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Nancy Marconi
Registrar
Ontario Energy Board
2300 Yonge Street, 27th Floor
Toronto, ON M4P 1E4

Dear Ms. Marconi,

RE: EB-2024-0136 – Review of OPG Filing Guidelines – Written Reply Comments of the London Property Management Association

On behalf of the London Property Management Association (“LPMA”) I have reviewed the written comments filed by Ontario Power Generation (“OPG”) and other interested parties related to the review of the OPG filing guidelines.

The only significant difference that LPMA is commenting on in this reply is related to project thresholds for capital projects and project OM&A. The current thresholds used to determine the information required to be filed for capital projects is Tier 1 - \$20 million or more; Tiers 2 – between \$5 million and \$20 million; and Tier 3 – less than \$5 million.

Most parties, other than OPG, commented that they did not think any change should be made to these thresholds. LPMA suggested that due to cumulative inflation since 2011, a modest increase in the thresholds would be appropriate, and proposed Tier 1 to be \$25 million or more, Tier 2 to be \$10 million to \$25 million and Tier 3 to be less than \$10 million, with the OM&A threshold also increasing to \$25 million.

OPG has suggested changing the thresholds for capital projects and project OM&A by different amounts. For capital projects, OPG suggests Tier 1 be set at \$40 million or more, Tier 2 to be between \$10 million and \$40 million and Tier 3 to be less than \$10 million. While agreeing with the doubling of the Tier 3 threshold from \$5 million to \$10 million, LPMA believes that the doubling of the threshold for Tier 1 (and the upper limit for Tier 2), as proposed by OPG is too large of an increase at this time. At the same time, LPMA recognizes that its proposed increase to \$25 million may not adequately reflect the impacts of cumulative inflation since 2011. As a result, LPMA is amending its submission with respect to the \$25 million threshold for Tier 1 (and upper limit on Tier 2) to \$30 million. The Tier 3 threshold would still be \$10 million.

OPG is also proposing to increase the threshold for project OM&A costs from \$20 million to \$30 million for Tier 1, \$10 million to \$30 million for Tier 2 and less than \$10 million for Tier 3. LPMA had originally commented that increasing the \$20 million to \$25 million was reasonable, given the increase in cumulative inflation since 2011. Having read the OPG comments, LPMA agrees with OPG that increasing the threshold from \$20 million to \$30 million is reasonable (as are the Tier 2 and 3 thresholds proposed by OPG).

However, LPMA does not agree that the adjustments to the variance analysis thresholds for Tier 1 capital projects and OM&A projects from the current 10% threshold to 20% of the project budget, as proposed by OPG, should be made. OPG states that execution business cases are intended to align with the Association for the Advancement of Cost Engineering Class 3 range of estimates and are expected to be within an accuracy range of -20/+30%.

LPMA believes that detailed variance analyses should be done when the variance from budget is 10% or greater. Limiting detailed variance analyses to 20% or more would deprive interested parties and the Board in the ability to determine if there is a structural problem or a common source of large variances from budget. Regardless of an accuracy range, LPMA believes that a variance of 10% or more is large enough to justify detailed explanations of the causes.

Yours very truly,

Randy Aiken
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