

## ATTACHMENT 3

### BUSINESS PLANNING AND BUDGETING – PROCESS OVERVIEW

OPG's business planning and budgeting process is largely unchanged from that filed in EB-2010-0008. This process overview is provided for reference.

OPG's business planning and budgeting process is a decentralized annual process undertaken within a consistent, corporately-developed, top down framework of strategic objectives, resource guidelines, and costing assumptions. The key elements of this corporate framework are formally identified to the business units through business planning instructions provided by Finance. Within this framework, the individual business units develop their specific strategic and performance objectives, and then identify and plan the work required to achieve these objectives.

Throughout the business planning process, business planning communications are delivered primarily through the business planning instructions issued during Q2. The key elements of the business planning process are outlined below.

- Communication of the strategic planning context, including resource targets and asset / project strategy
- The identification of key operating, economic and other planning assumptions to be used in development and costing of plans, including:
  - Forecast rates for labour costing.
  - Interest rate forecasts
  - Schedules and assumptions regarding major generation development projects
  - Establishment and communication of information submission requirements and business planning schedules including key timelines, milestones and activities
  - Development of a consolidated revenue, sales and production forecast by OPG's Commercial Operations and Environment business unit. This forecast

- 1 incorporates key production and reliability parameters from the nuclear and  
2 hydroelectric business units.
- 3 ○ Development of business plans by individual business units using staff levels,  
4 OM&A and capital expenditures as primary financial planning metrics. Each  
5 business unit also identifies key risks to forecast results, and mitigation initiatives.
- 6 • The preparation of a consolidated financial outlook by Finance, based on inputs  
7 received from across the organization. Business units provide their planned OM&A,  
8 capital and provision-funded expenditures. Finance develops a comprehensive  
9 financial outlook by supplementing this information with other elements including:
- 10 ○ A forecast depreciation expense based on existing assets and forecasts of new  
11 additions to the asset base.
- 12 ○ A forecast of regulatory variance and deferral accounts and their amortization
- 13 ○ A forecast of borrowing requirements and associated financing costs.
- 14 ○ A forecast of impacts of nuclear waste management and decommissioning  
15 liabilities and associated segregated funds
- 16 ○ Income taxes payable.
- 17 • Depending on the operational and/or financial issues facing OPG at the time,  
18 alternative planning scenarios may be identified and modelled once the base case  
19 forecast has been established.
- 20 • Individual business unit plans are reviewed with the President and CEO and CFO  
21 through a series of presentations, usually during September. Business units  
22 incorporate feedback and redirection from these sessions into updated submissions,  
23 typically in October.
- 24 • The draft consolidated business plan, based on the updated submissions, is reviewed  
25 by OPG senior management. The final consolidated plan is submitted for approval to  
26 OPG Board of Directors, typically at the November or December Board meeting. The  
27 plan is also reviewed with Shareholder representatives. Final concurrence with the  
28 OPG Board- approved plan is required from the Province in accordance with the  
29 Memorandum of Agreement.