

# **2013-2015 Business Planning Instructions**

*Issued by:  
Controllershship-Business Planning &  
Reporting*

*July 20, 2012*

**ONTARIOPOWER**  
GENERATION

## CONTACT INFORMATION

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## 1.0 2013-2015 BUSINESS PLANNING CONTEXT

As OPG begins the 2013-2015 Business Planning (BP) process, it faces a number of challenges with respect to its strategies, operations and finances, including;

- ***OPG faces a number of external challenges, including continuing low electricity demand, rising customer electricity bills, increasing regulatory oversight and large provincial financial deficits:*** Recent, and forecast, increases in consumer electricity prices due to factors such as the impact of the Green Energy Policy and the need to invest in aging infrastructure has created significant consumer concern. At the same time, Ontario's financial situation increases the expectation for OPG to generate appropriate financial returns for its shareholder.
- ***Increasing competition:*** OPG is facing increasing competition from gas, wind and solar generators, partially due to the generation mix identified in Ontario's Long Term Energy Plan (LTEP). In order to successfully compete, OPG must reliably and cost effectively generate electricity and create a scalable organization that will ensure its long-term sustainability. As OPG receives the lowest rates of all Ontario generators, and Ontario's HOEP remains at extremely low levels, the company must significantly increase its focus on cost control, implementation of efficiencies and its performance relative to benchmarking results.
- ***OPG's generation development projects are critical to its future:*** Current projects including the Niagara Tunnel [REDACTED] must be completed on-time on on-budget. OPG must ensure that appropriate agreements, which provide for cost recovery and a rate of return, are in place for shareholder-directed projects. OPG must plan and execute the Darlington refurbishment project in a manner that ensures the project's financial viability and maintains the confidence of its shareholder.
- ***OPG must ensure its long-term financial viability:*** To achieve a sustainable level of financial performance, OPG must strive to improve efficiency, increase revenues, reduce costs and earn an appropriate return on equity. Additionally, targets for key financial metrics must be achieved in order to maintain OPG's current credit ratings, and funding sources should be diversified in order to finance OPG's growing capital requirements.

OPG's mission is to be the electricity generator of choice in Ontario. Realizing this objective in such a challenging environment requires OPG to achieve its core strategies of performance excellence, project excellence and financial sustainability. OPG has undertaken a Business Transformation Project to ensure the achievement of these strategies.

### Planning Direction

Over the past three Business Planning (BP) cycles, OPG has established aggressive targets for reducing headcount and cost levels. OPG is in the midst of implementing the Business Transformation Project to identify initiatives aimed at realizing these headcounts and cost reductions. The current environment demands that OPG continues establish increasingly aggressive operational and financial targets.

### Planning Requirements and Scenarios

The "Preliminary Planning Scenario" shown below identifies the generation plan assumptions underlying the business plan. This scenario assumes Continued Operations at the Pickering site and Darlington Refurbishment beginning in 2016.

Assessment of longer-term implications will involve alternate scenarios:

- A "Low Investment" scenario, which assumes reduced investment in Hydro Development projects and constrained regulated revenue rates.
- A "High Investment" scenario, which includes New Nuclear, [REDACTED]

Details of these scenarios are identified in the following tables.

	2013 – 2015 Preliminary Planning Scenario	Change from 2012 Business Plan/ Long-term Plan
Pickering	<ul style="list-style-type: none"> <li>Continued Operations to 247k EFPH</li> <li>P5 &amp; 6; End of Life (EOL) 2019</li> <li>P1, 4, 7 &amp; 8; EOL 2020</li> <li>P7 LM; 2015-2016</li> </ul>	<ul style="list-style-type: none"> <li>Lengthened</li> <li>Lengthened</li> <li>Lengthened</li> <li>Delayed</li> </ul>
Darlington	<ul style="list-style-type: none"> <li>Refurbishment begins in Q3 2016 with D2 Based on 210k EFPH</li> <li>Refurb Outages; 36 months each</li> <li>Station Containment Outage in 2015</li> </ul> <i>Note: Nuclear assumptions under review</i>	
New Nuclear	<ul style="list-style-type: none"> <li>Not in base case; decision by end of 2013</li> </ul>	<ul style="list-style-type: none"> <li>No change</li> </ul>
Thermal		
Hydroelectric	<ul style="list-style-type: none"> <li>Beck PGS remediation</li> </ul>	<ul style="list-style-type: none"> <li>No change</li> </ul>

Low Investment Scenario (Changes from Base Case)	
Regulated Rates	Constrained to 3%/year beginning in 2015
Hydroelectric	Beck Reservoir rehabilitation only

High Investment Scenario (Changes from Base Case)	
New Nuclear	DNGS; 2 x 1,200 MW in-service between 2022-2023; approval deadline set for the end of 2013
Regulated Rates	Possible smoothing of unconstrained rate
Thermal	
Hydroelectric	Lake Gibson

Further scenarios may be identified during the planning process; applicable BUs will be contacted directly to identify submission requests.

## **2.0 RESOURCE GUIDELINES**

As described earlier in the planning context discussion, OPG faces significant financial and operational challenges on its planning horizon. OPG's 2012-2014 Business Plan responded to these challenges by committing to reduce headcount levels, based on attrition, in the later years of the plan, in recognition of expected changes in capacity and production. The resource guidelines for the 2013-2015 planning process confirm these commitments and specify an earlier timeframe for their implementation.

