COMPARISON OF BASE OM&A – NUCLEAR

1.0 PURPOSE
This evidence presents period-over-period comparisons of base OM&A costs for the nuclear facilities for 2007 - 2012.

2.0 OVERVIEW
This evidence supports the approvals sought for nuclear base OM&A. Year-over-year changes and historical period variances to budget are presented in Ex. F2-T2-S2 Tables 1a-1c. The descriptions below report on changes or variances of 10 per cent or greater at the station or divisional 'operating function' level, subject to a minimum materiality limit of $1M.

Modest base OM&A increases are forecast between 2011 and 2012 and from 2010 to 2011. The year-over-year changes indicate that cost control efforts in most divisions are offsetting cost increases.

3.0 PERIOD-OVER-PERIOD CHANGES – TEST PERIOD
2012 Plan versus 2011 Plan
Ex. F2-T2-S2 Table 1c indicates an overall base OM&A increase of $27.5M (2.3 per cent) between 2011 and 2012, and indicates those operating functions with reportable changes.

This increase includes $47.8M of increases due to labour cost escalation, payroll burden increases and the impact of the 53rd fiscal in 2012 (Ex. F2-T2-S1 Table 3), partially offset by $20.3M in savings resulting from cost control efforts. The most significant cost increases are for Operations (+$13.4M), which primarily reflects escalation-related and 53rd fiscal week impacts noted above (+$8.8M) and Darlington pre-hiring of key operating staff to offset expected attrition (+$2.5M).

Within the stations, the reportable operating function level changes are:
• Support Services (+$5.0M) reflecting primarily Pickering B ($4.5M) for which a cost reduction commitment (-$4.5M) was centrally held in 2011. All cost reductions were
distributed to divisions in 2012 restoring Support Services to the appropriate budget level, which results in this apparent year-over-year change.

- Tritium Removal Facility (+$2.4M) reflecting increase in planned outage work in 2012.
- Continued Operations (-$3.1M) reflecting initiative work flow.

Within the support divisions, the only reportable change is Nuclear Level Common (+$3.2M) reflecting planned consulting services.

2011 Plan versus 2010 Budget

Ex. F2-T2-S2 Table 1c indicates a base OM&A increase of $5.3M (0.4 per cent) from 2010 to 2011, with reportable year-over-year changes for two station functions and three support functions.

Considering that this increase includes escalation and payroll burden changes of $39.5M (Ex. F2-T2-S1 Table 3), this year-over-year change indicates that cost control efforts in most divisions are offsetting $34.2M of the cost increases.

Within the stations, the reportable changes are:
- Work Management (-$4.0M) reflecting primarily discontinuation of the Vacuum Building Outage ("VBO") Department following completion of this activity in 2010.
- Continued Operations (+$7.9M) reflecting work flow of this initiative.
- Pickering B Refurbishment (-$1.2M) reflecting work completion in 2010.

Within the support divisions, the reportable changes are:
- Projects & Modifications (-$2.2M) reflecting decreased requirements for station outage support in 2011.
- Nuclear Level Common (-$2.7M) reflecting primarily the 2010 reserve for VBO support (-$4.1M), and ending of the P2/P3 electricity cost credits (+$0.7M).
4.0 PERIOD-OVER-PERIOD CHANGES – BRIDGE YEAR

2010 Plan versus 2009 Actual

Ex. F2-T2-S2 Table 1c indicates base OM&A decrease of $29.5M (-2.4 per cent) between 2009 and 2010, and indicates those operating functions with reportable changes.

The overall nuclear level decrease reflects the cost reduction efforts across all divisions that resulted from 2010 - 2014 business planning. Significant examples (in addition to reportable changes noted below) include: Station Engineering (-$6.4M), reflecting absorption of incremental programs back into base OM&A (e.g., backlog reduction efforts); redirection of Pickering B engineering staff to support Continued Operations; and, some early benefits of Fleet-Wide Initiative EN-02 (see F2-T1-S1). EN-02 also benefits Nuclear Programs & Training (-$2.1M), reflecting in part the impact of reduced engineering staff hires resulting from planned regular staff reductions.

