Board Staff Interrogatory #226

Interrogatory

Reference:
Exhibit F2 / Tab 2 / Schedule 1 / Table 2

Question(s):

a) Please provide a table that shows actual (or estimated actual) base OM&A, planned base OM&A and OEB-approved base OM&A (if possible to apply OEB-approved adjustments at the resource type level) for 2017-2021 on a resource type basis.

b) Please discuss the drivers for variances between actual and planned / OEB-approved base OM&A at the resource type level. Specifically, please include a discussion (on a resource type basis) of the impact that outages and refurbishment at the nuclear stations had on base OM&A.

c) Please confirm that the total spend between 2017-2021 on purchased services in the base OM&A category is $655.8 million (or an average of $131.2 million / year). Please confirm that over the 2022-2025 period (prior to the total shutdown of Pickering NGS), OPG intends to spend $617.3 million (or $154.3 million / year on average) on purchased services. Please explain the increased annual spending on purchased services in the 2022-2025 period relative to 2017-2021.

d) Please file a breakdown of the proposed 2022-2026 base OM&A amounts (on a resource type basis) by station.

Response

a) It is not possible to apply OEB directed adjustments at the resource type level as the adjustments were directed in aggregate. As such, OPG has shown resource type level information for the forecasts provided in EB-2026-0152, with a separate line item for the adjustments, below.

Chart 1

Base OM&A - Nuclear ($M)

Resource Type	2017			2018		
	Actual	OEB Approved	Variance	Actual	OEB Approved	Variance
Labour	849.3	908.8	(59.5)	819.0	900.6	(81.6)
Non-Regular Labour	59.0	13.8	45.2	76.3	17.6	58.7
Overtime	69.8	48.7	21.2	68.5	49.1	19.4
Augmented Staff	14.5	6.8	7.8	11.6	6.6	5.0
Materials	97.2	70.4	26.9	95.4	70.3	25.2
License Fees	32.1	37.2	(5.1)	34.7	38.7	(4.0)
Other Purchased Services	128.1	158.5	(30.4)	107.9	182.5	(74.6)
Other	50.9	38.7	12.2	42.1	41.5	0.7
Total Base OM&A Before Adjustments	1,301.1	1,282.9	18.2	1,255.5	1,306.8	(51.3)
OEB Adjustments to Nuclear OM&A[1]		(56.2)	56.2		(55.9)	55.9
Total Base OM&A Including Adjustments	1,301.1	1,226.7	74.4	1,255.5	1,250.9	4.6

Resource Type	2019			2020		
	Actual	OEB Approved	Variance	Actual	OEB Approved	Variance
Labour	796.3	923.8	(127.5)	782.2	937.1	(154.9)
Non-Regular Labour	101.0	16.5	84.4	125.7	15.3	110.3
Overtime	70.1	48.7	21.4	70.4	48.5	21.9
Augmented Staff	11.8	6.1	5.7	13.3	5.8	7.5
Materials	95.2	70.6	24.6	100.2	73.2	27.0
License Fees	36.0	39.6	(3.7)	31.6	40.2	(8.6)
Other Purchased Services	115.9	178.4	(62.5)	127.7	175.8	(48.0)
Other	39.3	40.6	(1.3)	45.7	44.9	0.9
Total Base OM&A Before Adjustments	1,265.6	1,324.4	(58.9)	1,296.8	1,340.8	(44.0)
OEB Adjustments to Nuclear OM&A[1]		(56.0)	56.0		(56.1)	56.1
Total Base OM&A Including Adjustments	1,265.6	1,268.4	(2.8)	1,296.8	1,284.7	12.1

Chart 2

Resource Type	2021		
	Budget	OEB Approved	Variance
Labour	760.7	941.0	(180.3)
Non-Regular Labour	126.5	14.8	111.7
Overtime	66.8	48.9	17.9
Augmented Staff	11.7	4.9	6.8
Materials	102.9	73.0	29.8
License Fees	39.3	40.6	(1.3)
Other Purchased Services	157.1	185.0	(27.9)
Other	46.3	45.3	1.1
Total Base OM&A Before Adjustments	1,311.3	1,353.5	(42.3)
OEB Adjustments to Nuclear OM&A[1]		(56.2)	56.2
Total Base OM&A Including Adjustments	1,311.3	1,297.3	14.0

Notes:

