

Board Staff Interrogatory #076

Ref: Exh F2-5-1, ExhF2-6-1, Decision of the Court of Appeal for Ontario Docket C55602, C55641, C55633

Issue Number: 6.3

Issue: Operating Costs

Nuclear

Is the test period Operations, Maintenance and Administration budget for the nuclear facilities appropriate?

Interrogatory

Please identify every expense that was committed to prior to the test period. Please also provide all of the information that OPG relied on when OPG committed to each of those expenses including the cost that has been committed for each of those expenses in the test years and the associated total cost for each expense. Please provide that information broken down by year, including before and after the test period, where applicable.

Response

OPG understands this question to request committed costs related to the cited exhibits, Ex. F2-5-1 (nuclear fuel costs) and Ex. F2-6-1 (Other Purchase Services – Nuclear Operations).

OPG Nuclear committed costs in the test period consist of payments to be made under nuclear fuel contracts as set out in Ex. F2-5-1 and contractually committed payments to contractors as set out in Ex. F2-6-1. Purchased Services may also include non-discretionary but non-contractual payments as discussed below.

Nuclear Fuel

The individual components that make up the cost of a fuel bundle are uranium concentrate, uranium conversion and fuel bundle manufacturing costs. All three components are subject to committed costs.

The date of contract negotiations, date of first delivery and nuclear fuel costs for uranium concentrate committed contracts with deliveries in 2014 or 2015 are shown in Table 1 below. The provision of post-test period uranium concentrate committed costs is not relevant for the determination of the revenue requirement in this application.

Table 1
Summary of Uranium Concentrate Committed Contracts

Contract [1]	Date of Contract Negotiations	Date of First Delivery	2013 Actual	2014 (Forecast)	2015 (Forecast)
A	2006 1 st half	2007	13.1	0	0
B	2006 1 st half	2010	27.6	29.2	29.5
C	2006 1 st half	2011	8.7	10.4	10.7
D	2007 2 nd half	2009	20.3	18.2	15.3
F	2010 2 nd Q	2012	15.0	15.3	
G	2010 2 nd Q	2015			15.0
J	2012 4 th Q	2013		12.0	12.5
K	2013 3 rd Q	2015	10.7		12.1
L	2013 3 rd Q	2015			12.0
M	2013 4 th Q	2013	9.9		
Totals			105.3	85.1	107.1

[1] Contract reference is consistent with Table 2 Summary of Contracts in Ex. L-6.5-1 Staff-094.

All nuclear fuel purchase contracts are the result of a competitive process as described in Ex. F3-3-1 and the authorization of these contracts follows the Organizational Authority Register ("OAR") approval process which involves OPG's Chief Supply Officer, Chief Financial Officer and Chief Executive Officer once the procurement process is completed. The decision to procure uranium concentrate was made consistent with the objectives of OPG's uranium concentrate procurement program to ensure that an adequate supply of uranium is available to meet the operational requirements of OPG's nuclear units, while minimizing the price, and market and credit risks associated with this supply.

In addition to uranium concentrate contracts, OPG has a 10 year supply contract with the domestic supplier of uranium conversion services for the period 2012 - 2021 inclusive (\$20.6M in 2013, \$23.1M in 2014 and \$23.8M in 2015). This contract was entered into in 2011 following the expiry of the prior 10 year contract. OPG also has a multi-year supply contract with of the two domestic CANDU fuel bundle manufacturers to supply OPG's requirements through the test period (\$54.9M in 2013, \$56.1M in 2014 and \$58.2M in 2015). In 2011, OPG negotiated an extension to the fuel bundle supply contract through to 2018 in order to secure the supply of the modified fuel design for Darlington stations (see Ex. F2-5-1).

Purchased Services

Exhibit F2-6-1 lists vendors exceeding the threshold of one per cent of OM&A expense before taxes, or \$16M, during 2010 – 2012. There are five vendors listed (AECON, Black and Macdonald, AMEC-NSS, Babcock and Wilcox and CANDU Owners Group) with average annual billings of \$90M over the three years 2010 - 2012. As of November 2013, outstanding purchase orders for these five vendors totaled approximately \$110.0M. There are other vendors below the

1 \$16.0M threshold with existing purchase orders as of November 2013. The vast majority of the
2 work activities per these purchase orders would be undertaken in 2014/15.

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4 As noted in Ex. F2-6-1, most of these vendors operate under master service agreements where
5 they bid competitively on individual work packages or may be sole sourced as the individual
6 work packages arise. OPG's decision to commit to contractor services is therefore driven by the
7 underlying need to compete work activities. For example, OPG would not be able to complete
8 its Outage OM&A activities without using the services of contractors (or incurring expenditures
9 on overtime or non regular staff). Committed Base OM&A programs resourced through
10 Purchased Services (e.g., COG Reactor Safety) are discussed in Ex. L-6.3-15 PWU-018. The
11 list of forecast OMA projects is found at Ex. F3-2-3. For these reasons, the amount of
12 outstanding purchase orders as of November 2013 is a conservative estimate of the committed
13 costs to these vendors in 2014/2015.

14
15 Purchased Services also include some non contractual but non-discretionary payments such as
16 OPG's nuclear operating license fees (\$39M in 2014 and \$38M in 2015) payable to the CNSC,
17 payment of CNSC nuclear operating fees, water taxes, memberships (WANO, EUCG, EPRI),
18 payments to municipalities for fire protection, emergency management, etc.