Within the stations, the reportable changes are:

• Radiation Protection, Chemistry and Environment (-$6.3M) reflecting a change of cost treatment between base OM&A (where costs were collected in 2009) and outage OM&A (where costs are budgeted in 2010) that results in no net impact on OM&A costs.
• Support Services (-$8.5M) reflecting primarily Pickering B (-$3.4M) where cost reduction challenges are being centrally held until planning is complete; and, Darlington (-$3.5M) reflecting the transfer of shift outage bonus to Maintenance for 2010 and the test period (offset in Darlington Maintenance).
• Continued Operations ($8.1M) reflecting planned increase in work for this initiative.
• Pickering B Refurbishment (-$3.1M) reflecting planned work completion in 2010.

Within the support divisions, the reportable variances are:

• Projects & Modifications (-$6.3M) reflecting a change in handling of Sickness, Accident, Vacation and Holidays (“SAVH”) costs for project staff, which were charged to base OM&A in 2009, but are planned as project OM&A going forward (no impact on total OM&A).
• Inspection & Maintenance Services (-$7.3M) reflecting primarily labour cost reductions associated with discontinuation of services to Bruce Power and efficiency improvements (-$4.9M), transfer of Information Technology and Facilities function non-labour budgets to Corporate groups in 2010 (-$2.9M), and reduced temporary and augmented staff (-$1.0M); partly offset by reduced profit on non-Nuclear work in 2010 (+$1.1M). Nuclear Level Common ($19.7M) reflecting primarily the 2009 labour price under expenditure noted below ($10.2M total), one-time 2009 insurance premium rebate and P2/P3 safe storage project electricity credits ($3.0M), and 2010 CNO allocation for Pickering VBO support ($4.1M).

5.0 PERIOD-OVER-PERIOD CHANGES – HISTORICAL YEARS

2009 Actual versus 2009 Budget

Exhibit F2-T2-S2 Table 1b shows 2009 actual base OM&A was under budget by $56.7M (4.7 per cent), and indicates those operating functions with reportable variances.

While stations were essentially on budget, there are significant offsets reflecting temporary redirection of effort from Operations, Station Engineering and Support Services to the Maintenance functions to support more aggressive maintenance backlog reduction.

Within the support divisions, the total under expenditure of -$58.5M was driven primarily by lower than planned expenditures in Supply Chain, Inspection & Maintenance Services and Nuclear Level Common, supplemented by divisional cost reduction efforts/other savings as noted below.

Within the stations, the reportable variances are:

• Radiation Protection, Chemistry and Environment (+$5.5M) primarily reflecting a budget/actual mismatch, that has no impact on Nuclear level OM&A. Specifically, the Radiation Protection Support budget assumed overtime and temporary staff (funded by outage OM&A) while the work was actually done by seasonal regular staff (funded by base OM&A).
• Pickering Common Services (-$4.4M) reflecting reduced labour and purchased services to offset greater than planned costs of the Pickering A P941 outage.

• Support Services (-$5.7M) reflecting primarily Pickering B (-$7.4M) due to a budget transfer of the fire protection function to Maintenance during the year, which is offset in Maintenance.

• Continued Operations (+$1.6M) reflecting earlier than planned start of this initiative.

• Pickering B Refurbishment (+$4.3M) reflecting the fact that regulatory requirements continue to evolve, and it has taken greater than planned effort to meet CNSC expectations for the Environmental Assessment and Integrated Safety Review. This work will now be completed in 2010.

Within the support divisions, the reportable variances are:

• Projects & Modifications (+$3.9M) reflecting greater than planned base and outage support for stations, to address emergent work.

• Records & Admin (-$7.9M) reflecting primarily an organizational transfer that has no impact on Nuclear level OM&A (-$3.6M, for the organizational transfer of departmental administrative assistants to line organizations to drive cost efficiency); and, divisional cost control initiatives (-$3.1M).

• Nuclear Programs & Training (+$20.4M) reflecting primarily organizational transfers with no impact on total OPG OM&A, specifically: transfer in from Performance Improvement and Nuclear Oversight for improved alignment (+$21M); and, transfer out to Corporate Human Resources (-$2.0M) to allow consolidation of Leadership Training at the corporate level. A corresponding change is noted in Performance Improvement and Nuclear Oversight (-$21M).

• Supply Chain (-$12.0M) reflecting lower than planned inventory valuation and obsolescence provisions (-$7.9M), as defined in Ex. F2-T2-S1 section 2.2), and, labour and overtime cost reductions (-$3.2M) resulting from greater than planned attrition combined with aggressive vacancy management.

