

COMPARISON OF BASE OM&A COSTS – REGULATED HYDROELECTRIC

1.0 PURPOSE

This evidence presents period-over-period comparisons of Base OM&A costs for the regulated hydroelectric facilities based on actuals for 2016-2024 and forecasts for the bridge period (2025-2026) and test year (2027), as detailed in Ex. F1-1-1, Table 1 and F1-2-1, Table 1, and supports the approval of the regulated hydroelectric Base OM&A costs presented in Ex. F1-2-1.

Consistent with the OEB's letter dated September 17, 2024, issued in EB-2024-0136, OPG has included nine years of historical data for its hydroelectric business below, for the period 2016-2024. As there is no OEB-approved regulated hydroelectric Base OM&A cost information for 2015 onwards, OPG has provided year-over-year variance analyses for the historical period (2016-2024), bridge period (2025-2026), and test year (2027).

OPG has restated the presentation of actual (2016-2024) Base OM&A costs for organizational changes including transfers to/from Renewable Generation ("RG"), Operations and Project Support groups, and Corporate Support groups to provide an appropriate basis of comparison with forecast period information (these transfers are further described in Ex. F1-2-1, Attachment 1 and in Ex. F3-1-1).

Exhibit F1-2-2, Tables 1a and 1b provide the actual, budget, and forecast regulated hydroelectric Base OM&A expenditures by functional area for the 2016-2027 period. Details about operating regions' operations, maintenance and site support service activities are provided in Ex. F1-2-1. Operations and Project Support costs are allocated to operating regions using the methodology described in Ex. F3-1-4.

Net reportable variances and period-over-period changes by category of expense (10% or greater at the function level, subject to a minimum materiality limit of \$1M) are discussed below.

2.0 PERIOD-OVER-PERIOD CHANGES – TEST YEAR

2027 Plan versus 2026 Budget

Planned Base OM&A costs in 2027 are \$286.2M, which is \$12.1M or 4% higher than the 2026 planned Base OM&A costs of \$274.2M.

The reportable variances by category of expense are as follows:

- Integrated Fleet Management (\$1.2M or 14% increase): due to the cost of moving training equipment related to the assumed exit of the 800 Kipling lease that currently houses the RG Training Centre. As discussed in Ex. D3-1-1, OPG will lease and fit out a new RG Training Centre as the current lease at 800 Kipling Ave. is not expected to extend past 2026.

3.0 PERIOD-OVER-PERIOD CHANGES – BRIDGE YEARS

2026 Budget versus 2025 Budget

Planned Base OM&A costs in 2026 are \$274.2M, which is \$9.9M or 4% higher than the 2025 budget amount of \$264.3M.

The reportable variances by category are:

- Other Support (\$1.9M or 11% increase): primarily due to higher staffing levels to ensure transfer of critical knowledge and skillsets due to expected attrition.

2025 Budget versus 2024 Actual

Planned Base OM&A costs in 2025 are \$264.3M, which is \$13.1M or 5% higher than 2024 actual amount of \$251.2M.

The reportable variances by category of expense are as follows:

- Site and Support Services (\$3.8M or 22% increase), primarily due to an increase in staffing levels to support project planning and asset management for the increased regulated hydroelectric work program, and from previously unfilled vacancies.

4.0 PERIOD-OVER-PERIOD CHANGES – HISTORICAL YEARS

2024 Actual versus 2023 Actual

Actual Base OM&A costs in 2024 were \$251.2M, which was \$14.7M or 6% higher than 2023 actual amount of \$236.5M. All regulated hydroelectric organizations were impacted by higher labour cost escalation in 2023 reflecting collective bargaining process outcomes including as a result of *Protecting a Sustainable Public Sector for Future Generations Act* (“Bill 124”) as discussed in Ex. F4-3-1. Another contributor to the increase in Base OM&A costs is the impact of the 53rd fiscal week in 2024.¹

The reportable variances by category of expenses are as follows and are inclusive of the aforementioned higher labour cost escalation, with additional drivers of variance identified below where applicable:

- Other Support (\$2.5M or 17% increase): due to higher staffing levels to support the preparation and implementation of the IESO’s Market Renewal initiative, support compliance with the North American Electric Reliability Corporation reliability standards and increased support for RG performance reporting, business planning, and OEB payment amounts application preparation.

2023 Actual versus 2022 Actual

Actual Base OM&A costs in 2023 were \$236.5M, which was \$21.0M or 10% higher than 2022 actual amount of \$215.5M. All regulated hydroelectric organizations were impacted by higher labour cost escalation in 2023 reflecting collective bargaining process outcomes including as a result of Bill 124, as discussed in Ex. F4-3-1.

