

EXHIBIT#: K 6.3

EB-2007-0905

VECC CROSS –EXAMINATION

DOCUMENT BRIEF

OPG PANEL #6: NUCLEAR PROJECTS

June 2, 2008

2007 Actual versus 2007 Budget

Capital is under spent in 2007 (-\$54.7M), primarily due to deferral of potential 'Listed Work to be Released' (-\$22.6M), no requirement to draw on planned contingency (-\$5.0M), and the net impact of project-specific variances associated with the 118 capital projects that were managed in 2007 (-\$12.8M). The establishment of more achievable target capital expenditure levels in the test period (as outlined in Section 2.0 above) is expected to significantly reduce such variances in future. The balance of the under-expenditure results from delays in the P2/P3 Isolation Project (-\$14.3M), reflecting deferral of construction and maintenance ramp-up (to allow greater progress on engineering/assessing activities), and the new CNSC requirement for an environmental assessment (with conservative deferral of potentially-impacted activities).

2007 Actual versus 2006 Actual

The increase in spending in 2007 compared with 2006 actual (Ex. D2-T1-S1 Table 3a, \$43.5M) was due to increased work on the security fence project (\$16.9M), Darlington used fuel dry storage facility in-station modifications (\$9.1M), Pickering A switchyard relay building cable replacement (\$9.4M), Pickering A calandria vault inspection tooling development (\$7.2M) and the P2/P3 Isolation Project (\$8.2M). These increased efforts are partly offset by reductions in spending due to the Pickering B auxiliary power system installation (-\$21.6M) and the security optimization project (-\$15.5M).

6.0 PERIOD-OVER-PERIOD CHANGES – HISTORICAL YEARS

Year-over-year variances are broken down by facility in Ex. D2-T1-S1 Table 3a, and explained here. Where projects have cash flows in the test period, and only for those projects, more detailed project information is contained Ex. D2-T1-S2.

2006 Actual versus 2006 Budget

The variance to budget in 2006 (Ex. D2-T1-S1 Table 3a, -\$117.3M) reflects primarily delays in various security projects (-\$27.8M), Darlington used fuel dry storage in-station modifications (-\$13.2M), Pickering B auxiliary power system installation, 49104 (-\$11.8M), Pickering A calandria vault inspection tooling development, 46537 (-\$6.3M), cancellation of

Numbers may not add due to rounding.

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Exhibit D2
Tab 1
Schedule 1
Table 3a

Table 3a
Comparison of Capital Expenditures - Nuclear (\$M)

Line No.	Sponsoring Division/Category	2005 Budget (a)	2005 Budget (b)	2005 Actual (c)	2005 Change (d)	2006 Actual (e)	2006 Change (f)	2006 Budget (g)	2006 Change (h)	2007 Actual (i)
1	Facility Projects (Released)									
2	Darlington NGS	49.9	(6.7)	43.2	(16.2)	27.0	(42.4)	69.4	18.4	45.4
3	Pickering A NGS	4.4	(1.7)	2.7	4.1	6.8	(19.9)	26.7	28.6	35.4
4	Pickering B NGS	79.4	(39.2)	40.2	42.3	82.5	(20.3)	102.8	(27.4)	55.1
5	Engineering & Modifications	3.6	(3.5)	0.1	(0.1)	0.0	(5.8)	5.8	3.5	3.5
6	Programs & Training	67.7	(15.2)	52.5	(22.9)	29.6	(18.5)	48.1	8.1	37.7
7	Supply Chain	0.5	(0.4)	0.1	0.3	0.4	(0.1)	0.5	0.9	1.3
8	Inspection & Maintenance Services	0.0	0.0	0.0	4.8	4.8	(10.6)	15.4	3.3	8.1
	Total Facility Projects (Released)	205.5	(66.6)	138.9	12.2	151.1	(117.5)	268.6	35.4	186.5
9	Facility Projects to be Released	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
10	Contingency	(25.4)	(25.4)	0.0	0.0	0.0	0.0	0.0	0.0	0.0
11	Listed Work to be Released	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
12	Subtotal Project Capital (Portfolio)	231.0	(92.1)	138.9	12.2	151.1	(117.5)	268.6	35.4	186.5
13	P2/P3 Isolation Project	0.0	0.0	0.0	1.1	1.1	0.2	0.9	8.2	9.3
14	Pickering B Refurbishment Project	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
15	Total Project Capital	231.0	(92.1)	138.9	13.3	152.2	(117.3)	269.5	43.5	195.7

Numbers may not add due to rounding.