• Inspection & Maintenance Services (-$10.2M) reflecting primarily: transfer of Human Resources and Finance functions to Corporate (-$3.9M); change in treatment of Bruce-
related support costs from general indirect costs to IMS (non-energy revenue related)
direct cost (-$4.4M); and, lower than planned staffing (-$2.0M).

- Commercial Services (-$2.0M) reflecting primarily lower than planned expenditures
  associated with Bruce lease renegotiation (-$2.0M).
- Waste & Transportation Services (-$1.3M) reflecting lower than planned conventional
  waste shipments, supplemented by divisional cost control efforts.
- Nuclear Level Common (-$19.2M) reflecting primarily: under expenditure on the labour
  price variance account (-$11.2M) as a result of actual labour costs being lower than plan
  due to the impact of senior staff attrition and junior staff hires and, lower actual overtime
  costs versus standard rates (e.g., greater than planned use of time-and-a-half versus
  double time work); P2/P3 safe storage project electricity credits and insurance premium
  rebate (-$3.6M); and, less than planned CNO level expenditures primarily due to unspent
  budget for nuclear level consulting contracts (-2.4M).

2009 Actual versus 2008 Actual
Exhibit F2-T2-S2 Table 1b shows that the 2009 actual base OM&A decreases by $35.9M (-
2.9 per cent) relative to 2008 actuals, and presents those operating functions with reportable
changes.

Considering that this year-over-year decrease includes labour cost escalation and payroll
burden change of $13.5M (Ex. F2-T2-S1 Table 3), this year-over-year change indicates that
cost control efforts are achieving gross cost reductions of $49.4M before escalation. Since
most of these cost control efforts produce 10 per cent year-over-year changes at the
operating function level, they are discussed in more detail below.

Within the stations, the reportable changes are:
- Pickering Common Services (-$3.4M) reflecting primarily completion of Waste Reduction
  and Waste Management Initiatives that had been undertaken in 2008.
- Support Services (-$8.5M) reflecting primarily Pickering B transfer of fire protection
  function to Maintenance in 2009 as noted above (-$7.4M).
- Tritium Removal Facility (+$3.7M) reflecting major planned outage work in 2009.
• Continued Operations (+$1.6M) reflecting initiative start-up in 2009.

• Pickering B Refurbishment (-$4.7M) reflecting project work plan.

Within the support divisions, the reportable changes are:

• Projects & Modifications (+$1.7M) reflecting primarily increased support for station outages.

• Records & Admin (-$6.2M) reflecting primarily the organizational transfer of departmental administrative assistants to line organizations to drive cost efficiency (-$3.6M, fully offset in station and support divisions), and divisional cost control initiatives (-$3.1M).

• Nuclear Programs & Training (+$26.2M) reflecting primarily a cost neutral organizational transfers from Performance Improvement and Nuclear Oversight to improve organizational alignment (+$21M), and an increase in CNSC operating license fees (+$3.9M). A corresponding change is noted in Performance Improvement and Nuclear Oversight (-$21M).

• Security (+$9.0M) reflecting continued progress in transitioning from contracted Durham Regional Police Services to a fully internal OPG security force, with 2009 reflecting a full year of incremental transition costs versus partial year in 2008.

• Supply Chain (-$13.4M) reflecting labour and overtime cost reductions (-$5.6M) resulting from the supply chain improvement initiative (Ex. F2-T2-S1 Attachment 4), and lower than planned inventory valuation and obsolescence provisions (-$7.4M).

• Inspection & Maintenance Services (-$7.5M) reflecting primarily: change in treatment of Bruce-related support cost from general indirect cost to IMS (non-energy revenue related) direct cost (-$4.4M); transfer of functions to Corporate Human Resources and Finance functions (-$2.1M), and profit from greater than planned work for non-nuclear customers (-$1.1M). Waste & Transportation Services (-$1.5M) reflecting reduction in planned heavy water (“D2O”) shipments, supplemented by less than planned miscellaneous contract costs.

• Nuclear Level Common (-$10.0M) reflecting primarily P2/P3 safe storage project electricity cost credit and insurance premium rebate in 2008 (-$3.6M total), and labour price variance (-$6.8M) reflecting primarily the 2009 under expenditure noted above.
2008 Actual versus 2008 Budget

Exhibit F2-T2-S2 Table 1a shows that 2008 actual base OM&A is under budget by $10.3M (-1 per cent), with greater than planned station expenditures ($14.3M, driven largely by increased Maintenance effort to achieve backlog reduction targets) offset by lower than planned expenditures in support divisions (-$24.5M spread across most divisions, including -$11.3M in Nuclear Level Common as noted below). Table 1a also indicates those operating functions with reportable variances, as discussed below.

