approach was used for Engineering Services, Hydroelectric
Developments (except VP Office costs), and Supply Chain.

2.4.11 Engineering Services
The costs for Engineering Services are allocated as follows: estimates of engineering cost
allocations for each year in the planning cycle are developed during the business
planning/budgeting process. Each department in Engineering Services develops time
estimates for each of the plant groups (or plants in the case of R.H. Saunders) based on a
high level review of each Plant Group’s future work plans/projects and anticipated support
requirements, as well as a review of previous year’s historical engineering support costs for
each plant group. Total engineering hours are then allocated to each plant group based on
these reviews. The total engineering budget for the year is allocated using the ratio of
estimated hours for each plant group divided by the total engineering hours. The 2008 and
2009 planned engineering allocations to each plant group are achieved by applying the 2007
ratios (i.e., the ratios developed as part of the 2007 - 2011 business planning process) to
forecast cost in 2008 and 2009, respectively.
2.4.12 Hydroelectric Development

Since the projects undertaken by the Hydroelectric Development group are generally known in advance, costs are assigned based on management’s estimates of planned OM&A project expenditures. If a project is in pre-concept or concept phase, and is related to a regulated facility or site, then its costs are directly attributed to that site (e.g., the Lake Gibson site located upstream of DeCew Falls Generating Station). The costs associated with the office of the Vice President - Hydroelectric Development and the general OM&A expenses referred to above are allocated based on management estimates. The portion of these costs allocated to the regulated plants is typically seven percent of the total.

2.4.13 Supply Chain

The allocation of Supply Chain costs is based on management’s time estimates. Approximately three staff are dedicated to procurement and material management activities related to the regulated operations. Therefore, less than 30 percent of the 11 person Supply Chain group’s costs are allocated to the regulated operations. Allocation between the Niagara Plant Group and R.H. Saunders is based on further time estimates by management of the responsibilities assigned to staff. Two of the staff are assigned to the Niagara Plant Group and are physically located in Niagara, while the remaining staff person is dedicated to R.H. Saunders.