## Guidelines – Headcount

	2012 Budget	Guidelines			Change from Approved Plan	
		2013	2014	2015	2013	2014
Nuclear Operations	5,542	5,347	5,210	5,114	(85)	(103)
Nuclear Projects	777	739	712	712	0	0
Hydro/Thermal Operations						
CO & E	197	170	159	146	(8)	(11)
<b>Total Operations</b>						
BAS	1,133	1,043	984	928	(60)	(79)
Finance	416	363	337	310	(16)	(37)
People & Culture	671	625	600	573	(12)	(19)
Corporate Office	140	122	117	112	(12)	(15)
Law	28	25	24	23	(2)	(3)
Executive Office	5	5	5	5	0	0
<b>Total Support Services</b>	2,393	2,183	2,067	1,951	(102)	(153)
<b>Total Ongoing Operations</b>						
Darlington Refurb	195	308	307	307	78	81
New Build	93	33	32	32	(268)	(408)
<b>Total OPG</b>						

**Note** – Headcount targets reflect attrition-based forecasts through 2015,

## Guidelines – OM&A

\$ millions	2012 Budget	Guidelines			Change from Approved Plan	
		2013	2014	2015	2013	2014
Nuclear Operations	1,194	1,247	1,227	1,296	(27)	(42)
Nuclear Projects	205	238	228	243	(5)	(3)
Hydro/Thermal Operations						
CO & E	46	40	41	38	(2)	(3)
<b>Total Operations</b>						
BAS	335	322	314	308	(9)	(14)
Finance (Excluding Insurance)	72	66	63	61	(3)	(6)
Insurance	32	28	32	38	0	0
People & Culture	119	114	111	110	(3)	(6)
Corporate Office	52	43	40	41	(1)	(2)
Law	10	8	9	8	(0)	(1)
Executive Office	6	5	5	5	(0)	(1)
<b>Total Support Services</b>	625	586	573	570	(17)	(29)
<b>Total (Excludes Centrally Held)</b>						

**Note** – 2015 was re-based using OM&A per the long-term outlook, adjusted for Business Transformation (BT) organizational changes. The BT transfers in/out amounts were generally derived using 2014 data.

## Guidelines – Capital

\$ millions	2012 Budget	Guidelines			Change from Approved Plan	
		2013	2014	2015	2013	2014
Nuclear Operations	183	171	159	141	0	0
HTO [REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
CO & E	0	0	0	0	0	0
<b>Total Operations</b>	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
BAS	29	35	35	25	5	9
Finance	1	1	1	0	0	0
People & Culture	2	1	1	0	0	0
Corporate Office	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Law	0	0	0	0	0	0
Executive Office	0	0	0	0	0	0
<b>Total Support Services</b>	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Darlington Refurb	282	547	620	661	0	0
New Build	0	0	0	0	0	0
<b>Total OPG</b>	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

BAS guideline reflects an allowance for one-time investments associated with BT projects. The allowance is subject to change pending decisions on accounting classification of the various projects.



### **3.0 KEY PROCESS CHANGES**

The business planning process features a number of changes this year based on recommendations resulting from Business Transformation. Key changes and elements include the following;

#### **3.1 BUSINESS TRANSFORMATION – “QUICK WINS”**

**CONTACT: JOHN MAUTI**

##### **Standard Labour Rate**

- Establish an OPG-wide standard labour rate to replace the past practice of using BU-specific labour rates.

##### **Reducing the number of Budget Holders**

- Going forward, in order to hold a budget, it must be demonstrated that a minimum of twenty (20) staff are held or at least \$5 M in financial activity is observed on an annual basis.

##### **Holding the Payroll Burden fixed**

- The payroll burden percentage will be available early in the BP process, but will remain fixed for BU planning.

Further discussion on these items may be found in section 5.3 of this document.

#### **3.2 MAJOR PROJECT / CAPITAL OUTLOOK**

**CONTACT: ANDREW TEICHMAN**

Over the next ten years, OPG faces potential capital constraints given the anticipated combination of revenue pressures and growing capital needs.

These capital challenges will need to be addressed through the development of corporate capital envelopes and strategic allocation of capital over an extended planning horizon. Therefore, development of an integrated corporate-level 10-year view of major project OM&A and capital initiatives is considered prudent to support efficient corporate capital allocation efforts and OPG's long-term financial sustainability.

Commencing with this year's BP cycle, Corporate Business Development and Finance are launching an initiative to develop a 10-year outlook of major project OM&A and capital expenditures. This initiative will be accomplished by engaging the major BUs (Nuclear Operations, Nuclear Projects, Hydro / Thermal Operations) and Corporate Business Development to develop an appropriate 10-year outlook. This approach will provide the flexibility to develop an appropriate long-term view given any variations in the information available and the uniqueness of the specific project portfolios.

Discussions will be undertaken over the next several weeks in parallel with normal BP activities, and where possible to leverage available information and reporting processes.

## 4.0 SCHEDULE

CONTACT: SANDRA RADCLIFFE

The following is a high level schedule of key BP activities. A more comprehensive schedule can be found on the Business Planning (BP) webpage.

