COMPARISON OF NUCLEAR NON-ENERGY REVENUES

1.0 PURPOSE

This evidence presents period-over-period comparisons of nuclear non-energy revenues.

2.0 OVERVIEW

This evidence supports the approvals that OPG is seeking with respect to the value of certain of its non-energy revenues from its nuclear facilities. Exhibit G2-T1-S2 Table 1 presents year-over-year comparisons of nuclear non-energy revenues.

3.0 PERIOD-OVER-PERIOD CHANGES - TEST PERIOD

2012 Plan versus 2011 Plan

The 2012 contribution margin from non-energy operations ($20.9M) is forecast to be lower than the 2011 plan ($29.0M) for the following reasons:

- There is no contribution margin (i.e., zero revenues and costs) budgeted for inspection and maintenance services ("IMS") in 2012 compared to 2011. OPG expects to exit the provision of inspection and maintenance work for Bruce Power by mid-year 2011,
- Heavy Water processing revenues are forecast to be slightly lower in 2012 ($1.7M) reflecting lower heavy water and processing services to Bruce Power offset by a forecast of slightly higher Isotope Sales (cobalt and tritium) in 2012 ($1.4M).

2011 Plan versus 2010 Budget

The 2011 contribution margin from non-energy operations ($29.0M) is forecast to be lower than the 2010 budget amount ($45.0M) for the following reasons:

- There is a reduction in 2011 IMS revenues (and costs) relative to 2010 due to the expectation that OPG will exit the provision of inspection and maintenance work for Bruce Power by mid-year 2011.
- There are zero revenues (and costs) budgeted in 2011 for heavy water sales reflecting the proposed change in regulatory treatment to remove the surplus heavy water from regulation. The 2010 budget included an amount for revenues (and costs) for heavy water sales.
• Heavy water processing revenues are higher in 2011 compared to 2010 reflecting an expectation of higher heavy water processing services to Bruce Power.
• Year over year isotope sales (cobalt and tritium) are forecast to be flat.

4.0 PERIOD-OVER-PERIOD CHANGES - BRIDGE YEAR

2010 Budget versus 2009 Actual
The 2010 budget contribution margin from non-energy operations ($45.0M) is forecast to be higher than the 2009 actual amount ($40.7M) for the following reasons:
• There is an increase in the 2009 budgeted IMS contribution margin relative to 2009 actual. This is primarily due to the fact that in 2009, there was a $2.2M transfer of IMS other support costs to IMS direct costs, as discussed below. Second, the IMS contribution margin is expected to improve in 2010 reflecting a more favourable split between billable and non-billable work as compared to 2009.
• Heavy water sales and processing revenues are forecast to decline in 2010 relative to the 2009 actual due to lower heavy water sales and processing services to external customers.
• Isotope sales are forecast to increase in 2010 relative to the 2009 actual. Cobalt 60 sales in 2009 are lower due to the fact that there was only one harvest of this isotope in 2009 versus a forecast of two harvests in 2010. Planned outages are on a two-year cycle and only three Pickering reactors within the OPG nuclear fleet produce cobalt. Every two years, cobalt is harvested from the reactors during an outage and shipped to customers. The outage plan determines how much cobalt is shipped in any one year.

5.0 PERIOD-OVER-PERIOD CHANGES - HISTORICAL PERIOD

2009 Actual versus 2009 Budget
The 2009 actual contribution margin from non-energy operations of $40.7M was lower than the 2009 budget of $47.6M, for the following reasons:
• There is a decrease in the 2010 budgeted IMS contribution margin relative to 2009. This is primarily due to two factors. First, there are other support costs related to IMS included in base OMA (Ex F2-T2-S1 Table 1 Nuclear Support Divisions – Inspection and Maintenance Services). These other IMS support costs are costs associated with sales
administration and other overheads (e.g., unallocated time; SAVH: Sickness, Accident, Vacation, Holidays.). In 2009, actual IMS direct costs in 2009 were higher than budget due to a transfer of approximately $2.2M from other IMS support costs to IMS direct costs. Second, the IMS contribution margin reflects the split between billable work (for which IMS earns revenue) and non-billable work. In 2009 the actual split between billable and non-billable work was unfavourable compared to budget.

