COMPARISON OF ASSET SERVICE FEES

1.0 PURPOSE

This evidence presents the period-over-period changes in the asset service fees charged to the nuclear business units.

2.0 OVERVIEW

This evidence supports the approval sought for asset service fees set out in Ex. F3-2-2, Table 2, provide a comparison of budget to actual amounts and the year-over-year asset service fee costs for 2016 to 2026 for the nuclear business.

3.0 PERIOD-OVER-PERIOD CHANGES – IR TERM

2022 Plan versus 2021 Budget

The asset service fees are relatively stable.

2023 Plan versus 2022 Plan

The asset service fees for the nuclear business unit increases in the 2023 Plan by (+$3.5M) compared to the 2022 Plan due to higher IT depreciation expense and tax-adjusted return as a result of the implementation of Microsoft Enterprise Agreement in 2023.

2024 Plan versus 2023 Plan

The asset service fees for the nuclear business unit increases in the 2024 Plan by +$9.8M compared to the 2023 Plan primarily due to higher depreciation expense and tax-adjusted return as a result of the implementation of Clarington Corporate Campus.

2025 Plan versus 2024 Plan

The asset service fees for the nuclear business unit increases in the 2025 Plan by +$6.1M compared to the 2024 Plan due to higher depreciation expense and tax-adjusted return as a result of the implementation of Clarington Corporate Campus, which is partially off-set by lower depreciation expense and tax-adjusted return for 700 University Avenue leasehold improvements.

2026 Plan versus 2025 Plan

The asset service fees for the nuclear business unit are relatively stable in the 2026 Plan compared to the 2025 Plan decreasing slightly by -$4.7M due to lower depreciation expense and tax-adjusted return for 700 University Avenue leasehold improvements.

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

2021 Budget versus 2021 OEB Approved

The asset service fees for the nuclear business unit increases in the 2021 Budget by +$33.9M compared to the 2021 OEB Approved due to higher than planned depreciation expense and tax-adjusted return as a result of the advancement of the CIO Digital Strategy and the Real Estate strategy, which were not included in EB-2016-0152. The increase in IT depreciation expense and tax-adjusted return is due to higher expenditures, including the 2020 Microsoft Enterprise Agreement, Reimagine program, Tempus Lifecycle Upgrade, Asset Suite Upgrade, Monitoring and Diagnostic Sensor Network, and the Enterprise Asset Management Tool. The increase in Real Estate depreciation expense and tax-adjusted return is due to the implementation of the 700 University Avenue Workplace Transformation project.

2021 Budget versus 2020 Budget

The asset service fees for the nuclear business unit are relatively stable in the 2021 Budget compared to the 2020 Budget.

2020 Budget versus 2020 OEB Approved

The asset service fees for the nuclear business unit increases in the 2020 Budget by +$34.2M compared to the 2020 OEB Approved due to higher than planned depreciation expense and tax-adjusted return as a result of the advancement of the CIO Digital Strategy and the Real Estate strategy, which were not included in EB-2016-0152. The increase in IT depreciation expense and tax-adjusted return is due to the implementation of the Microsoft Enterprise

Agreement, the Reimagine program, Tempus Lifecycle Upgrade, Asset Suite Upgrade, Monitoring and Diagnostic Sensor Network, and the Enterprise Asset Management Tool. The increase in Real Estate depreciation expense and tax-adjusted return is primarily due to the implementation of the 700 University Avenue Workplace Transformation project.

2020 Budget versus 2019 Actual

The asset service fees for the nuclear business unit increase in the 2020 Budget by +$9.3M compared to 2019 due to higher depreciation expense and tax-adjusted return primarily as a result of the Microsoft Enterprise Agreement renewal in 2020 and the 700 University Avenue Workplace Transformation project.

5.0 PERIOD-OVER-PERIOD CHANGES - HISTORICAL YEARS, NUCLEAR

2019 Actual versus 2019 OEB Approved

The asset service fees for the nuclear business unit increased in 2019 by +$19.5M compared to the 2019 OEB Approved due to higher than planned depreciation expense and tax-adjusted return as a result of the advancement of the CIO Digital Strategy and the Real Estate strategy, which were not included in EB-2016-0152. The increase in IT depreciation expense and tax-adjusted return is due to the Network Segmentation project, the OPG Telephone upgrade, and the Enterprise Asset Management Tool project. The increase in Real Estate depreciation expense and tax-adjusted return is primarily due to the 700 University Avenue Workplace Transformation project.

2019 Actual versus 2018 Actual

The asset service fees for the nuclear business unit increased in 2019 by +$10.8M compared to 2018 due to higher than planned depreciation expense and tax-adjusted return for IT and Real Estate assets. Projects contributing to the increase in depreciation expense and tax-adjusted return includes the Network Segmentation project and the 700 University Avenue Workplace Transformation.

2018 Actual versus 2018 OEB Approved

The asset service fees for the nuclear business unit increased in 2018 by +$9.1M versus the 2018 OEB Approved due to higher than planned IT depreciation expense and tax-adjusted return as a result of the implementation of the Microsoft Enterprise Agreement.