Date	BUSINESS PLANNING ACTIVITIES
June	<ul style="list-style-type: none"> <li>Economic assumptions updated by Treasury – <b>June 8</b></li> <li>Preliminary staff level / job family submission – <b>June 19</b></li> <li>BU final labour rate review – <b>June 30</b></li> </ul>
July – Aug.	<ul style="list-style-type: none"> <li>Continuing site and BU plan development</li> <li>Roll-out of initial estimate of payroll burden rate change – <b>July 13</b></li> <li>Preliminary Energy Production Plan – <b>July 17</b></li> </ul>
Sept. – Oct.	<ul style="list-style-type: none"> <li>Initial submissions to BP&amp;R – <b>September 7</b> (BPS input for 2013-2015, program write-up and analysis) <ul style="list-style-type: none"> <li>CEO/CFO reviews for Support Services – <b>September 13-September 28</b></li> <li>CEO/CFO reviews for Operating Groups – <b>September 19-October 1</b></li> <li>Revised submissions to Finance no later than <b>October 26</b> (if required), including sign-off by each respective Controllershship Organization</li> <li>Controller sign-off of key accounting assumptions</li> </ul> </li> <li>Final Energy Production Plan – <b>September 14</b></li> </ul>
October	<ul style="list-style-type: none"> <li>Update BU costs (high-level) for burden – <b>October 5</b></li> <li>Finalization of corporate level information (allocations, variance accounts, interest, income taxes)</li> <li>Shareholder review tentatively scheduled for – <b>October 26</b></li> </ul>
November	<ul style="list-style-type: none"> <li>EMT review(s)</li> <li>Board mail out – <b>November 4</b></li> <li>BU, Support Services and Corporate Finance – monthly trending finalized by <b>November 9</b>, including OM&amp;A, Capital, Fuel, Other Revenues, depreciation, accretion, regulatory accounting, balance sheet items</li> <li><b>Board approval of Business Plan – November 15</b></li> </ul>
December	<ul style="list-style-type: none"> <li>Finalization of cost-allocation and loading of budgets into reporting systems</li> <li>Preparation of Results-Based Planning information for Shareholder on MOF Fiscal basis</li> </ul>

## 5.0 BUSINESS PLANNING AND BUDGETTING INSTRUCTIONS

### 5.1 INFORMATION SUBMISSIONS

**CONTACT: SANDRA RADCLIFFE**

Business Plan submissions are required from each Business Unit (BU) and Support Services, and consist of the following:

- Quantitative resource and financial submission information submitted through BPS (short-term) and spreadsheets (long-term)
- Supporting analysis
- Business Plan PowerPoint presentation to be made to Senior Management

Resource and financial information with work program and resource type/cost element is the level of detail required for the short-term submissions. Summarized quarterly detail is sufficient as long as there is an emphasis on realistic forecasts for Q1 (Government's fiscal year-end), which include:

- OM&A
- Capital – balanced to project listings as directed in Section 5.5
- Minor fixed Assets
- Non-electricity revenues and costs
- Staff details – headcount by representation, FTE funding
- Nuclear provision expenditures – this includes items such as staff providing dedicated support services to Nuclear Waste Management Division (i.e. P&C, security) and Station decommissioning. (**note – deadline for this is August 17**)
- Other provision expenditures – draw-downs of environmental or First Nation provisions and non-Nuclear station decommissioning
- New Provisions

Note – all short-term information should be based on the May 1, 2012 Business Transformation organization.

The following additional information requirements are to be submitted electronically in spreadsheets or documents:

- Interest capitalization, retirements and in-service addition forecasts consistent with capital project plan details submitted in BPS and Project listings. If bottom-line adjustments have been used to balance capital submissions then these must be factored into interest capitalization and in-service additions.
- Quarterly details for the first three years are required. Note – the 2013-2015 interest capitalization rate has changed from 5.25% to 5.00%.
- Cash flow information for draw-downs of provision expenditures is based on payment forecasts
- Working capital items (annual detail sufficient initially);
  - Fuel inventory
  - Material and supplies inventory.
- Cost allocation – BUs must allocate all their costs to the station level, within Regulated and Non-Regulated OPG. See section 5.3.2. Due date – September 14
- Plan over plan and year over year analyses of all changes in business plan resources (OM&A, capital, fuel, and non-electricity revenues)
- Factors influencing year over year changes in performance

For production units, an analysis of the performance metric "Return on Assets" (ROA) must include:

- Forecast ROA – at the BU level
- Analysis of factors impacting ROA – year-over-year
- Plan-over-plan analysis of ROA compared to previous plan and 2012 year-end forecast
- ROA sensitivity to key inputs

**Business Planning & Reporting (BP&R)** will work with the BUs to provide appropriate forecasts for allocated costs and sales margins.

Similar to previous years, the Business Plan presentations should identify objectives, performance targets, resources, key initiatives, and risk and mitigation strategies. Comparisons to the current Business Plan and year-over-year differences, with analyses of changes in resources and programs, are required. A draft of the presentation must be provided to BP&R **three (3) business days** in advance of the review with Senior Management.

## 5.2 FINANCE REVIEW AND SIGN-OFF

**CONTACT: JOHN MAUTI**

Each BU Controller will complete a financial review and sign-off for the Business Plan for the BU that they support. The sign-off will confirm that they have reviewed the submissions and are in agreement with the financial assumptions and the basis of the investment decisions identified in the plan.