- Actual 2009 heavy water sales and processing revenues were higher than budget by $3.0M due to increased heavy water sales and processing services to external customers.
- Actual 2009 isotope sales (cobalt and tritium) were lower than budget in 2009 primarily due to lower cobalt sales as a result of timing differences. There was only one isotope harvest in 2009 instead of the two harvests that had been budgeted.

2009 Actual versus 2008 Actual

The 2009 actual contribution margin from non-energy operations of $40.7M was lower than in 2008 ($56.6M), for the following reasons:

- There was a reduction in the 2009 actual IMS contribution margin relative to 2008, primarily due to the $2.2M transfer of IMS other support costs to IMS direct costs in 2009, as discussed above and a less favourable split of billable to non-billable work in 2009 as discussed above, compared to 2008. There was also lower revenues in 2009 versus 2008, as Bruce Power began to seek out new service suppliers given OPG’s announced intention to exit the provision of IMS services.
- Actual 2009 heavy water sales and processing revenues in 2009 were lower by $3.0M compared to 2008 due to lower heavy water sales and processing services to external customers.
- Actual 2009 isotope sales (cobalt and tritium) were lower by $3.0M compared to 2008 primarily due to the fact that there was only one cobalt-60 harvest in 2009 versus two in 2008 ($3.0M). They were also lower due to the change in the schedule of Pickering Unit 6 cobalt shipments from 2007 to 2008.
The 2008 actual contribution margin from non-energy operations of $56.6M was lower than the 2008 budget ($62.3M), for the following reasons:

- Actual 2008 IMS revenues are lower than budget primarily due to a reduction in the demand for outage and regular maintenance and inspection work from Bruce Power.
- Offsetting the lower 2008 IMS revenues were higher than budgeted cobalt 60 revenues due to a larger than budgeted volume of cobalt-60 harvested and shipped in 2008 due to the rescheduling of Pickering Unit 6 cobalt shipments from 2007 into 2008.
- Actual 2008 heavy water sales and processing services revenues are also higher than budget due to higher than budgeted heavy water sales and processing services to Bruce Power.

The 2008 actual contribution margin from non-energy operations of $56.6M was lower than the 2007 actual of $64.1M, for the following reasons:

- The reduction in 2008 IMS revenues relative to 2007 is due to the completion of one time, major project work in 2007 for Bruce Power coupled with a reduction in demand for outage and regular maintenance and inspection work from Bruce Power in 2008.
- Actual 2008 heavy water sales and processing revenues were slightly lower than in 2007 primarily due to the one-time heavy water sale to a nuclear energy company based in China in 2007 that was not repeated in 2008.
- With respect to isotope sales, actual revenues were slightly higher in 2008 than 2007. In 2007, cobalt-60 sales are below average primarily because of the timing of outages.

The 2007 actual contribution margin from non-energy operations ($64.1M) was higher than the 2007 budget ($49.6M), for the following reasons:

- IMS actual 2007 revenues were higher than the 2007 budget primarily due to the recovery of charges from Bruce Power for deferring a 2007 spring outage to the fall after mobilization, preparatory work, and training had been completed. A further 10-day delay
in the fall outage resulted in more charges paid by Bruce Power. There was also additional 2007 non-budgeted revenue for heat transport system manual drain work.

- The 2007 actual heavy water sales and processing services revenues were higher than budget primarily due to a one-time heavy water sale to a nuclear energy company based in China, higher than planned heavy water sales to “traditional” non-nuclear customers servicing the medical and pharmaceutical fields (nuclear magnetic resonance and deuterated compounds).