PWU Interrogatory #2

Interrogatory

Reference:
Exhibit D2-1-2, Page 4 of 28, Lines 15-21:

Capital Projects being undertaken (or may potentially be undertaken) have higher average expenditures: In EB-2016-0152, the average project cost for active (ongoing or new) Tier 1 capital projects was $42.6M with the maximum being $129.5M for the Darlington Primary Heat Transport Pump Replacement/Overhaul. In this application, the average cost of the active Tier 1 projects (Ex. D2-1-3, Tables 1a, 1b, 1c and 1d) is $55.6M with a maximum of $278.8M for the Darlington 4kV Motor Refurbishment and Replacement project.

Question:

a) Please identify and describe the key drivers of the increase in the average project cost for Tier 1 capital projects being undertaken and planned to be undertaken compared to those in EB-2016-0152.

Response

As noted in Ex. D2-1-2 pp. 3-4, the portfolio of projects in this application is reflective of OPG's extensive program to replace obsolete and/or life expired plant equipment resulting in higher project related investments at Darlington necessary to prepare for 'second life' operations. In addition, the price escalation from 2016 to 2020 for construction type activities in the Toronto area increased by a higher percentage per year than the inflation and escalation rates included in OPG's project cash flows at the time of project approval. Statistics Canada Table: 18-10-0135-01 (formerly CANSIM 327-0058).