The sign-off will take the form of either an E-Mail or Memo sent to the VP & Chief Controller and will confirm that a Business Plan financial review has been completed. To assist in this review, a checklist will be sent out by BP&R in July to highlight specific areas that are to be reviewed. The submission from the Controller will confirm:

- Any major areas of concern
- Accounting and costing assumptions used in the plan for major projects and investments
- Confirmation that the accounting treatments for these projects are consistent with the determination of Corporate Accounting

In addition, Accounting will be completing an accounting review and sign-off of key accounting assumptions that have been applied to the respective Business Plans, including, but not limited to:

- Accounting implications and policy changes (notably any USGAAP vs. CGAAP changes)
- Identification and costing of provisions (i.e. decommissioning, aboriginal, environmental, etc.)
- Any changes to inventory obsolescence calculations and assumptions included in the Business Plan

## 5.3 INSTRUCTIONS FOR USE OF BPS

**CONTACT: KAREN MOONEY**

There will be three (3) versions of the Business Planning System (BPS) utilized for the years 2013-2015 for the Business Plan:

- **W01** will contain the labour rates and burdens used in the 2012-2014 Business Plan last year. All BUs will use BPS version W01 for planning.
- **W02** will contain new labour rates (with current burden rates) applied to the new plan submissions to isolate labour rate change impacts. Corporate labour rate review will be completed by June 30 and a move to W02 will only be undertaken at the request of the BU controllership.
- **W03** will be used to isolate the effect of the payroll burden rates on the new plans.

**Note** – New plans contained in W01 can be copied over to versions W02 or W03 at the request of the respective BU in order to determine the impacts from labour rate changes or burden updates. You must allow at least two business days for processing. All of the labour rates contained in Version W02 and W03 will be copied over to Version W01 in August at the request of the respective BU. Planning changes post September 4, 2012 will be done using new updated labour rates in W01.

Resource submissions and preliminary Business Plans for both operating and corporate groups are to be completed in W01 by September 7, 2012. The following details are required in order to consolidate the Business Plan:

- Work Program and Projects should be trended on a monthly basis for 2013 and 2014, which will be picked up through BPS.
- BUs must ensure their assumptions for hiring lags and project initiation reflect actual experience and realistic expectations. Assumptions in this area and comparisons to historical trends are to be highlighted in accompanying analyses.

- Total labour requirements must be balanced to total labour supply in the Labour Planning Module of BPS.
- BPS will be locked on the submission days to allow consolidation of data by BP&R.

By end of day on November 9, 2012, all trending and adjustments must be completed in W01 and BUs will be locked out of BPS. At that point, budget trending will be considered final and ready for upload to SAP and reporting systems.

The following three 'Quick Wins' are being implemented to increase the level of efficiency within the BPS process.

#### **Quick Win #1: Moving to a Single Standard Labour Rate**

Finance has implemented the use of a single company-wide Standard Labour Rate (SLR) table. The SLR will be calculated at the corporate level and will replace the past practice of calculating numerous BU-specific labour rate tables.

The benefit of this change will be a reduction from the current 21 unique labour rate tables to one, a significant reduction in analyses of rate variances, and the elimination of variances being held at station or BU levels. All variances will now be analyzed and held at a consolidated level. BUs and sub-units will not be responsible to track these variances and will not be accountable directly for them, particularly since they are driven by factors that are typically beyond their direct control. The OM&A and Capital guidelines provided in this document do not reflect the move to this single standard labour rate. The impact of this change at an overall corporate level will be nil, but individual BU guidelines will change as a result. These changes will be managed centrally and guidelines adjusted as required.

#### **Quick Win #2: Reducing the Number of Budget Holders**

Going forward, in order to qualify as a budget holder, a minimum staff level of twenty (20) or at least \$5 M in financial activity – OM&A, Capital, Revenue or Provision-related costs must be identified.

The only allowable exceptions to these new requirements are as follows:

- ELT direct reports who do not meet these criteria may control a budget;
- Small Groups that control less than twenty (20) full-time employees and have less than \$5 M in financial activity, but who have the potential for significantly higher costs may control a budget (for example, isotope sales);
- Joint Ventures;
- If a requirement exists to separate regulated activities that cannot otherwise be handled through an allocation process; and
- If other situations exist that determine the need for an isolated budget holder from a business perspective, the case must be presented to BU Controllershship for approval.

Reducing the number of budget holders in the organization provides several benefits within the planning process and many of the downstream processes as well:

- 1) A reduction in the number of planning cost centres that must be set-up, planned, etc
- 2) A reduction in the volume of line manager cost reporting that must be conducted to monitor budget progress (fewer automated reports to push out, fewer line managers involved in detailed cost review, fewer finance resources required to monitor and correct for issues at a detailed line manager level).
- 3) Reduced transactional accounting complexity through fewer charge codes, simpler segment allocation process, and fewer manual transaction journals to correct or redistribute costs

Reducing the number of budget holders will result in budgets held at a level where true trade-offs and decision making is occurring within the organization. This level is generally higher than the over 700 positions that held budgets in 2012. Managers holding a budget in this new model are expected to work with their direct reports and teams to review financial status, make decisions/tradeoffs, and work together to be

financially responsible and meet corporate cost control directions. The materiality level for budgets, established above, is targeted to achieve this objective, while reducing time and effort expended by both finance and line management.