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Exhibit D2
Tab 1
Schedule 1
Table 3b

Table 3b
Comparison of Capital Expenditures - Nuclear (\$M)

Line No.	Sponsoring Division/Category	2007 Budget (a)	(c)-(a) Change (b)	2007 Actual (c)	(e)-(c) Change (d)	2008 Plan (e)	(g)-(e) Change (f)	2009 Plan (g)
1	Facility Projects (Released)							
2	Darlington NGS	44.3	1.1	45.4	18.1	63.5	(43.1)	20.4
3	Pickering A NGS	40.6	(5.2)	35.4	(10.0)	25.4	(20.3)	5.1
4	Pickering B NGS	54.3	0.8	55.1	(39.5)	15.6	(9.8)	5.8
5	Engineering & Modifications	4.8	(1.3)	3.5	5.4	9.0	(7.6)	1.4
6	Programs & Training	38.0	(0.3)	37.7	(16.6)	21.1	(17.8)	3.3
7	Supply Chain	0.6	0.7	1.3	1.0	2.2	(1.7)	0.5
8	Inspection & Maintenance Services	16.7	(8.6)	8.1	(0.8)	7.3	(6.0)	1.3
	Total Facility Projects (Released)	199.3	(12.8)	186.5	(42.4)	144.0	(106.3)	37.7
9	Facility Projects to be Released	0.0	0.0	0.0	30.4	30.4	48.1	78.5
10	Contingency	(5.0)	(5.0)	0.0	0.0	0.0	0.0	0.0
11	Listed Work to be Released	22.6	(22.6)	0.0	(2.4)	(2.4)	58.2	55.8
12	Subtotal Project Capital (Portfolio)	226.9	(40.4)	186.5	(14.5)	172.0	0.0	172.0
13	P2/P3 Isolation Project	23.6	(14.3)	9.3	7.7	17.0	(6.9)	10.0
14	Pickering B Refurbishment Project	0.0	0.0	0.0	0.0	0.0	148.8	148.8
15	Total Project Capital	250.5	(54.7)	195.7	(6.8)	189.0	141.9	330.9

1 2008 business planning process, the OPG Board of Directors approved \$290M (\$172 M
2 capital and \$118M OM&A) as the appropriate and required level of ongoing project
3 expenditure to maintain the generating assets and associated infrastructure. This funding
4 level was developed in consideration of: historical investment patterns; project execution
5 capabilities; potential beneficial impact of the improved project portfolio management
6 processes; project expenditures in the approved 2007 business plan versus project
7 requirements identified during the 2008 business planning process; and high level
8 comparative data from other nuclear utilities. In addition to this ongoing project portfolio,
9 there are expenditures associated with the P2/P3 Isolation Project and Pickering B
10 Refurbishment Project (see Section 3.0). Total nuclear project costs are presented in Chart
11 1.

12

13

Chart 1: Total Nuclear Project Costs – Project OM&A and Capital

	\$ Million	2005 Actual	2006 Actual	2007 Actual	2008 Plan	2009 Plan
1	Total Project Capital	138.9	151.1	186.5	172.0	172.0
2	Total Project OM&A	155.9	140.4	102.1	118.0	118.0
3	Total Portfolio Costs	294.8	291.5	288.6	290.0	290.0
4	P2/P3 Isolation Project	0.0	2.7	18.8	43.6	24.0
	PB Refurbishment	0.0	0.0	0.0	0.0	153.9
5	Total Project Costs	294.8	294.2	307.4	333.6	467.9

14

15 At any point in time, the nuclear project portfolio potentially includes projects at all stages of
16 the project life cycle, from newly identified opportunities to fully released projects in execution
17 or close-out phases. The five phases of project life cycle and associated "release" funding
18 normally associated with each phase are indicated here, and discussed below:

- 19 • Project identification (using base OM&A, leading to a request for conceptual funding)
- 20 • Project initiation (using conceptual funding, leading to a developmental release)
- 21 • Project definition (using developmental release, leading to a full or partial release)
- 22 • Project execution (leading to a full release if currently partial. Superseding release to be
23 processed if required due to scope change or cost increase)

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Exhibit F2
Tab 3
Schedule 2
Table 1a

Table 1a
Comparison of Project OM&A - Nuclear (\$M)