The reportable variances by category of expenses are as follows and are inclusive of the aforementioned higher labour cost escalation, with additional drivers of variance identified below where applicable:

- Operations and Maintenance (\$17.0M or 12% increase):
 - Operations (\$2.5M or 10% increase): no other reportable variance

¹ Annual labour cost budgets are calculated on a weekly basis times the number of weeks in the fiscal calendar year; most years have 52 weeks, but some years, like 2024, have 53 numbered weeks.

- Maintenance (\$14.4M or 12% increase): due to higher maintenance costs primarily at R.H. Saunders GS and Sir Adam Beck 1 GS and Sir Adam Beck 2 GS due to environmental remediation (e.g., lead paint and asbestos removal), storm response clean-up, and additional joint works expenditures (see Ex. A1-4-2).
- Integrated Fleet Management (\$3.7M or 82% increase): due to increased staffing levels in security, and training to support increased work program and address training backlogs.
- Enterprise Projects (\$1.0M or 51% increase): due to higher staffing levels to support the increased regulated hydroelectric project portfolio.

2022 Actual versus 2021 Actual

Actual Base OM&A costs in 2022 were \$215.5M, which was \$10.1M or 5% higher than 2021 actual amount of \$205.4M.

There are no reportable variances by category of expense.

2021 Actual versus 2020 Actual

Actual Base OM&A costs in 2021 were \$205.4M, which was \$0.9M or 0.5% higher than 2020 actual amount of \$204.5M.

There are no reportable variances by category of expense.

5.0 PERIOD-OVER-PERIOD CHANGES – EXTENDED HISTORICAL YEARS

Pursuant to the OEB's letter dated September 17, 2024, filed in EB-2024-0136, OPG has included four additional years of historical data.

2020 Actual versus 2019 Actual

Actual Base OM&A costs in 2020 were \$204.5M, which was \$1.1M or 0.5% higher than 2019 actual amount of \$203.4M.

1 The reportable variances by category of expense are as follows:

- 2 • Site and Support Services (\$1.7M or 10% increase): primarily due to increased Base
3 OM&A labour costs from fewer staff working on projects due to the COVID-19 pandemic.

4
5 **2019 Actual versus 2018 Actual**

6 Actual Base OM&A costs in 2019 were \$203.4M, which was \$2.2M or 1% lower than 2018
7 actual amount of \$205.6M.

8
9 There are no reportable variances by category of expense.

10
11 **2018 Actual versus 2017 Actual**

12 Actual Base OM&A costs in 2018 were \$205.6M, which was \$2.5M or 1% lower than the 2017
13 actual amount of \$208.1M.

14
15 The reportable variances by category of expense are as follows:

- 16 • Integrated Fleet Management (\$2.0M or 29% decrease): primarily due to reductions in
17 staffing levels in training functions.
- 18 • Other Support (\$2.9M or 28% increase): primarily due to a difference in reporting of Hydro
19 One share awards expense under collective agreements for represented staff, whereby
20 the 2017 expense was charged to centrally held costs rather than Base OM&A costs and
21 higher Hydro One share awards expense under collective agreements for represented
22 staff.

23
24 **2017 Actual versus 2016 Actual**

25 Actual Base OM&A costs in 2017 were \$208.1M, which was \$2.4M or 1% higher than 2016
26 actual amount of \$205.8M. A contributor to the increase in Base OM&A costs is the impact of
27 the 53rd fiscal week in 2017.²

² Annual labour cost budgets are calculated on a weekly basis times the number of weeks in the fiscal calendar year; most years have 52 weeks, but some years, like 2017, have 53 numbered weeks.

- 1 The reportable variances by category of expense are as follows:
- 2 • Site and Support Services (\$2.9M or 14% decrease): due to expenditures to reconstruct
- 3 and subsequently divest two Niagara region bridges in return for release from the
- 4 associated future maintenance liabilities.

Numbers may not add due to rounding.

