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July 2, 2014

## VIA RESS AND COURIER

Ms. Kirsten Walli  
Board Secretary  
Ontario Energy Board  
P.O. Box 2319  
2300 Yonge Street, 27th Floor  
Toronto, ON M4P 1 E4

Dear Ms. Walli:

### **Re: EB-2013-0321 – 2014/15 Payment Amounts Application – Update to Darlington Refurbishment Evidence**

Further to OPG's correspondence to the OEB of June 4, 2014 attached is OPG's evidence update in respect of the Darlington Refurbishment Project ("DRP") (Exhibit D2-2-2).

In Exhibit D2-2-1, filed by OPG on September 27, 2013, OPG provided evidence in respect of the commercial and contracting model for the DRP's major work packages of Retube and Feeder Replacement, Fuel Handling, Turbine Generators, Steam Generators and Balance of Plant. This evidence was provided in support of OPG's request for a finding by the OEB that the commercial strategy and contracting model for the DRP are reasonable. In addition, capital in-service information was provided for purposes of establishing in-service additions for certain prerequisite projects commenced in advance of the DRP as part of the Facilities and Infrastructure Projects or as they are also known the "Campus Plan Projects".

The purpose of the evidence set out in Exhibit D2-2-2 attached is twofold. It is intended to primarily update the evidence related to two of OPG's Campus Plan Projects, (D2-2-1, pages 22-33). The two projects addressed are the Heavy Water Storage and Drum Handling Facility ("D<sub>2</sub>O Storage project") and the Auxiliary Heating System ("AHS project"). This exhibit also presents, through a series of reports, the findings of Burns & McDonnell Canada Ltd. and Modus Strategic Solutions Canada Company ("BMcD/Modus") in respect of these two projects and their relationship to the DRP in general. BMcD/Modus were retained by OPG's Nuclear Oversight Committee (the "NOC") to provide external independent oversight of the DRP. The NOC is a committee of OPG's Board of Directors.

OPG notes that there are five separate BMcD/Modus reports attached to Exhibit D2-2-2. Given the scope and complexity of the DRP, the DRP will evolve as it progresses through the definition phase and into the execution phase as OPG and its contractors adapt and change their work as a result of project challenges and lessons learned. OPG did not initially file these reports because the reports do not provide a complete or final picture of the DRP since each of the BMcD/Modus reports provides a snapshot in time of the progress of the DRP through this evolutionary process. In addition, BMcD/Modus maintained its support for OPG's commercial and contracting strategies and the reports were consistent with the evidence set out in Exhibit D2-2-1, as originally filed. This continues to be the case and OPG has not amended its evidence in Exhibit D2-2-1 other than that relating to the in-service additions arising from the Campus Plan Projects.

However, the BMcD/Modus report dated May 13, 2014 identified deficiencies in and raised serious concerns regarding the execution of the D<sub>2</sub>O Storage and AHS projects and raised concerns about their potential impact on the DRP schedule and costs. As a result, because of the nature of the report and the fact that it was directly relevant to projects OPG sought to add to rate base, OPG concluded that this report should be filed as evidence with the OEB. In addition, in order to independently assess the integrity of the DRP and its progress to a release quality estimate ("RQE") in light of BMcD/Modus' findings, OPG's NOC obtained a fifth report dated June 26, 2014 from BMcD/Modus. This Report assesses OPG's corrective actions with respect to the projects in question and assesses the overall health of the DRP as it evolves to RQE. This report is also filed in evidence. For completeness, the earlier reports dated August 13, 2013, November 12, 2013 and March 4, 2013 are also attached to Exhibit D2-2-2.

As noted in the June 26 report, BMcD/Modus has concluded that the DRP is advancing at an appropriate pace toward the RQE milestone and that OPG's Darlington Refurbishment Team is responding appropriately and has demonstrated a willingness to respond to issues as the DRP evolves.

Best Regards,

[Original signed by]

Colin Anderson  
Director, Ontario Regulatory Affairs  
Ontario Power Generation

Attach

cc:	Charles Keizer (Torys)	via email
	Crawford Smith (Torys)	via email
	Carlton Mathias	via email
	Intervenors of record	(letter only)