UNDERTAKING J1.3

Undertaking

TO EXPLAIN HOW OPG RECORDS COSTS IN THE VARIANCE ACCOUNT RELATED TO LABOUR; TO ADVISE IF THE COSTS OF INITIATIVES INCLUDE ANY FINANCING COSTS, TO EXPLAIN WHAT COSTS OPG IS BOOKING TO THIS ACCOUNT, AND HOW AND WHETHER THE FULLY ALLOCATED COSTS AND FINANCING COSTS ARE THERE OR WHAT EXACTLY IS BEING BOOKED

Response

The amounts recorded by OPG in the Nuclear Development Variance Account ("NDVA") represent non-capital costs incurred "for planning and preparation for the development of proposed new nuclear generation facilities", as per O. Reg. 53/05, section 5.4(1). Amounts being recorded are expenditures to preserve the option to build new nuclear generation, including maintaining the environmental assessment for site licence renewal and advancing a number of environmental assessment commitments necessary to be ready for eventual site preparation, as well as preliminary planning and preparation costs for developing a small modular reactor at the Darlington site, including technology developer selection, licencing, and project development and oversight costs.

These costs include internal labour costs and expenditures on purchased services, and are tracked separately in OPG's financial reporting systems. Internal labour costs are for fully dedicated individuals or hours charged through OPG's time keeping system, and are based on standard labour rates that include base salary, benefits and various payroll taxes. Purchased service costs are for external vendors and short-term contracted staff working on planning and preparation for new nuclear development.

Only direct costs are tracked and recorded in the NDVA; there are no allocations of common 'overhead' costs captured in the account.

Financing costs are not recorded in the NDVA. As authorized by the OEB, OPG records interest on unamortized balances in the account at an OEB prescribed interest rate.

All costs recorded in the NDVA are those incurred for planning and preparation for new nuclear development at the Darlington site, including the potential grid-scale SMR generating station. No costs are recorded in the account in relation to off-grid SMR activities or initiatives.