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Exhibit F1

Tab 2

Schedule 2

Table 1a

Table 1a

Comparison of Regulated Hydroelectric Base OM&A by Function (\$M)¹

Line No.	Business Unit	2016 Actual	(c)-(a) Change	2017 Actual	(e)-(c) Change	2018 Actual	(g)-(e) Change	2019 Actual	(i)-(g) Change	2020 Actual	(k)-(i) Change	2021 Actual
		(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)
	Operating Regions²											
1	Operations & Maintenance	134.8	2.9	137.7	(3.7)	134.0	(1.9)	132.0	(0.7)	131.4	3.3	134.7
2	- Operations	20.9	0.5	21.4	1.2	22.6	(1.0)	21.5	0.8	22.3	0.9	23.2
3	- Maintenance	114.6	2.5	117.1	(5.7)	111.4	(0.9)	110.5	(1.5)	109.0	2.5	111.5
4	Site and Support Services	20.5	(2.9)	17.6	(0.9)	16.7	0.1	16.8	1.7	18.5	(1.3)	17.2
5	Total Operating Regions	156.0	0.1	156.1	(5.4)	150.7	(1.9)	148.8	1.0	149.9	2.1	151.9
	Operations and Project Support											
6	Enterprise Engineering	26.9	1.7	28.6	1.9	30.5	0.8	31.3	(1.7)	29.6	(1.9)	27.7
7	Integrated Fleet Management	6.4	0.6	7.0	(2.0)	5.0	0.1	5.1	(0.0)	5.1	(0.4)	4.7
8	Environment, Health & Safety	4.3	(0.4)	3.9	(0.1)	3.8	(0.1)	3.7	0.9	4.6	0.6	5.3
9	Enterprise Projects	2.2	0.0	2.2	0.2	2.4	(0.9)	1.5	0.1	1.7	0.4	2.0
10	Other Support	10.0	0.3	10.3	2.9	13.2	(0.3)	13.0	0.7	13.7	0.2	13.9
11	Total Operations and Project Support	49.8	2.3	52.0	2.9	54.9	(0.3)	54.6	0.0	54.6	(1.1)	53.5
12	Total Base OM&A	205.8	2.4	208.1	(2.5)	205.6	(2.2)	203.4	1.0	204.5	0.9	205.4

Line No.	Business Unit	2021 Actual ¹	(c)-(a) Change	2022 Actual	(e)-(c) Change	2023 Actual	(g)-(e) Change	2024 Actual	(i)-(g) Change	2025 Budget	(k)-(i) Change	2026 Budget
		(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)
	Operating Regions²											
13	Operations & Maintenance	134.7	8.1	142.9	17.0	159.8	12.3	172.1	7.3	179.4	5.0	184.4
14	- Operations	23.2	1.9	25.1	2.5	27.7	0.1	27.8	2.2	29.9	0.4	30.3
15	- Maintenance	111.5	6.2	117.7	14.4	132.2	12.2	144.3	5.1	149.5	4.6	154.1
16	Site and Support Services	17.2	0.3	17.6	0.5	18.1	(1.1)	17.0	3.8	20.8	0.9	21.7
17	Total Operating Regions	151.9	8.5	160.4	17.5	177.9	11.2	189.1	11.1	200.2	5.9	206.0
	Operations and Project Support											
18	Enterprise Engineering	27.7	2.6	30.3	(2.0)	28.3	0.7	29.0	1.8	30.8	1.1	31.9
19	Integrated Fleet Management	4.7	(0.1)	4.5	3.7	8.2	(0.2)	8.0	0.7	8.7	(0.0)	8.7
20	Environment, Health & Safety	5.3	(0.7)	4.6	(0.2)	4.4	0.7	5.1	(0.6)	4.5	0.9	5.4
21	Enterprise Projects	2.0	0.0	2.1	1.0	3.1	(0.2)	2.9	0.5	3.3	0.2	3.5
22	Other Support	13.9	(0.2)	13.6	0.9	14.6	2.5	17.1	(0.3)	16.8	1.9	18.7
23	Total Operations and Project Support	53.5	1.6	55.0	3.5	58.6	3.5	62.1	2.0	64.1	4.0	68.1
24	Total Base OM&A	205.4	10.1	215.5	21.0	236.5	14.7	251.2	13.1	264.3	9.9	274.2

Notes:

1 Bold italic font indicates variance of 10% or greater and subject to minimum materiality threshold of \$1M.

2 Operating Region descriptions effective 2021 (see Ex. A1-4-2).

Numbers may not add due to rounding.

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Exhibit F1

Tab 2

Schedule 2

Table 1b

Table 1b

Comparison of Regulated Hydroelectric Base OM&A by Function (\$M)¹

Line No.	Business Unit	2026 Budget	(c)-(a) Change	2027 Plan
		(a)	(b)	(c)
	Operating Regions²			
1	Operations & Maintenance	184.4	5.5	189.8
2	- Operations	30.3	1.6	31.8
3	- Maintenance	154.1	3.9	158.0
4	Site and Support Services	21.7	1.7	23.3
5	Total Operating Regions	206.0	7.1	213.2
	Operations and Project Support			
7	Enterprise Engineering	31.9	1.8	33.7
8	Integrated Fleet Management	8.7	1.2	9.9
9	Environment, Health & Safety	5.4	0.9	6.3
10	Enterprise Projects	3.5	(0.6)	2.9
11	Other Support	18.7	1.7	20.4
12	Total Operations and Project Support	68.1	5.0	73.1
13	Total Base OM&A	274.2	12.1	286.2

Notes:

1 Bold italic font indicates variance of 10% or greater and subject to minimum materiality threshold of \$1M.

2 Operating Region descriptions effective 2021 (see Ex. A1-4-2).