**PROJECT OM&A – NUCLEAR**

### 1.0 PURPOSE

The purpose of this evidence is to present an overview description of the Nuclear OM&A project budget for the historical years, bridge year, and test period.

### 2.0 OVERVIEW OF PROJECT MANAGEMENT PROCESSES

A description of the initiation, review and approval process for OM&A and capital projects in OPG Nuclear is provided in Ex. D2-T1-S1.

### 3.0 OVERVIEW OF OM&A PROJECT EXPENDITURES

OM&A projects are those work items that meet the criteria for project categorization as outlined in Ex. D2-T1-S1 Section 2.0, and are classified as OM&A by the classification rules found at Ex. A2-T2-S1.

Exhibit F2-T3-S1 Table 1 presents Nuclear OM&A project expenditures by sponsoring division and category for the period 2005 - 2009.

Project OM&A expenditures have been categorized in Ex. F2-T3-S1 Table 1 as released facility projects, facility projects to be released, listed work to be released, P2/P3 isolation project and Pickering B refurbishment projects, which are defined in Ex. D2-T1-S1. In addition, unique to project OM&A is the category of infrastructure, which includes four elements:

- Project support funding for staff whose responsibilities support the entire nuclear project portfolio, for example portfolio management and reporting staff whose efforts cannot appropriately or efficiently be charged to individual projects.
- An allocation for minor modifications at each of the three nuclear sites and for the centrally-managed facilities function. Minor modifications are initiatives identified in the project identification phase which are characteristically low cost (generally, less than $200,000 per generating unit), for which the full project management process is
unwarranted. For administrative efficiency, these initiatives are funded via drawdown of
the minor modifications budget allocated to each station and central facilities.

- A provision for conceptual funding to undertake project initiation work, as identified in Ex.
  D2-T1-S1 Section 2.1.

- Actual costs of capital project cancellations or write-offs. Accounting policy requires that if
  a capital project is cancelled, its value is written-off to OM&A in the year the decision is
  made. The practice in nuclear is to account for these write-off amounts as part of project
  OM&A infrastructure costs in the year incurred. As the write-off occurs in the year of the
  decision and cannot be predicted, there is no budget for these items and their impact
  must be managed by other project under-spends in a particular year or through use of
  portfolio-level project contingency.

In addition, project OM&A expenditures have been categorized in Ex. F2-T3-S1 Table 2 by
the categories of regulatory, sustaining or value enhancing/strategic as defined in Ex. A2-T2-
S1.

As indicated in Ex. D2-T1-S1, the nuclear project portfolio is approved via the OPG business
planning process, with the OPG Board of Directors approving the OM&A and capital project
portfolio budget which is then administered via the portfolio management process. As part of
the 2008 business planning process, the OPG Board of Directors approved $290M ($172 M
capital and $118M OM&A) as the appropriate and required level of ongoing project
expenditure to maintain the generating assets and associated infrastructure. In addition to
this ongoing project portfolio investment, there are expenditures associated with the P2/P3
isolation project and Pickering B refurbishment project (see Section Ex. D2-T2-S1 for
descriptions). The total cost of OM&A projects are presented in Ex. F2-T3-S1 Table 1.

Exhibit F2-T3-S1 Table 1 presents the following trends over the 2005 - 2009 period.
Definition of terms is as provided in Ex. D2-T1-S1:

- “Released Facility Projects” work decreases from $65.0M in 2007 to $29.0M in 2009,
  reflecting completion of current project work, while the some 2008 and 2009 work is yet
to be released. As the data presented reflects 2008 business planning information
(provided in late 2007), this is consistent with industry experience, where up to two years
of released work is the norm.

- “Facility Projects to be Released” increases in the test years (complementary to the trend
for “released” work discussed above), reflecting expected further release of funds to
complete ongoing project work currently in the project definition or early execution phase,
with a partial or developmental release in place.

- “Infrastructure” costs are relatively stable in the test years $29.4M in 2008, 29.0M in
2009) including $1M for conceptual funding, $12.3M for project support and $16.0M for
minor modifications at Pickering A, Pickering B, Darlington, and programs and training
facilities. The reduction in infrastructure costs from $41.1M in 2006 to a projected $29.0M
in 2009 reflects the following:
  - 2005, 2006 and 2007 include project write-offs which were incurred in that year
($11.7M in 2005, $7.7M in 2006, $3.0M in 2007); these are not budgeted in advance,
and would only be incurred if specific capital projects were identified for cancellation
and write-off in the 2008 - 2009 period.
  - Project support decreases by $3.7M over the 2007 - 2009 period, reflecting primarily:
    transfer of operating costs for the Pickering shower/change/lunch facility to Pickering
    A base OM&A, transfer of funding for Procurement Engineering staff to Supply Chain
    base OM&A, and reduced project support staff numbers as a result of process
    efficiencies. In addition, conceptual funding is reduced by $1.5M between 2007 -
    2008 reflecting an expected downturn in new projects as Pickering B nears end-of-life
    (assuming no refurbishment or life extension is undertaken).

- “Listed Work to be Released” increases over the test period, consistent with expectations
that listed projects will continue to move from the project identification and initiation
phases into the project development phase during 2008. Exhibit F2-T3-S1 Table 4a/b
provides a list of potential OM&A projects currently under review.

- “P2/P3 Isolation Project” increases in 2008 reflecting peak project activity, then ramps
down to completion in 2009. This OM&A work includes moving, isolating or repositioning
safety or control systems that are required for continued operation of Pickering A Units 1
and 4 after the safe storage of Pickering A Units 2 and 3.
"Pickering B Refurbishment Project" reflects potential expenditures if the OPG Board decides to proceed with one of the life extension options for the four affected units. See Ex. D2-T1-S3.

Ex. F2-T3-S3 presents further details of OM&A projects included in these expenditures.

3.1 OM&A Project Drivers

Sustaining projects have been a major factor in OM&A project expenditures over the 2005 - 2009 period.

In 2005, predominating effort was sustaining work on Pickering B Units 5 and 6 boiler divider plate inspection and repair ($23.5M) and Pickering B boiler water lancing ($10.2M).

In 2006, the major OM&A initiative was again sustaining in nature, with Pickering B boiler water lancing ($10.9M). The next most significant expenditures were regulatory in nature, associated with Pickering A Unit 4 boiler chemical clean and flushing ($15.1M total) and the Darlington environmentally-qualified component replacement project ($8.5M).

In 2007, the largest individual project expenditures were regulatory, particularly the Darlington environmentally-qualified component replacement ($12.2M) and single fuel channel replacement execution ($9.7M).

In 2008, the major planned items are regulatory and boiler maintenance. Specifically, Darlington environmentally-qualified component replacement ($12.2M) is regulatory. The next most significant planned expenditures are sustaining work related to Pickering B Units 7 and 8 boiler locking tab and divider plate repair ($7.4M) and Pickering B boiler water lancing ($4.9M).

In 2009, the major planned items are again sustaining work directed to Pickering B boiler water lancing ($10.5M) and Darlington boiler primary side cleaning ($7.8M). The next most significant planned expenditures are Darlington environmentally-qualified component
replacement ($6.9M) and Pickering administration building rehabilitation ($3.0M).

For projects with cash flows in the test period, additional project information can be found in Ex. F2-T3-S3.