**Quick Win #3: Holding the Payroll Burden Fixed**

Changes to payroll burden will be held at the BU level as a total dollar amount without changing the burden rate percentage. Once the burden is calculated in July, it will be incorporated into the SLR for all years of the BP time horizon.

Budget holders will only be charged with the fixed burden rate, while the change in late fall will be held at the BU level. BU leaders will be given the budget to equal this late fall change (either positive or negative).

The actual pay will incorporate the burden as determined in the later version (November/December). The rate variance account (primary pay) will be charged with actual pay, including the total burden, while the budget will only represent the fixed burden. The actual variable burden component will be journalized at the BU level on a monthly basis based on the pre-determined variable burden budget. The rate variance account will only hold the actual rate variance.

The primary benefit of this approach to burden rates is to avoid unnecessary rework in the detailed costing of projects and work programs that occurs late in the BP cycle that is beyond the control of line managers. Late changes in burden rates are often the function of economic factors (such as discount rates) that are used in estimating pension and OPEB costs. These changes impact the accounting calculation of post retirement costs and need to be reflected directly in the BUs where the staff works. The need to recalculate all work costing details in the planning system is neither required, nor particularly helpful, in the late stages of setting the plan and next year's budget.

The proposed approach aligns the costs for these changes, in aggregate, with the appropriate BU leader but does not result in re-costing of all planning detail (cost centres, projects, etc). It is also easier to isolate the impact of these late changes in planning assumptions by BU.

**5.3.1 Labour Costs and Staffing**

Businesses will use the BPS system for budgeting short term labour costs:

- The BPS system currently contains labour rates, burden rates and job families. Escalation assumptions for Society, PWU and Management Groups will be provided to Planners via E-Mail. Work is currently underway re the annual review of any necessary changes to job families, and other factors. Updated rates will be available for review in BPS in June and should be finalized by the end of the month.
- The roll-out of initial estimate of payroll burden rate changes is targeted for the end of July
- BUs will provide final workforce forecasts with their submissions. An assessment of the changes in current service costs will be undertaken at that time.
- Direct costs relating to AIP incentive plans will be budgeted at the Corporate Level.

### **5.3.2 Cost Allocations**

**CONTACT: PAUL CHABOT**

In support of the Financial Reporting process, there is a requirement to load a complete set of financial statements for each year of the Business Plan into BPS. As in the past, Support Services are required to supply their rationale on management estimates for allocations. A template for this information will be provided and is expected to be submitted one week after the September corporate submission. The Support Services group will work with groups to incorporate their input to BPS.

Preliminary accountabilities for input to BPS are:

#### **Commercial Operations & Environment:**

- Electricity Generation Revenue



#### **Business Units:**

- Fuel and Fuel-related
- Non-electricity generation
- Cost of Goods Sold
- OM&A
- Fuel and Fuel-related
- Non-electricity generation

#### **Business Planning & Reporting (BP&R):**

- Accretion & Earnings
- Depreciation & Amortization
- Capital Tax
- Interest
- Income Tax

#### **Other Corporate Finance:**

- Regulatory accounting (Regulatory Finance)
- Centrally held costs (Support Services group)
- Property Tax (Property Tax group)

## 5.4 BUDGETING FOR SERVICE PROVIDERS

**CONTACT: LUBNA LADAK/BOSCO YUAN**

Businesses should continue to work closely with service providers such as Information Technology (IT), Real Estate & Services, Supply Chain, etc., to jointly agree on service requirements and associated costs. The costs should be adequately reflected in the service provider's plan. All OM&A, provisions, and capital expenditures, including Minor Fixed Assets (MFA), will be held by the service providers on behalf of the businesses. Please ensure there is no duplication in budgets between the BUs and service providers. Service Level Agreements, as defined through Business Transformation, are a useful tool to accomplish these objectives.

**Information Technology (IT) requirements** should be identified to IT. The Business and Administrative Services' (BAS) business plan includes all business-related IT needs, IT projects, and IT components of business initiatives. These initiatives are only exclusive to Nuclear Refurbishment, Darlington New Build [REDACTED]

Each BU should incorporate the following IT expenditures into its Business Plan rather than in BAS:

- Process control hardware and software in Nuclear and Hydro/Thermal generation.
- Engineering tools (hardware) and new software in Nuclear and Hydro/Thermal generation (annual maintenance for most existing software is covered.)

Where the business is asking BAS to assume budget accountability for existing items (e.g., annual maintenance contracts), a list of the items and their related costs should be provided to BAS for inclusion in their plan. If there is uncertainty as to whether or not a particular contract is identified in the BAS plan, one of the contacts listed below should be consulted.

The Information Management Transformation (IMT) program has transitioned from the planning phase in 2011 to the execution phase for 2012 and 2013. Several workshops have been conducted in an effort to define the appropriate blueprints for attaining the desired future state of Information Technology (IT).

This program continues to require active leadership involvement, support, cross-organizational collaboration and strong change management in the execution phase to ensure success of the program. One key element is to have a cross-functional working team, comprised of subject matter experts from each BU, accountable for delivering the IMT program. Consequently, each BU is required to provide resources to the IMT program.

