Board Staff Interrogatory #148

Interrogatory

Reference:
Exhibit D2 / Tab 2 / Schedule 7 / Attachment 3 / p. 4

Preamble:

Burns McDonnell / Modus Strategic Solutions stated that "Feeder work was the largest source of increased cost and schedule on Unit 2 and poses a risk to the Unit 3 Control Budget and Schedule. The Unit 2 manhour overrun on the Feeder work was 60% of CanAtom's total manhour overrun on RFR and 35% of the total DR Project overrun."

Question(s):

a) Please outline what, if any, protections for Ontario ratepayers are included in OPG's commercial arrangement with its vendors with respect to potential cost overruns related to feeder work for the Remaining Units.

Response

OPG does not anticipate cost overruns related to feeder work across the Remaining Units refurbishments. OPG has resolved all feeder program challenges experienced during the refurbishment of Unit 2. Feeder scope does not materially differ between the four units to be refurbished. Therefore, all operational experience, Lessons Learned from Unit 2, and Strategic Improvements, have been incorporated into the Remaining Units' cost and schedule estimates providing confidence that the work will be completed safely, with quality, on schedule and on budget.

The RFR EPC contract contains many terms which protect against cost overruns related to feeder work. Under the contract, feeders scope is an execution phase reimbursable costs subject to target pricing. The Revised Execution Phase Cost Incentive/Disincentive mechanism in place for the Remaining Units (see Ex. D2-2-4, s. 3.2.2, pp. 11-15) strongly motivates CanAtom to complete this work on budget. Additionally, given the feeders work is on critical path, the Execution Phase Working Schedule Incentive (see Ex. D2-2-4, pp. 15-16) further incentivizes CanAtom to complete feeder work ahead of the High Confidence Schedule, which would avoid costs associated with delays.

Finally, OPG has rights under the RFR EPC contract to recover costs that meet the definition of defective work during execution of the feeder scope. OPG also has

warranty rights covering the feeder work where costs associated with quality issues that are identified either as work progresses, or once a unit returns to service can be recouped. Warranty provisions on feeder work take effect on the date of Unit Mechanical Completion for each unit and end on the earlier of: (i) the date that is three months after the actual end date of the first planned outage where inspections take place for such unit, and (ii) the date that is five years from the date of Unit Mechanical Completion for such unit. Further contractual safeguards, including limitations on contractor-initiated change directives, will reduce OPG's exposure to increases in RFR target cost, target schedule and the fixed fee. See a summary of the RFR EPC contract at Ex. D2-2-4, Attachment 3.