1.0 PURPOSE
This evidence provides a description of the Nuclear project OM&A budget for the historical years, bridge year, and test period.

2.0 OVERVIEW
The nuclear project OM&A expense for 2007 - 2012 is provided in Ex. F2-T3-S1 Table 1. The test period project OM&A expense of $135.9M and $132.2M in 2011 and 2012, respectively forms part of the OM&A expense in the revenue requirement. 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 PROJECT OM&A EXPENDITURES
OM&A projects are those work activities that meet the criteria to be categorized as a project, as outlined in Ex. D2-T1-S1 section 2.0, and are classified as OM&A by the capitalization policy found at Ex. A2-T2-S1.

Exhibit F2-T3-S1 Table 1 presents Nuclear project OM&A expenditures by sponsoring division and category for the period 2007 – 2012. Consistent with the categorization of capital projects and definitions provided in Ex. D2-T1-S1, these project OM&A expenditures have been sub-divided into released facility projects, facility projects to be released, listed work to be released and non-portfolio projects.

In addition, there are items unique to project OM&A, as follows:
• “Infrastructure” which includes four elements:
  o Project support funding for staff whose responsibilities support the entire nuclear project portfolio (e.g., portfolio management and reporting staff whose efforts cannot appropriately or efficiently be charged to individual projects and non-project-specific support provided by the Modifications Department).
  o An allocation for minor modifications at each of the three nuclear sites, inspection and
maintenance services, and for the centrally-managed facilities function (including security and simulator functions). Minor modifications are initiatives identified in the project identification phase which have low cost (generally, less than $200k per generating unit) and for which the full project management process is unwarranted. For administrative efficiency, these initiatives are funded via a 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.
- The actual cost of capital project cancellations or write-offs. OPG’s accounting policy requires that if a capital project is cancelled, its value is written-off to OM&A in the year the cancellation decision is made. The practice in nuclear is to account for these write-off amounts as part of project OM&A infrastructure costs. As the write-off occurs in the year of the cancellation decision and cannot be predicted, there is no budget for these items.

- Non-portfolio projects are listed separately from the nuclear project portfolio due to their extraordinary nature, Non-portfolio projects include the P2/P3 Isolation Project (discussed in Ex. D2-T1-S1), and the Pickering B Continued Operations Projects, Pickering B Refurbishment Project and Fuel Channel Life Cycle Management Project (discussed in Ex. F2-T2-S3).

In addition, the Nuclear project OM&A expenditures for released facility projects have been categorized in Ex. F2-T3-S1 Table 2 as regulatory, sustaining or value enhancing/strategic.

As indicated in Ex. D2-T1-S1, the nuclear project portfolio budget is approved through 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 2010 - 2014 business planning process and as indicated in Ex. D2-T1-S1, section 2.0, the OPG Board of Directors approved $108.3M (2011) and $111.2M (2012) for the OM&A project portfolio, as well as specific incremental amounts for the P2/P3 Isolation Project, Pickering B Continued Operations and the Fuel Channel Life Cycle Management Project.
Exhibit F2-T3-S1 Table 1 presents the following trends over the 2007 - 2012 period:

• The project OM&A portfolio (shown on line 9 of the table) remains in the $108M - $111M range throughout the bridge year and test period. As indicated in Ex. D2-T1-S1, a comparison of “net” project OM&A (i.e., removing the accounting adjustment for “SAVH” Sickness, Accident, Vacation and Holiday) shows a significant reduction from the approved budget of $118M for 2008/2009 to a level of $101M - $105M. This reduction, intended to support OM&A cost control efforts, has resulted in a significant deferral of planned work to beyond the current test period. Achieving the approved budget levels will require continued careful assessment and prioritization of work across Nuclear.

• Within the project OM&A portfolio, “Infrastructure” costs decrease to approximately $33M and remain stable for the bridge year and test period. The test period forecast includes approximately $2.5M for conceptual funding, $12M for project support and $19M for minor modifications. Lower planned amounts for the bridge year and test period, relative to the 2007 - 2009 period, primarily reflect the fact that the 2007 - 2009 period included amounts for project write-offs. Potential write-off amounts are not budgeted in advance, and would only be incurred if specific capital projects were identified for cancellation or write-off in the future.

• Also within the project OM&A portfolio, the negative number shown for “Listed Work to be Released” in 2010 indicates the need to reprioritize planned project work (including deferral to future years) to achieve the approved budgeted levels.

• “P2/P3 Isolation Project” work increases in 2009 and 2010 reflecting peak project activity, with project completion planned for 2010.

• The trend in “Pickering B Continued Operations Projects” and the “Fuel Channel Life Cycle Management Project” costs reflect the planned annual expenditures for this work, as outlined further in Ex. F2-T2-S3.

Ex. F2-T3-S3 presents further details of OM&A projects.

3.1 OM&A Project Drivers

Regulatory projects have historically been a major factor in project OM&A expenditures, and remain so throughout 2010, largely due to projects related to Darlington environmental
qualification and the probabilistic risk assessment upgrade project. Beyond 2010, sustaining projects provide the single largest driver for identified major project OM&A costs. However, the potential exists for emergent regulatory project requirements.