For the 2013-2015 Business Plan, each BU is required to include their resourcing costs relating to IMT program in their respective plans. IT Projects will meet with BU owners to discuss resources required to support these technology upgrades.

Currently, the IT project portfolio is fully loaded as projects are in the process of being locked down over the planning period as per previous business plan and the incremental Business Transformation Strategy approved initiatives.

For specific projects included in the plan, please contact your IT contacts as shown below:

- Nuclear – Warren Hobbs (702x5131 at Pickering)
- Hydro/Thermal/Corporate – Amir Shemranifar (x6981 at 700U)
- Energy Markets – Howard Mintz (x1826 at 700U)
- Information Management Transformation – Mike Borsch (8274 x at 700U)
- Business Transformation Strategy – Mike Borsch (8274 x at 700U)



## **Strategic Sourcing requirements**

OPG will be embarking on a series of significant business events over the 2013-2015 planning period due to changes in generation assets.

For Hydro, Supply Chain continues to administer, negotiate, and execute contracts in support of the completion of Niagara Tunnel [REDACTED]

In Nuclear Supply Chain (NSC), cross-functional (plant-focused) performance measures adopted in 2011 will continue to drive the behaviours and results required. Key strategies underlying the 2013-2015 Business Plan are as follows:

### ***Parts Availability***

- Managing and organizing the acquisition and distribution activities in support of outage improvement strategy, work order readiness, vendor quality and supplier performance management.
- Improve equipment reliability and reduce replenishment material stocked out.

### ***Inventory Management***

- Work collaboratively with the power plants, and other Nuclear supporting organizations, to improve material availability via the work management, outage planning, and project management processes.
- An inventory strategy will be required to address Pickering's EOL such as disposing of dead stock; increasing consumption, adjusting the preventive maintenance program and adopting repair versus replace strategy.
- The addition of inventory provision funding will support safe storage and decommissioning activities at Pickering. To further optimize inventory levels and cost, NSC will put in place a plan to transition to a Nuclear material only warehouse operation.

Another strategic sourcing initiative is to leverage other agencies and regulatory bodies' purchasing power to deliver substantial cost savings to OPG.

Real Estate & Services requirements (new leases, renewals, facility enhancements/modifications, new furniture) for each BU (including Nuclear Refurbishment, New Build) are to be clearly identified to Real Estate & Services for consideration and inclusion in their work programs. Real Estate & Services will consolidate all facility costs in accordance with an overall leasing strategy and will identify any costs to be charged directly to the businesses.

Businesses are also reminded that under the OPG OAR, only Real Estate & Services has requisitioning authority for the acquisition, management, and disposal of real estate rights and interests, and related transactions.

Real Estate & Services has identified the following contacts by service area:

- Real Estate Services – Ron Murphy (x7201 at 700U)
- Facility & Project Services – Don Seedman (x3289 at 700U)
- Enterprise Services – Teri Lilley (x7790 at 700U)
- Fleet Services – Joe Werb (416-231-4111 x6048 at Kipling)

### ***5.4.1 Work for Others***

The Cost Transfer Model states organizations are to budget for all of the resources they control. During the 2013-2015 BP period, however, Support Groups may be requested to provide dedicated services to major projects. The VP, Finance and Chief Controller will determine which major projects will be eligible for cost transfers prior to Business Plan submissions. Darlington New Nuclear and Nuclear Refurbishment are already recognized as major projects during the 2013-2015 Business Plan period and are therefore eligible for cost transfers.

Accounting will provide direction on the costs that can be classified as directly attributable to these projects. Headcount will remain in the support group. For presentation and analytical purposes, both originating and receiving groups will show the gross and net costs associated with these transfers. This will ensure there is no duplication in budgets between the project and service providers.

## 5.5 CAPITAL, OM&A AND PROVISION-FUNDED PROJECTS

**CONTACT: DOROTHY LAU BARTON**

This section specifies the requirements and the schedule for submission of the 2013-2015 capital, OM&A and provision-funded project portfolio listing and supporting Planning Business Cases (BCSs). Business Units (BUs) are requested to provide their project information by **September 7, 2012 to Jack Fong** in Investment Planning (IP). BUs can provide their project information via email, by portable media, or by granting IP access to their project database (e.g., Prosight in Nuclear).

Section 5.6.1 specifies the listing requirements for the project portfolios. Section 5.6.2 provides the criteria for projects requiring Planning BCSs and the information requirements for Planning BCSs. Questions on these requirements should be directed to Dorothy Lau Barton (access 400, extension 4580) or Jack Fong (access 400, extension 4655).

**Note** – As a result of the Business Transformation process, the Corporate Business Development & CRO office led by Andrew Teichman will be assisting Jack Fong's group with the management of the long-term project portfolio. A separate note on this initiative can be found in Section 3.2 of this document.

### 5.5.1 Prioritized Project Lists

BUs are required to identify all capital, OM&A and provision-funded projects having cash flows within the Business Plan time horizon. The submitted projects must be prioritized to maximize value, while considering risks and OPG's business objectives as well as efficient alignment with business unit strategies, facility Life Cycle Plans (as applicable), Condition Assessments and shareholder expectations. We continue to focus on Return on Equity (ROE) and Return on Asset (ROA) trends over the BP period on cost elements that are controllable at the BU, plant groups and station level in measuring operational profitability.