Line No.	Facility Projects	2005 Budget	(c)-(a) Change	2005 Actual	(e)-(c) Change	2006 Actual	(e)-(g) Change	2006 Budget	(i)-(e) Change	2007 Actual
		(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)
	Facility Projects (Released)									
1	Darlington NGS	35.8	(1.8)	34.0	(5.8)	28.2	(1.5)	29.7	(1.4)	26.8
2	Pickering A NGS	36.0	(10.7)	25.3	10.0	35.3	0.8	34.5	(22.8)	12.5
3	Pickering B NGS	48.7	8.2	52.9	(20.0)	32.9	(13.8)	46.7	(10.9)	22.0
4	Engineering & Modifications	6.3	(2.0)	4.3	(1.4)	2.8	(1.9)	4.8	0.1	3.0
5	Programs & Training	0.8	0.2	1.1	(1.1)	0.0	0.0	0.0	0.0	0.0
6	Supply Chain	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
7	Inspection & Maintenance Services	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.8	0.6
8	Total Facility Projects (Released)	125.7	(8.1)	117.6	(18.3)	98.3	(16.4)	115.7	(34.3)	65.0
9	Facility Projects to be Released	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
10	Infrastructure	28.8	9.4	38.3	2.8	41.1	12.2	28.8	(4.0)	37.1
11	Contingency	15.9	(15.8)	0.0	0.0	0.0	(10.0)	10.0	0.0	0.0
12	Listed Work to be Released	0.0	0.0	0.0	0.0	0.0	0.1	(0.1)	0.0	0.0
13	Subtotal Project DM&A (Portfolio)	170.5	(14.8)	155.9	(15.5)	140.4	(14.1)	154.5	(38.3)	102.1
14	P2/P3 Isolation Project	0.0	0.0	0.0	1.8	1.8	(0.8)	2.4	7.9	9.5
15	Pickering B Refurbishment Project	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
16	Total Project OM&A	170.5	(14.8)	155.8	(13.9)	142.0	(14.9)	156.9	(30.4)	111.8

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Exhibit F2
Tab 3
Schedule 2
Table 1b

Table 1b
Comparison of Project OM&A - Nuclear (\$M)

Line No.	Facility Projects	2007 Budget	(c)-(a) Change	2007 Actual	(e)-(c) Change	2008 Plan	(g)-(e) Change	2009 Plan
		(a)	(b)	(c)	(d)	(e)	(f)	(g)
	Facility Projects (Released)							
1	Darlington NGS	27.3	(0.5)	26.8	(5.3)	21.5	(7.4)	14.1
2	Pickering A NGS	19.5	(7.0)	12.5	(3.8)	8.7	(8.0)	0.7
3	Pickering B NGS	22.8	(0.6)	22.0	0.7	22.7	(10.7)	12.1
4	Engineering & Modifications	4.8	(1.8)	3.0	4.4	7.4	(5.4)	2.0
5	Programs & Training	0.3	(0.3)	0.0	(0.0)	0.0	0.0	0.0
6	Supply Chain	0.0	0.0	0.0	0.0	0.0	0.0	0.0
7	Inspection & Maintenance Services	0.0	0.6	0.6	(0.6)	0.0	0.0	0.0
8	Total Facility Projects (Released)	74.5	(9.6)	65.0	(4.6)	80.3	(31.4)	29.0
9	Facility Projects to be Released	0.0	0.0	0.0	11.8	11.8	12.6	24.4
10	Infrastructure	36.2	0.9	37.1	(7.7)	29.4	(0.4)	29.0
11	Contingency	0.0	0.0	0.0	0.0	0.0	0.0	0.0
12	Listed Work to be Released	(0.4)	0.4	0.0	16.5	16.5	19.2	35.7
13	Subtotal Project OM&A (Portfolio)	110.3	(8.2)	102.1	15.9	118.0	(0.0)	118.0
14	P2/P3 Isolation Project	27.0	(17.5)	9.5	17.2	26.6	(12.6)	14.0
15	Pickering B Refurbishment Project	0.0	0.0	0.0	0.0	0.0	5.1	5.1
16	Total Project OM&A	137.3	(25.8)	111.6	33.1	144.6	(7.5)	137.1

1 **VECC Interrogatory #6**
2

3 **Ref:** Ex. A2-T2-S1, pages 4 - 7
4

5 **Issue Number:** 3.6

6 **Issue:** Will OPG's accounting policies result in capitalization of an appropriate amount of
7 costs incurred in 2008 and 2009 with respect to the construction or acquisition of capital
8 assets?
9

10 **Interrogatory**
11

12 Please confirm that there has been no change in OPG's capitalization policies in this
13 application as compared to previous practice or practices. If unable to so confirm, please
14 provide details in respect of any changes.
15

16
17 **Response**
18

19 OPG confirms that there have been no changes to its capitalization policies in this
20 application as compared to previous practices other than the increase in the materiality
21 threshold for capitalization eligibility of certain assets to \$25,000 effective January 1,
22 2007, as discussed in Ex. A2-T2-S1, Section 4.1.