PROJECT OM&A – REGULATED HYDROELECTRIC

1.0 PURPOSE
This evidence provides a summary of the OM&A project expenses for the regulated hydroelectric facilities.

2.0 OVERVIEW
The regulated hydroelectric project OM&A expense for 2007 - 2012 is provided in Ex. F1-T3-S1 Table 1. The test period project OM&A expenses of $9.7M and $10.0M (in 2011 and 2012, respectively) form part of the OM&A expense in the revenue requirement.

OPG’s OM&A projects differ from base OM&A work because they have a non-recurring scope of work, a generally longer timeline and a higher materiality threshold. In contrast, base OM&A work activities are typically of an ongoing or routine nature. OM&A projects are distinct from capital projects because they do not meet the criteria for capitalization under OPG’s capitalization policy (see Ex. A2-T2-S1). Hydroelectric plant groups manage both capital and OM&A projects (including those for the regulated facilities) in a project listing that forms the basis for budgeting during the annual business planning process. Projects are identified through routine inspections, engineering reviews and detailed plant condition assessments. The process for identifying and prioritizing hydroelectric projects is described in Ex. F1-T1-S1.

OM&A projects are mainly sustaining expenditures for repairs and maintenance, such as major unit overhauls. The costs are above a materiality threshold (typically $50k), but do not meet the rules for capitalization. In addition to maintenance projects for production equipment, there are many projects related to aging civil structures. Project OM&A expenditures on production equipment include the unit rehabilitation program at Sir Adam Beck Pump Generating Station, which is expected to start in 2011. This project is estimated at $15M, of which $3.3M is planned to be spent in 2011 and 2012. Major OM&A projects are listed in Ex. F1-T3-S3.
The management of regulated hydroelectric OM&A projects is identical to that of capital projects as described in Ex. D1-T1-S1.