The listing format and information requirements have not changed from last year and are provided in the **Project Listing Template**, available on Corporate Finance's BP&R webpage. Definitions and explanations for the various fields in the template are provided in the **Guidelines** worksheet. To facilitate corporate review, consolidation and reporting, it is essential that BUs provide all information in the format specified in the listing template. We also request that each BU provide a description of their prioritization process.

Where the portfolio listing of projects does not add up to the total requested funding envelope, separate justification for the planned level of expenditures should be provided – e.g., benchmarking, historical spending, etc.

The final portfolio listing of projects coming out of BP will provide the basis for the semi-annual portfolio reporting to the Board around November and May.

To support the development of an OPG long-term integrated staff resourcing plan and an analysis related to skilled craft from the construction trades, the "program" category in the project listing template should be completed. This categorization is being used to identify the type, number of skilled craft and total project costs by year from the various construction trades. For additional information on these categorizations, and how this information will be used, please contact Laurie Gawel, Manager of Workforce Analysis Systems & Support (access 400, extension 2499).

### 5.5.2 Planning Business Cases

BUs are required to submit Planning BCSs, or an equivalent document, for projects listed in their portfolio that are **not fully released** and meet the following criteria:

- Projects planned for release in 2013 with cash flow > \$1 M in 2013
- Projects planned for release in 2013, 2014, or 2015 with total project cost greater than \$5 M

For the purpose of these instructions, **not fully released** projects include:

- Projects with no previous releases
- Projects with developmental (preliminary) and/or partial releases but the project has not been fully committed
- Previously released projects that are forecasting significant changes in scope/cost and a superseding release is planned/expected

The information requirements for Planning BCSs are specified in the **Planning BCS Template**. Additional information and explanation are also provided in the **Developing and Documenting BCS (OPG-STD-0076)**. Both of these documents are available on the Finance BP webpage, by following the links:

While the Planning BCS template sets out the information requirements, BU will often have existing documents that meet the specified information requirements. When such documents e.g. Type 1, 2 or 3 BCSs are available and up-to-date, especially with regards to cash flows, they can be submitted in place of the Planning BCS.

Planning BCSs are typically less than two pages in length, but the extent of information should be commensurate with the risk criteria of the project, and its stage of development at the time of submission. Among others, key information requirements are: the need for the project, its contribution to meeting OPG business objectives, linkage to asset strategy, quantifiable benefits, cash flow requirements, impact of deferring or not proceeding, key project risks and other considerations that can be used to establish a relative ranking. BUs are requested to focus special attention to documenting the impact of deferring or not proceeding with the project – this information will be used to make trade-offs amongst projects within and across BUs, if necessary.

Planning BCSs need to include a preliminary list of alternatives to illustrate the likely merit of the proposed alternative. If the project scope or cost estimate is highly uncertain due to timing, the use of range estimates is encouraged. For the purpose of setting budgets and evaluating the economics of alternatives, the expected value should be used.

All Planning BCSs should be reviewed and signed-off by the appropriate project sponsor (i.e., Asset Manager, Engineering Director, etc.) and the local Controller.

### 5.5.3 BCS Preparation Assistance

For assistance with BCS preparation, please contact your local Controller or Centre-Led Business Group. In addition, BCS training sessions can be arranged. For registration, please contact Silvester Wong of Investment Planning (access 400, extension 3842).

## 5.6 BUSINESS UNIT RISK SELF ASSESSMENT

**CONTACT: TOM LUMLEY**

As part of developing realistic, comprehensive, and transparent Business Plans, risks should be identified, assessed and incorporated, along with risk treatment plans, in each Business Plan. The goal of the Business Unit Risk Self-Assessment (BURSA) is to identify, assess, and document risks that could impact the achievement of BU objectives over the course of the Business Plan period (i.e. 2013-2015). Risks that are long-term in nature should also be documented, where possible.

As BURSA is also a part of the continuous Enterprise Risk Management (ERM) reporting process, on a quarterly basis this will involve an update of existing risks, along with the identification of new risks. In addition to being reported in the Business Plans, these risks form the basis for quarterly risk reporting to the Board of Director committees.

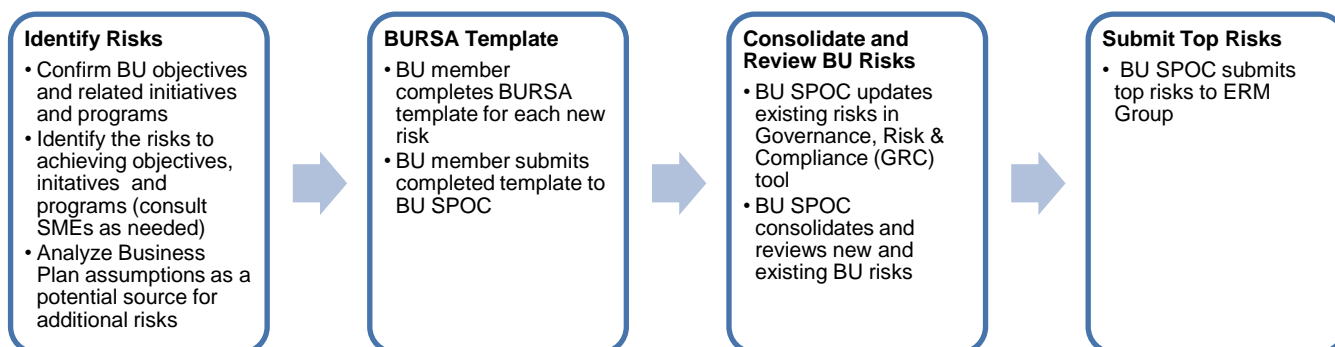
The following are the key BURSA submission dates:

- August 24 – BURSA kick-off email
- September 4 – 14 – ERM group meetings with BU Single Point of Contacts (SPOC)
- September 21 – BU SPOCs submit BURSA to ERM group

Further instructions, tools and templates will be distributed to all BU SPOCs by email from the ERM Group.