1 OEB Adjustments to approved values in 2017-2021 include the annual disallowance of $25M for nuclear Base OM&A (EB-2016-0152 Decision and Order, p. 55) and the annual $30M disallowed in compensation (EB-2016-0152 Decision and Order, p. 84). OEB adjusted values also include adjustments to low and intermediate level waste management variable expenses (EB-2016-0152 PAO Appendix A Table 1a/2a/3a/4a/5a, note 5b and per Ex. N1).

b) The most significant drivers to the resource trend shown in the tables in part a) includes:

i) Favourable labour variances in all years 2017-2021. Due to significant levels of Regular staff attrition and in preparation for the planned Pickering shutdown by the end of 2025, OPG is increasingly relying on alternative resources, such as Other Purchased Services, Non-Regular Labour, Overtime and Augmented Staff, to accomplish Base work activities, within collective agreement provisions. As a result, the favourable Regular Labour variance is largely offset by the alternative resource types. This is consistent with past practice, as noted by the OEB in its EB-2016-0152 decision, p. 56: “The OEB agrees with OPG that base OM&A should be considered as a whole and not on the basis of its individual components. As OPG explained, various base OM&A components can be substituted for one another.”[65]

ii) Higher materials spend across the period primarily to address equipment aging and associated reliability issues at Pickering, largely offset by funding planned in Other Purchased Services for discovery scope of work.

iii) “Other” costs increased in 2017 due to an Inventory Obsolescence adjustment for the Pickering provision.

There is no impact on Base OM&A costs by resource type due to outages undertaken including cyclical outages for Darlington units undergoing Refurbishment. Outage costs are provided separately in Ex. F2-4-1 and include incremental costs related to cyclical outages for Darlington units undergoing Refurbishment. Regular staff supporting Cyclical Outages are included in Base Labour.

c) Incorporating 2020 actuals, the Base OM&A purchased services spend is $636.7M during 2017-2021, averaging $127.3M/year. OPG confirms that over the 2022-2025 period OPG has budgeted $617.3M or $154.3M/year on average.

As noted at Ex. F2-2-1, p. 5, the need for short term resources, including Other Purchased Services, is expected to increase through most of the IR term. Some of the key drivers for the $27M/year average increase compared to the 2017-2021 period include:

- Incremental use of external specialized operations and maintenance resources at Pickering NGS to address equipment aging, reliability and resourcing risks
- Incremental use of external specialized resources at Darlington NGS and in Enterprise Engineering to substitute for regular resources temporarily assigned to the Darlington Refurbishment Program
- Short-term increased Nuclear Training requirements due to staff transfers from Pickering to Darlington prior to Pickering shutdown and increased utilization of non-regular resources
- Planning and execution of extensive Emergency Preparedness response drills, with increased scope, over 2023 and 2024 at Pickering and Darlington
- Utilization of short term resources in Nuclear Regulatory Affairs to assist in preparing Nuclear Safety Board Review.

d) The breakdown of the proposed 2022-2026 base OM&A plan on a resource type basis for each station is provided in the tables below:

Chart 3

Base OM&A - Nuclear ($M)

Resource Type	Pickering NGS Plan				
	2022	2023	2024	2025	2026
Labour	241.3	236.4	218.9	145.8	0.0
Non-Regular Labour	82.9	82.8	83.9	59.7	0.0
Overtime	28.3	28.9	25.4	16.9	0.0
Augmented Staff	0.6	0.6	0.6	0.3	0.0
Materials	52.7	52.5	52.0	39.5	0.0
License Fees	1.1	1.1	1.1	1.1	0.0
Other Purchased Services	39.8	40.3	37.4	44.8	0.0
Other	17.2	17.4	17.3	11.1	0.0
Total Base OM&A	463.8	460.0	436.7	319.1	0.0

Resource Type	Darlington NGS Plan[1]				
	2022	2023	2024	2025	2026
Labour	232.5	226.9	233.7	238.2	244.8
Non-Regular Labour	15.9	16.0	16.3	11.6	9.8
Overtime	21.4	20.7	22.6	22.4	25.9
Augmented Staff	2.9	2.6	2.6	0.8	0.0
Materials	40.0	42.2	43.1	39.3	40.8
License Fees	0.2	0.2	0.2	0.1	0.1
Other Purchased Services	23.2	27.3	25.4	32.2	33.3
Other	14.0	12.7	11.7	13.4	14.6
Total Base OM&A	350.1	348.6	355.6	358.0	369.4

Notes:
1 The Darlington NGS plan for 2025 and 2026 includes some departments transferred from Integrated Fleet Management.