COMPARISON OF PROJECT OM&A – NUCLEAR

1.0 PURPOSE
This evidence presents period-over-period comparisons of project OM&A for the nuclear facilities.

2.0 OVERVIEW
2.1 Period-over-Period Changes - Test Period
Year-over-year variances are presented by facility in Ex. F2-T3-S2 Table 1b and are explained here. Where projects have expenditures in the test period, more detailed project information is contained in Ex. F2-T3-S3.

2009 Plan versus 2008 Plan
The decrease in planned spending for 2009 (-$7.5M) reflects planned completion of work for the P2/P3 isolation project in 2009 (-$12.6M), partly offset by the execution of Pickering B projects that were deferred pending the Pickering B refurbishment decision ($5.1M).

2008 Plan versus 2007 Actual
The increase in planned spending in 2008 ($33.1M) is a direct result of the increase in project portfolio OM&A funding to $118M (increase of $15.9M) as part of the $290M project portfolio budget approved by OPG’s Board of Directors. Increased work effort is related to a number of OM&A projects, with the most significant increases associated with Pickering B boiler maintenance projects (locking tab repair and waterlancing, $10.6M total). In addition, there is an increase in the P2/P3 isolation project spending ($17.2M) reflecting peak project activity in 2008.

2.2 Period-over-Period Changes – Bridge Year
Year-over-year variances are presented by facility in Ex. F2-T3-S2 Table 1a and 1b, and explained here. Where projects have cash flows in the test period, and only for those projects, more detailed project information is contained in Ex. F2-T3-S3.
2007 Actual versus 2007 Budget

Project OM&A was underspent in 2007 (-$25.8M), primarily due to delays in the P2/P3 isolation project work (-$17.5M). As noted in Ex. D2-T1-S1, P2/P3 isolation project delays reflect deferral of construction and maintenance ramp-up (to allow greater progress on engineering/assessment activities), and the new Canadian Nuclear Safety Commission requirement for an environmental assessment for the project (with conservative deferral of potentially-impacted activities). The balance of the variance (-$8.2M,) reflects the net impact of positive and negative variances resulting from day-to-day decisions and execution challenges across 124 OM&A projects that were managed in 2007. The largest individual contributors to the underspending are:

- Pickering A vacuum building MV13 repairs, which were put on hold to allow the review of the scope of planned project work as it relates to all vacuum building reliability risks (-$1.8M).
- Pickering A boiler chemical clean project, which was deferred to 2012 (-$1.3M).
- Darlington minor modifications project, which was under plan (-$1.2M) due to scheduling issues.

2007 Actual versus 2006 Actual

Total project OM&A decreased (-$30.4M). For facility projects (released), the year-over-year reduction (-$34.3M) is driven largely by Pickering A (-$22.8M) and Pickering B (-$10.9M). At Pickering A, the decrease is primarily due to the 2006 completion of steam generator feedwater nozzle and thermal sleeve repairs (-$10.2M) and steam generator flushing and chemical clean preparations for 2008 outage (-$12.5M). At Pickering B, major project completions in 2006 include the scheduled phase of the steam generator water lancing (-$10.6M), steam generator divider plate repairs (-$3.2M), and main output transformer subsurface investigation (-$2.5M).

Other factors contributing to the year-over-year change are infrastructure costs (-$4.7M) reflecting largely the impact of extraordinary capital write-offs in 2006, and planned increases in P2/P3 isolation project work ($7.9M).
2.3 Period-over-Period Changes – Historical Years

Year-over-year variances are presented by facility in Ex. F2-T3-S2 Table 1a and are explained here. Where projects have cash flows in the test period, and only for those projects, more detailed project information is contained in Ex. F2-T3-S3.

2006 Actual versus 2006 Budget

The variance to budget in 2006 (-$14.9M) is primarily due to project delays. Specifically, the facility projects (released) under-variance is influenced by the deferral of the Pickering B Unit 6 boiler divider plate repairs (-$11.3M) - a new repair method is being developed to reduce execution time, radiation dose to workers, and costs, and this method will be implemented in 2008. Adding to the variance was delay of the Pickering B transformer secondary spill containment projects (-$2.9M) offset by a number of minor project advancements. At Pickering A, major drivers were Pickering A Unit 4 boiler maintenance work (boiler chemical cleaning, boiler flushing, and feedwater nozzle replacement [$9.7M] which was advanced, with a partial offset primarily due to deferral of Pickering A Unit 1 and Unit 4 feeder replacement work (-$3.9M), Pickering A Unit 2 and 3 safe storage (-$2.3M) and administration building refurbishment (-$1.8M). The variance for engineering and modifications (-$1.9M) reflects delays in commencement of digital control computer aging management, while at Darlington, delay is in environmentally-qualified component replacement (-$1.5M) and feeder replacement project (-$1.4M), partly offset by numerous minor project variances.

In infrastructure, the over-variance is due to the write-off of several older capital projects that were cancelled and their value written-off ($7.7M). In addition, conceptual funding was increased by $2.4M in 2006 to allow more detailed scope development of future projects, to facilitate improved cost estimates for input to the portfolio management process.

Contingency (-$10M) was not required in 2006 due to the beneficial cost impact of project delays.

2006 Actual versus 2005 Actual
The change in spending 2005 - 2006 (-$13.9M) is primarily due to completion of Pickering B Unit 5 and Unit 6 boiler divider plate inspection/rework projects in 2005 (-20.7M), offset by numerous lower value project variances.

2005 Actual versus 2005 Budget

The variance to budget in 2005 (-$14.6M) is primarily due to the fact that contingency was not required in 2005 (-$15.9M), partly offset by numerous lower value project variances.