Within the stations, the reportable operating function variances are:

- Tritium Removal Facility (-$2.7M) reflecting delays in the TRF improvement initiative (Ex. F2-T2-S1 Attachment 4) and deferral of the planned D2O upgrading system outage.
- Pickering B Refurbishment ($2.8M) reflecting greater than planned effort to meet CNSC requirements for the Environmental Assessment and Integrated Safety Review.

Within the support divisions, the reportable operating function variances are:

- Projects & Modifications (+$2.4M) reflecting higher than planned base and outage program support for stations.
- Commercial Services (-$2.1M) reflecting deferral of the Bruce Lease renegotiation to 2009.
- Nuclear Level Common (-$11.3M) reflecting primarily that the planned CNO contingency was not spent (-$5.0M); less than planned labour price variance (-$5.3M) due to overtime cost rate variance; and, less than planned expenditures on nuclear level consultants (-$1.0M).

2008 Actual versus 2007 Actual

Exhibit F2-T2-S2 Table 1a shows a base OM&A increase of $47.6M (+4.0 per cent) from the 2007 actual, which includes escalation of $15.7M (Ex. F2-T2-S1 Table 1). Table 1a also indicates those operating functions with reportable year-over-year changes

Within the stations, the reportable changes are:
Fuel Handling (+$7.5M) reflecting Darlington (+$2.6M) due to costs associated with improving fuel handling reliability and Pickering A (+$4.4M) due to costs associated with fuelling machine repairs and forced outages.

Pickering Common Services ($4.0M) reflecting introduction of waste reduction and waste management initiatives. Work Management (+$4.6M) reflecting primarily Pickering A (+$4.0M) due to pre-requisite support for the 2010 vacuum building outage.

Support Services (+$8.3M) reflecting primarily: Pickering B (+$5.3M) largely due to increased pressure tube inspection costs mandated by life cycle plan, and engagement of business performance consultants.

Pickering B Refurbishment (-$14.3M) reflects primarily project work plan.

Within the support divisions, the reportable changes are:

Projects & Modifications (+$1.4M) due to increased station requirements for base and outage support to address emergent work.

Security (+$4.8M) due to costs of transition from Durham Region to OPG Security Forces, which began in 2008.

Inspection & Maintenance Services (+$7.9M) reflecting the impact of planned staff increases (and associated indirect costs) to reduce reliance on augmented staff and improve the quality of work standards.

Nuclear Level Common (-$8.2M) reflecting the ending of nuclear headquarters employee relocation expenses in Q1 2008, and the completion in 2007 of a major project management improvement consulting contract.

2007 Actual versus 2007 Budget

Exhibit F2-T2-S2 Table 1a shows that 2007 actual base OM&A is under budget by $39.9M (-3.2 per cent), with reportable variances in three station functions and four support functions.

With the stations, the reportable variances are:

Pickering Common Services (-$4.7M) reflecting delays in waste reduction and chemical waste management initiatives (-$1.7M), savings on environmental and waste services contracts (-$1.5M), and savings due to unfilled staff vacancies.
• Support Services under budget (-$7.6M) reflecting primarily: Pickering A (-$4.9M) due to unbudgeted low level waste management credits (OM&A credits for generating less than planned levels of waste), and lower than planned expenditures on common services programs due to focus on forced outages; and, Darlington (-$1.6M) reflecting primarily staff vacancies and budget funding allocated to greater than planned outage work in other divisions.

• Tritium Removal Facility under budget (-$3.1M) reflecting delays in tritium removal facility improvement initiative (Ex. F2-T2-S1 Attachment 4) and unfilled staff vacancies.

Within the support divisions, the reportable variances are:

• Projects & Modifications (+$3.0M) reflecting higher than planned base and outage program support for stations to address emergent work.

• Facilities Management (+$3.9M) reflecting charges for previously under-billed utility costs (-$3.1M) and greater than planned fleet lease and maintenance costs.

• Nuclear Level Common under budget (-$3.0M) reflecting electricity cost credits associated with placing P2/P3 into safe storage (-$1.6M), and lower than planned spending on nuclear level consulting executive search and project management improvement contracts.