

## EB-2024-0136 Stakeholder Consultation

### Review of OPG Filing Guidelines

#### AMPCO Reply Comments

June 25, 2024

The Ontario Energy Board (OEB) held a stakeholder session on May 14, 2024 on proposed updates to the Filing Guidelines for Ontario Power Generation. Stakeholders have the option to provide additional comments in response to any initial feedback by other stakeholders by June 25, 2024. AMPCO provides the following additional comments on OPG's Comments filed on June 11, 2024.

#### Capital Projects

In response to OEB staff's request for feedback on whether the capital project cost thresholds used to determine the information required to be filed remain appropriate given that they were established in 2011, OPG proposes to increase the thresholds as follows:

Capital Projects	Existing Threshold	Proposed Threshold	Project OM&A
Tier 1	\$20 M or more	\$40 M or more	\$30 M or more
Tier 2	Between \$5 M & \$20 M	Between \$10 M & \$40 M	Between \$10 M & \$30 M
Tier 3	Less than \$5 M	Less than \$10 M	Less than \$10 M

AMPCO does not support increasing the thresholds as proposed by OPG as it will have a cascading effect with more projects classified as Tier 2 and Tier 3 in OPG's applications where significantly less project cost information is provided compared to Tier 1.

For example, in EB-2020-0290, OPG filed Nuclear Capital Project Listing tables for Tier 1, Tier 2 and Tier 3 projects as follows.<sup>1</sup>

EB-2020-0290 Capital Projects	# of Projects	# of Business Cases Filed
Tier 1	81	72
Tier 2	91	Not Required
Tier 3	117	Not Required
<b>Total</b>	<b>289</b>	

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<sup>1</sup> Exhibit D2 Tab 1 Schedule 3

OPG is only required to file a Business Case Summary (BCS) for Tier 1 projects, and in the last proceeding OPG filed 72 BCSs.<sup>2</sup> There is no additional regulatory burden to create these documents as OPG already develops business cases internally as part of its established project management process. If the cost threshold for Tier 1 projects was doubled to \$40 M or more, AMPCO estimates that OPG would have only been required to file BCSs for 33 projects in EB-2020-0290. The remaining 48 projects would have fallen under Tier 2, where no business case is required and the project cost information provided is less.

This is of concern, as the level of project information OPG provides decreases significantly between Tier 1 and Tier 2 and even more so between Tier 2 and Tier 3.

For Tier 1 projects, in addition to providing business cases, OPG's provides the Total Project Cost compared to the First Execution Business Case which for several projects in EB-2020-0290, the variance was significant.<sup>3</sup> Under OPG's threshold proposal, this view would be lost for projects between \$20 M and \$40 M as these projects would now be classified as Tier 2 projects and this information is not required.

Currently, for Tier 3 projects, business cases and individual project cost data is not provided. Rather the cost data is provided at an envelope level reflecting total number of projects and total project costs<sup>4</sup>, which in EB-2020-0290 was 117 projects at a total cost of \$245.6 M.<sup>5</sup> There is no visibility on individual project costs compared to budget or in-service dates for projects less than \$5 M. Increasing the Tier 3 cost threshold to projects less than \$10 M, means that the number of projects where OPG provides no individual project cost details will increase.

OPG indicates the revision in the thresholds would affect the filing of business cases but it would not reduce the level of summary information provided in OPG's tables for projects over \$10 million.<sup>6</sup> As discussed above, AMPCO is pointing out that there is a difference in the level of summary information provided in OPG's tables for projects in Tier 1 compared to Tier 2 and as a result the revision in the thresholds would place previous Tier 1 projects in Tier 2 where less summary information is provided.

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<sup>2</sup> The number of BCS documents is less than the number of projects as some projects were combined into one BCS.

<sup>3</sup> Exhibit D2 Tab 1 Schedule 3 Table 1a, 1b, 1c, 1d

<sup>4</sup> Broken down between Darlington, Picker and Operations and Project Support

<sup>5</sup> Exhibit D2 Tab 1 Schedule 3 Table 3

<sup>6</sup> OPG Comments June 25, 2024 p.6

## Materiality Thresholds

OPG also believes that there should be adjustments to the variance analysis thresholds for Tier 1 capital projects and OM&A projects from the current 10% threshold to 20%. OPG views projects with a 20% variance as still reasonable within the range of AACE Class 3 estimates within an accuracy range of -20/+30% and more consistent with OPG's governance for variance analysis (also at 20%), at which point a superseding business case is required. There are differences in mandates as between OPG's internal governance and the OEB's prudence review of completed projects and AMPCO respectfully submits the thresholds do not need to be the same.

With respect to OPG's use of AACE Class estimates, movement to the execution phase requires that a project have progressed to at least a Class 3 estimate in order for a full release or partial release execution phase BCS to be approved. After an execution phase BCS has been approved, the project is considered to have a committed total project cost. Projects in the execution phase are still subject to known and unknown risks, which can result in cost and schedule variances.<sup>7</sup>

Once an OPG project has a committed cost and the OEB approves this cost, AMPCO does not believe the OEB's variance analysis threshold needs to be tied to the AACE Class 3 estimates accuracy range. The existing 10% threshold remains appropriate and in AMPCO's view provides the appropriate level of review for Tier 1 projects.

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<sup>7</sup> EB-2020-0290 D2-1-1 p. 9