COMPARISON OF ALLOCATION OF CORPORATE COSTS

1.0 PURPOSE

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

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

Exhibit F3-T1-S2 Table 1 provides the period-over-period changes in the allocated corporate support costs for the test period and bridge year. As can be seen from the table, the level of allocated corporate support costs remains stable over the bridge year and test period.

2012 Plan versus 2011 Plan

The 2012 corporate support costs increase by $1.5M relative to 2011 primarily due to economic increases, a 53 week fiscal year and an increase to OEB costs in Regulatory Affairs and Law due to the expectation that there will be a rate application in 2012. The increase in costs is partly offset by planned cost reductions across all the corporate support groups and lower hydro boundary project work (confirming and visually displaying real estate rights) conducted by Real Estate.

Economic increases include changes in labour cost as per the collective agreements and planned increases in facility and utility costs. The various cost saving initiatives in corporate support groups are reviewed during the annual business planning cycle.

2011 Plan versus 2010 Budget

Corporate support costs decrease by $0.3M for 2011 compared to 2010 mainly due to planned cost reduction initiatives, lower OEB costs and lower spend on pandemic supplies, partly offset by economic increases.
3.0 Tiered Over-Tier Changes – Bridge Year, Regulated  

HYDROELECTRIC

2010 Budget versus 2009 Actual

Corporate support costs increase by $0.2M in the 2010 budget versus the 2009 actual costs. The increase is primarily due to economic increases, higher OEB costs related to the rate application and an increase in spending for pandemic supplies. These increases are partly offset by savings in Information Technology support costs as a result of a renegotiated outsourcing agreement with NHSS, a decrease in the labour burden rate and planned cost reduction initiatives.

4.0 Tiered Over-Tier Changes - Historical Period, Regulated  

HYDROELECTRIC

Exhibit F3-T1-S2 Table 1 provides the period-over-period changes for the historical period.

2009 Actual versus 2009 Budget

For 2009, the actual corporate support costs decreased by $4.0M as compared to the budget primarily due to lower costs related to Information Technology special initiatives, lower OEB-related costs due to a decision to defer the rate application, and efforts to manage staff vacancies.

2009 Actual versus 2008 Actual

Actual corporate support costs decreased by $1.4M in 2009 relative to 2008, primarily due to lower OEB costs and other corporate support groups cost reductions. The 2009 decrease was partly offset by general economic increases and by higher Information Technology costs as a result of one time credits in 2008.

2008 Actual versus 2008 Budget

Actual corporate support costs were $2.0M lower than budget in 2008, primarily due to lower costs related to Information Technology special initiatives, a number of one-time IT credit adjustments and hiring lags, partly offset by economic increases.
The one-time credit adjustments in Information Technology were the result of a change to just-in-time purchases of hardware and the finalization of the NHSS outsourcing contract gainshare (i.e., profit sharing credits for IT under the terms of the NHSS contract).

2008 Actual versus 2007 Actual
Corporate support costs increased by $4.4M in 2008 as compared to 2007, mainly due to higher OEB costs, economic increases, initiatives related to water safety, community and sponsorship advertising, the hydro boundary project and legal fees partly offset by the NHSS outsourcing agreement gainshare amount.

2007 Actual versus 2007 Budget
Corporate support costs were $1.4M lower than budget in 2007. The lower costs were mainly due to staff vacancies, lower outsourcing agreement gainshare, OEB-related activities and deferral of 2007 safety conference, partly offset by higher project OM&A (for infrastructure asset refresh work), support function review, and tax advisory costs.

5.0 PERIOD-OVER-PERIOD CHANGES - TEST PERIOD, NUCLEAR
Exhibit F3-T1-S2 Table 2 provides the period-over-period changes for the test period and bridge year. Corporate support costs remain stable over the bridge year and test period.

2012 Plan versus 2011 Plan
Corporate support costs increase by $3.1M for 2012 versus 2011, primarily due to the economic increases, a 53 week year and increased OEB costs in Regulatory Affairs and Law due to an expected rate application. This increase in costs was partly offset by planned cost savings initiatives across all corporate support groups.

Economic increases include changes in labour cost as per the collective agreements and planned increases in facility and utility costs. The various planned initiatives in corporate support groups have been reviewed during the annual business planning cycle.
2011 Plan versus 2010 Budget

Corporate support costs increase by $2.2M in 2011 compared to 2010 mainly due to economic increases partly offset by planned cost savings initiatives, lower OEB costs and lower spend on pandemic supplies.

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

2010 Budget versus 2009 Actual

Corporate support costs increase by $12.5M in the 2010 budget relative to actual costs in 2009, primarily due to economic increases, higher OEB costs related to the rate application and increased spending for pandemic supplies, partly offset by savings in Information Technology support costs as a result of a renegotiated outsourcing agreement with NHSS, a decrease in the labour burden rate and planned cost savings initiatives.

7.0 PERIOD-OVER-PERIOD CHANGES - HISTORICAL PERIOD, NUCLEAR

Exhibit F3-T1-S2 Table 2 provides the period-over-period changes for the historical period.

2009 Actual versus 2009 Budget

Actual corporate support costs were $32.9M lower than budget in 2009, primarily due to lower OEB costs due to a decision to defer the rate application, lower advertising costs, lower costs in Information Technology related to special initiatives, and efforts to manage staff vacancies. The decreases were partially offset by higher Finance costs to support the nuclear business.

2009 Actual versus 2008 Actual

Actual corporate support costs decreased by $3.1M in 2009 relative to 2008, primarily due to lower OEB costs and corporate support groups cost reductions, partly offset by higher Information Technology costs (as a result of one-time credits in 2008), increased financial support to Nuclear projects, and economic increases.
2008 Actual versus 2008 Budget

Corporate support costs were $31.5M lower than budget in 2008, primarily due to lower costs in Corporate Affairs advertising and lower costs in Information Technology relating to special initiatives, a number of one-time IT credit adjustments and hiring lags. These were partly offset by economic increases.

The one-time credit adjustments in Information Technology related to a change to just-in-time purchases of hardware and the finalization of the NHSS outsourcing contract gainsharing.

2008 Actual versus 2007 Actual

Corporate support costs decreased by $3.1M in 2008 as compared to 2007, mainly due to the NHSS outsourcing agreement gainsharing and reduced furniture and equipment purchases. This decrease was partly offset by economic increases, higher OEB costs and legal fees.

2007 Actual versus 2007 Budget

Corporate support costs were lower than budget by $9.8M in 2007. The lower costs were mainly due to staff vacancies, lower NHSS outsourcing agreement gainshare, lower OEB-related activities and deferral of 2007 safety conference, partly offset by higher project OM&A (for infrastructure asset refresh work), support function review, and tax advisory costs.