COMPARISON OF ASSET SERVICE FEES

1.0 PURPOSE
This evidence presents the period-over-period changes in the asset service fees charged to the regulated hydroelectric and nuclear business units.

2.0 OVERVIEW
This evidence supports the approvals sought for asset service fees. Ex. F3-T2-S2, Table 1 sets out a comparison of budget to actual amounts and the year-over-year asset service fee costs for 2007 - 2012 for the regulated hydroelectric business unit. As can be seen from this table, the asset service fee charged in 2010 is lower than in the previous years and the fee remains relatively stable over the 2010 - 2012 period. Because the variances in the asset service fees charged to the regulated hydroelectric business unit are not material, they are not discussed in the variance analysis below.

As shown in Ex. F3-T2-S2 Table 2, the asset service fees for nuclear are flat over the 2010 - 2012 period. The slight decrease in 2011 and 2012 is primarily due to lower than expected purchases of information technology (“IT”) assets as compared to the prior years.

3.0 PERIOD-OVER-PERIOD CHANGES – TEST PERIOD

2012 Plan versus 2011 Plan
The asset service fee for the nuclear business unit in 2012 is slightly lower than the amount charged in 2011.

2011 Plan versus 2010 Budget
The asset service fee charged to the nuclear business unit is slightly lower than the amount charged in 2010.

4.0 PERIOD-OVER-PERIOD CHANGES – BRIDGE YEAR

2010 Budget versus 2009 Actual
The 2010 budget asset service fee for the nuclear business unit was $2.6M lower than 2009 actual due to lower IT depreciation expense as a result of a declining asset base, partly
offset by the change in the return on equity incorporated into the fee, from 8.65 per cent to 9.85 per cent.

5.0 PERIOD-OVER-PERIOD CHANGES – HISTORICAL PERIOD

2009 Actual versus 2009 Budget
The actual asset service fee charged to the nuclear business unit was $1.7M greater than budget due to higher IT asset depreciation expense.

2009 Actual versus 2008 Actual
The actual asset service fee charged to the regulated operations in 2008 was $1.6M greater than the actual amount charged in 2009.

2008 Actual versus 2008 Budget
The actual asset service fee charged to the nuclear business unit was $1.1M less than budget due to lower IT asset depreciation expense.

2008 Actual versus 2007 Actual
The actual asset service fee charged in 2007 to the regulated operations was $4.4M greater than 2008 due to higher IT asset depreciation expense.

2007 Actual versus 2007 Budget
The actual asset service fee charged to the regulated operations was $4.1M greater than budget due to higher IT asset depreciation expense of $4.9M, partially offset by lower than planned operating expenses of $0.8M resulting from lower utility costs and reduced furniture expenditures at OPG’s Head Office. The higher IT asset depreciation expense was a result of an increase in assets placed in service during 2007.