2018 Actual versus 2017 Actual

The asset service fees for the nuclear business unit in 2018 increased by +$1.5M versus 2017 due to higher than planned IT depreciation expense and tax-adjusted return as a result of the implementation of the Microsoft Enterprise Agreement. This increase was offset by a decrease in Real Estate depreciation expense and tax-adjusted return stemming from the sale of 700 University Avenue in 2017.

2017 Actual versus 2017 OEB Approved

The asset service fees for the nuclear business unit increased by +$7.7M in 2017 compared to the 2017 OEB Approved due to higher than planned depreciation expense and tax-adjusted return stemming from the implementation of the Microsoft Enterprise Agreement, and delayed sale of 700 University Avenue.

2017 Actual versus 2016 Actual

Asset service fees for the nuclear business unit increased by +$1.4M in 2017 compared to 2016 as a result of higher depreciation expense and tax-adjusted stemming from the implementation Microsoft Enterprise Agreement, which were partially off-set by lower depreciation expense and tax-adjusted stemming from the sale of 700 University Avenue in 2017.

2016 Actual versus 2016 Budget

The asset service fees for the nuclear business unit increased by +$5.8M in 2016 compared to the 2016 Budget amount due to higher than planned depreciation expense and tax-adjusted return as a result of the and delayed sale of 700 University Avenue.

Numbers may not add due to rounding.

Table 1
Comparison of Corporate Asset Service Fees - Hydroelectric ($M)

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Table 2
Comparison of Corporate Asset Service Fees - Nuclear ($M)

Line No.	Business Unit	2016 Budget	(c)-(a) Change	2016 Actual	(g)-(c) Change	2017 OEB Approved	(g)-(e) Change	2017 Actual	(k)-(g) Change	2018 OEB Approved	(k)-(i) Change	2018 Actual
		(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)
1	**Information Technology Assets**	22.6	0.8	23.4	6.0	24.6	4.8	29.4	4.2	24.6	9.0	33.6
2	**Kipling Ave. Office & Wesleyville Property**	3.9	0.2	4.1	0.0	3.3	0.9	4.1	(1.0)	3.3	(0.1)	3.1
3	**700 University Ave. Office[1]**	1.8	4.8	6.6	(4.6)	0.0	2.0	2.0	(1.7)	0.0	0.3	0.3
4	**Clarington Corporate Campus**	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
5	**Total**	28.4	5.8	34.1	1.4	27.9	7.7	35.6	1.5	27.9	9.1	37.0

Line No.	Business Unit	2018 Actual	(e)-(a) Change	2019 OEB Approved	(e)-(c) Change	2019 Actual	(i)-(e) Change	2020 OEB Approved	(i)-(g) Change	2020 Budget	(k)-(i) Change	2021 Budget
		(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)
6	**Information Technology Assets**	33.6	7.7	24.9	16.4	41.3	4.5	19.4	26.4	45.8	(0.9)	44.9
7	**Kipling Ave. Office & Wesleyville Property**	3.1	1.2	3.4	1.0	4.4	2.0	3.5	2.8	6.3	(0.5)	5.8
8	**700 University Ave. Office[1]**	0.3	1.8	0.0	2.1	2.1	2.8	0.0	5.0	5.0	(1.1)	3.9
9	**Clarington Corporate Campus**	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
10	**Total**	37.0	10.8	28.3	19.5	47.8	9.3	22.9	34.2	57.1	(2.5)	54.6

Line No.	Business Unit	2021 OEB Approved	(c)-(a) Change	2021 Budget	(e)-(c) Change	2022 Plan	(g)-(e) Change	2023 Plan	(i)-(g) Change	2024 Plan	(k)-(i) Change	2025 Plan
		(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)
11	**Information Technology Assets**	17.2	27.7	44.9	3.6	48.5	3.9	52.4	2.1	54.5	(0.3)	54.3
12	**Kipling Ave. Office & Wesleyville Property**	3.5	2.3	5.8	(4.2)	1.6	(0.0)	1.6	(0.0)	1.6	(0.0)	1.6
13	**700 University Ave. Office[1]**	0.0	3.9	3.9	(0.3)	3.6	(0.4)	3.3	(0.3)	3.0	(1.6)	1.4
14	**Clarington Corporate Campus**	0.0	0.0	0.0	0.0	0.0	0.0	0.0	8.0	8.0	8.0	16.0
15	**Total**	20.8	33.9	54.6	(0.8)	53.8	3.5	57.3	9.8	67.1	6.1	73.2

Line No.	Business Unit	2025 Plan	(c)-(a) Change	2026 Plan
		(a)	(b)	(c)
16	**Information Technology Assets**	54.3	(2.5)	51.8
17	**Kipling Ave. Office & Wesleyville Property**	1.6	(0.1)	1.5
18	**700 University Ave. Office[1]**	1.4	(1.4)	0.0
19	**Clarington Corporate Campus**	16.0	(0.7)	15.3
20	**Total**	73.2	(4.7)	68.5

Notes:
1 Fees during the IR term are associated with the Workplace Transformation Project which is described in F3-2-1 Section 3.