Board Staff Interrogatory #141

Interrogatory

Reference:
Exhibit D2 / Tab 2 / Schedule 7 / pp. 7-8

Preamble:

OPG stated that in its 2017-2021 Payment Amounts Proceeding, the OEB granted envelope approval for OPG's in-service amount request for Unit 2. The reference includes a quote from the OEB's Decision and Order in OPG's 2017-2021 Payment Amounts Proceeding which states, "the refurbishment of Unit 2 is a single integrated project".

The reference also states that based on the final U3EE, and consistent with the OEB's approval for Unit 2 in OPG's 2017-2021 Payment Amount Proceeding, OPG is requesting total in-service additions of $6,442.6 million over the Custom IR term. The in-service additions consist of Remaining Units and some Early-In-Service Projects.

Question(s):

a) In light of the above references, is OPG seeking "envelope approval" for the total remaining cost of completing the DRP or is OPG proposing to treat each Remaining Unit as an individual envelope, akin to how Unit 2 was treated?

b) If Unit 2 was a "single integrated project", are Units 3, 1 and 4 three separate integrated projects? Or are they together one single integrated project? Please clarify OPG's proposal.

Response

a) See Ex. D2-2-1, p. 10, lines 1-15 for the approvals OPG is requesting in this application. OPG is seeking "envelope approval" for the total remaining cost of completing the DRP, which is planned to be completed within the IR term. OPG is not proposing to treat each Remaining Unit as an individual envelope. This requested "envelope approval" is akin to how, in EB-2016-0152, OPG sought approval for the total cost of refurbishing Unit 2 and the definition phase work ($4,800.2M), which was planned to be completed within the 2016-2021 IR term. The context of the reference to Unit 2 being a "single integrated project" was in relation to the OEB's Decision that OPG would not be required to explain variances against each individual line item in the cost estimate for Unit 2 and the definition

phase, but rather, that OPG's success should be measured at the total envelope amount approved of $4,800.2M. OPG requests that this approach again be applied to the approvals sought in this application, i.e. that success should be measured against the total envelope approval amount of $6,442.6M capital and $110.5M OM&A for which approval is sought in this application, and not at the unit-by-unit level.

b) OPG is managing the entire DRP, i.e., the completed Unit 2 refurbishment, including the Definition Phase, Early-in-Service projects, Facility and Infrastructure Projects, Safety Improvement Opportunities, and the Remaining Units, as a single integrated project within the RQE budget for the Program of $12.8B. The length of the Program spans multiple IR terms and, therefore, OPG's DRP related approvals sought from the OEB have necessarily been the subject of multiple rate applications. Note that although Unit 2 was treated as a single integrated project in EB-2016-0152 because its in-service date fell within that IR Term, Unit 2 is still a part of the overall $12.8B DRP.

With respect to the scope of work underpinning the approvals sought in this application, the Units 3, 1, and 4 refurbishments are managed as a single integrated project, while benefitting from the Lessons Learned and significant expertise and experience gained on Unit 2. Planning and execution of these Remaining Units especially is being done in a highly integrated manner because of the overlapping refurbishment outage execution periods. As a result, the planning processes have been adapted from those used on Unit 2 in order to manage on time completion of milestones. See Exhibit D2-2-3, pp. 5-8 for a description of the planning process. In addition, the DRP has been re-organized to be able to manage the overlapping unit refurbishment outages and deliver the Remaining Units on-time, on budget, safely and with quality. See Ex. D2-2-8, pp. 2-14 for a detailed explanation of how the DRP is now organized to manage the overlapping refurbishment outages of the Remaining Units. In particular, please see the discussion in Ex. D2-2-8, pp. 6-10, where the One Team Approach, Project Centric organization, and Workstream Specialization are explained. Exhibit D2-2-8, p. 9, Figure 4 is a visual representation of how specialized work teams will transition from Unit 3 to Unit 1 to Unit 4.