Energy Probe Interrogatory #16

Interrogatory

Reference:
Exhibit D2, Tab 1, Schedule 1, page 10 and page 14

a) Apart from EPC contracting strategy, what other contracting strategies exist?

b) What risks does the contractor assume under the EPC contracting strategy?

c) Please confirm that the EPC contracting strategy results in higher prices than other contracting strategies because the contractor assumes more risk than under alternative contracting strategies.

d) When did the current EMSA with the three vendors start and when will it end? Are there competitive tenders for EMSA vendors?

e) How are prices set under the EMSA?

f) How does OPG ensure that the prices under the EMSA are the lowest competitive market prices?

Response

a) Except in circumstances where highly specialized contractors are required such as in fuel handling or high voltage work, in general, OPG utilizes the Extended Services Master Services Agreements ("ESMSA") to execute work in the nuclear project portfolio. The ESMSA is a flexible agreement, which enables a scalable utilization of the Engineering ("E"), Procurement ("P") and Construction ("C") components of a project. OPG may choose to use the ESMSA through various contracting strategies: EPC, EP, PC, EC, E only, P only, C only. Details of each of these contracting strategies can be found in Ex. D2-2-4, Attachment 21, p. 5 and the listed appendices represent the various contracting strategies under the ESMSA.

b) The risks the contractor assumes is based on a combination of the project scope, project risk, contracting strategy and terms and conditions of the contract. Examples of project risk an EPC contractor typically manages in Nuclear Projects are the integration and specific components of subcontractors performing engineering, procurement and construction activities.

c) Not confirmed. OPG cannot confirm that the EPC contracting strategy results in higher prices than other contracting strategies because the risk a contractor manages is based on a combination of the project scope, project risk, pricing model, and terms and conditions of the contract.

d) Refer to Ex. L-D2-01-SEC-55 part (a) and (e).

e) Refer to Ex. D2-2-4, Section 3.6, p. 24.

f) A competitive process was used to select ESMSA vendors. In addition, the ESMSA provides best overall value (rather than pricing alone) through the following mechanisms:

- Independent estimating through the Enterprise Project Office
- Reviewing multiple ESMSA vendor estimates as required for new work activities
- Assessing project risk to optimize the contract strategy, as described in part a), that best supports the project needs.