Board Staff Interrogatory #230

Interrogatory

Reference:
Exhibit F2 / Tab 2 / Schedule 2 / Tables 1a-1b

Question(s):

a) Provide the total actual, planned and OEB-approved base OM&A amounts by business unit for the entire 2017-2021 Custom IR term. Please discuss the largest driver(s) for the variance in aggregate for the entire 2017-2021 Custom IR term.

b) If available, by business unit, please provide the reduction that was reflected in OPG's planned base OM&A amounts as presented in OPG's 2017-2021 Payment Amounts Proceeding to reflect Unit 2 not attracting base OM&A costs while it was offline for refurbishment. Please provide the actual impact on base OM&A of Unit 2 being offline for refurbishment. Please explain any variance.

c) Please explain why the entire OEB-approved $30 million compensation disallowance was applied to base OM&A.

Response

a) The Chart below provides the total actual, planned and OEB-approved base OM&A amounts by business unit for the entire 2017-2021 Custom IR term:

Chart 1
Base OM&A - Nuclear ($M)

Function	2017-2020 Actual and 2021 Budget	2017-2021 OEB Approved	2017-2021 Variance
Nuclear Stations			
Darlington NGS	1,679.6	1,710.1	(30.4)
Pickering NGS	2,312.5	2,469.7	(157.2)
Total Nuclear Stations	3,992.2	4,179.7	(187.6)
Operations and Project Support			
Enterprise Engineering	1,077.7	1,160.3	(82.6)
Security & Training	779.5	752.5	27.1
Integrated Fleet Management	310.3	358.2	(47.9)
Enterprise Projects	55.5	45.3	10.2
Other Support	129.9	89.5	40.4
Total Operations and Project Support	2,352.9	2,405.7	(52.8)
CRVA Eligible Costs			
Fuel Channel Life Extension Ongoing	25.5	22.0	3.5
Pickering Extended Operations Enabling	54.5	1.0	53.5
Optimization of Pickering Shutdown Enabling	5.2	0.0	5.2
Total CRVA Eligible Costs	85.2	23.0	62.2
Total Base OM&A Before Adjustments	6,430.2	6,608.5	(178.3)
OEB Adjustments to Nuclear OM&A	0.0	(280.5)	280.5
Total Base OM&A Including Adjustments	6,430.2	6,328.0	102.2

With reference to the evidence provided in Ex. F2-2-2, the largest drivers for the aggregate 2017-2021 variance are as follows:

- Darlington NGS decreases primarily due to reduced support services, discontinuation of the outage bonus and Tritium Removal Facility work program savings.
- Pickering NGS decreases primarily due to savings from the use of PWU Term employees and reduced support services.
- Enterprise Engineering decreases primarily due to reductions in staffing levels.
- Security & Training increases primarily due to additional training requirements related to hiring Operations and Maintenance Term staff.

- Integrated Fleet Management decreases primarily due to Operations support strategic staff deployments to offset attrition at Darlington.
- Other Support increases primarily due to a difference in reporting of Hydro One share awards expense under collective agreements for represented staff, which is offset by a decrease in other base OM&A where these costs were originally budgeted as a component of the standard labour rate.
- Pickering Extended Operations Enabling increases primarily due to reclassification of expenditures from outage OM&A and project OM&A to base OM&A.
- OEB-approved disallowance adjustments offset functional cost decreases.

b) There was no material impact on Base OM&A of Unit 2 being offline for refurbishment. The majority of costs associated with Darlington remain fixed even if one unit is in refurbishment as discussed in Ex. L-06.1-2 AMPCO-092 in EB-2016-0152, including:
   - Operating and maintaining safety systems and other common systems (Unit 0)
   - Tritium Removal Facility that supports the remaining operating units, Pickering and other nuclear plants as well as other common facilities (e.g. water treatment plant).
   - Fuel handling maintenance and operations to support fueling of the remaining operating units as well as fueling of the units undergoing refurbishment.
   - Support, planning and contract oversight for work being performed with the station, except on the refurbishment units.
   - Operator training to ensure long term operability of the four units.
   - Equipment inspections that are required on a periodic basis.
   - Measurement, monitoring and reporting of environmental emissions.
   - Security, nuclear programs, nuclear oversight, engineering and other operations support costs.

   This is confirmed by the ScottMadden normalization study, noting “no corresponding decline in costs, which are largely fixed” (Exhibit F2-1-1, Attachment 4, p. 3).

c) The OEB directed compensation disallowance pertained to OM&A costs in aggregate, and since the majority of OM&A Regular Labour is within Base OM&A, it was reasonable to assign the entire $30M compensation disallowance to Base OM&A for presentation purposes.