### The BURSA Process

The main steps for the BUs to complete the BURSA are shown below:



The ERM group consolidates and reviews all individual BU risk submissions.

OPG senior executives will validate the list of prioritized risks to determine the risks which will be reported to the Board of Directors and which risks will not. This may result in updates to GRC.

There are three main outputs of the BURSA process:

- **BURSA Template** – Any new risks that have been identified should be documented in the BURSA template (to be provided).
- **GRC Update** – Any existing enterprise risks should be updated, similar to the quarterly ERM update process, within the GRC tool.
- **Business Planning (BP) Presentation** – The most significant risks stemming from the BURSA process should be captured in the Business Plans (presentation template to be provided).

## **5.7 INTEGRATED WORK FORCE PLANNING INFORMATION REQUIREMENTS**

**CONTACT: LAURIE GAWEL**

In the past, there has been a requirement to provide detailed resourcing information in order to support the development of an integrated workforce plan. This level of detail will not be required for this BP period (2013-2015), but will be part of the requested information in future BP periods.

## **5.8 CORPORATE SAFETY GUIDELINES**

**CONTACT: MORRIS EDDY**

With safety as a fundamental value, OPG is committed to continuous improvement and pursuing the ultimate goal of zero injuries. The Safety BP Guidelines include strategic programming and regulatory priorities that may impact planning and resourcing requirements in the BUs. These priorities are consistent with OPG's Strategic Objectives and Directions, which are found in the five-year Strategic Plan as well as the regulatory priorities. These Guidelines must be considered by the BUs in their safety planning activities.

## **5.9 FIRST NATIONS INITIATIVES**

**CONTACT: JOE HEIL**

OPG's First Nations and Métis Relations Policy, which was approved in November 2009 and updated in August 2011, contains the following primary objectives:

- A commitment to deal with aboriginal communities in a respectful way
- A commitment to resolving past grievances
- A willingness by OPG to enter into commercial partnership(s) with aboriginal communities
- A commitment to building relationships with aboriginal communities including:
  - Community relations and outreach
  - Capacity building support within communities
  - Employment/Business contracting opportunities

All operating BUs, and other line organizations, that have regular contact with Aboriginal communities are required to develop programs in support of this Aboriginal Relations Policy. Program implementation is being staged over five years to facilitate an initial focus on the most critical areas. For this BP period, BUs are requested to identify a point of contact and prepare a First Nations and Métis Relations Program, which is to be reported quarterly and submitted to the Director of First Nations and Métis Relations.

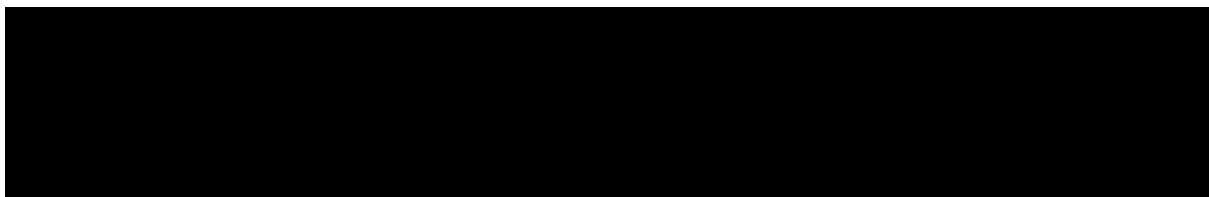
For further guidance on program requirements:

## 5.10 ENVIRONMENT PLANS

**CONTACT: ROB LYN**

Business Units (BUs) and functions are to plan work programs using the following assumptions:

- Plants and plant groups should plan to maintain ISO 14001 certification of existing environmental management systems through to the end of 2013. Existing EMS programs related to spills management, in particular, should be maintained through the business plan period.
- Other than the following specifics, assume the current environmental regulatory framework remains in-place with no major new initiatives or changes in Federal or Provincial environmental requirements:



- Evaluations required under the Heritage Act, if any, will be included in the Environment function's business plan.
- Implementation of best management practices for fish entrainment and impingement, determined in accordance with the DFO/MNR/OPG memorandum of understanding, must be initiated within the BP period.

All business units and functions are to identify planned activities and programs to fulfill relevant elements of the *Environmental Policy*.

Nuclear, Hydro-Thermal and BAS plans should address the following in their Environment plans:

- Changes in Significant Environmental Aspects (SEA).
- "Other Requirements" such as Wildlife Habitat Certification or other environmental commitments that the plant / plant group have adopted.

Further detail is available on the Environment website, including a template which may be used to submit the Environment Plan. BUs are free to use an alternative format as long as all relevant information is provided.