Energy Probe Interrogatory #26

Interrogatory

Reference:
Exhibit D2, Tab 2, Schedule 7, Attachment 3, page 2

Preamble: "As Unit 3's planning has matured, the base cost estimate has increased while contingency has decreased. In the period since the March DRC Meeting, Unit 3's base cost has increased by $72M (2.8%), contingency has been reduced by $48M and the Working Schedule has been extended to 1099 calendar days (930 working days)."

Please explain why the contingency was reduced by $48 million and not some other amount and reconcile it to Exhibit D2, Tab 2, Schedule 7, Attachment 2, Page 8.

Response

See Ex. L-D2-02-Energy Probe-025.

The reduction in contingency by $48M from $305M in March 2019 to $257M in November 2019 is an outcome of the detailed re-assessment of the risks and uncertainties in the Unit 3 refurbishment. Please see also Ex. D2-2-3, p. 8, line 24 to p. 9, line 5, which explains that two important changes were incorporated into the planning for the Unit 3 refurbishment outage between March 2019 and November 2019.

In Chart 1 below, OPG provides a comparison of the amounts allocated to the major risk areas of cost estimate uncertainty, schedule estimate uncertainty and discrete risks.

Chart 1: Comparison of U3EE Contingency in Ex. D2-2-7 Attachment 3, p. 2

Contingency Category	U3EE ($M) (Mar 2019)	U3EE ($M) (Nov 2019)	Difference ($M)	Change
Discrete Risks	182	115	67	-36%
Cost Uncertainty	27	47	-20[1]	+74%
Schedule Uncertainty	60	66	-6[2]	+10%
Interest and Escalation	36	28	8	-22%
Total	305	257	48[3]	-16%

Notes to Chart 1:

1. The amount of contingency allocated to cost uncertainty went up primarily because of the two significant changes (See Ex. D2-2-3, p. 8, line 24 to p. 9, line 5) that were incorporated into the planning for Unit 3, i.e., the combined pressure tube/calandria tube removal (a Darlington 3 Innovations Project tooling improvement) and the introduction of the Hybrid Schedule. See discussion in Note 2 re: schedule uncertainty.
2. Schedule uncertainty went up primarily because of the incorporation of the combined pressure tube / calandria tube removal into the baseline schedule. While this innovative tooling improvement resulted in an estimated 34 days savings to the schedule, schedule risk was increased, given the first-of-a-kind nature of this activity for OPG.
3. Numbers may not add due to rounding.