

PROJECT OM&A – REGULATED HYDROELECTRIC

1.0 PURPOSE

This evidence provides a summary of the OM&A project expenses for the Niagara Plant Group and R.H. Saunders GS, and the newly regulated hydroelectric facilities.

2.0 OVERVIEW

A summary of the regulated hydroelectric project OM&A expenses for 2010 - 2015 is provided in Ex. F1-3-1 Table 1. The test period project OM&A expenses of \$38.0M and \$50.1M (in 2014 and 2015 respectively) form part of the OM&A expense in the revenue requirement.

The project expenses in 2014 and 2015 associated with the Niagara Plant Group and R.H. Saunders GS are \$13.5M and \$17.9M, and \$24.5M and \$32.1M for the newly regulated hydroelectric stations. Project OM&A can vary significantly from year to year based on the number and size of projects to be executed. Project OM&A expenses are increasing in the test period, as compared to 2013, due to the start of major unit overhauls at the Sir Adam Beck Pump Generating Station, Lower Notch GS and Otto Holden GS, in addition to, the R.H. Saunders GS Administration Building Envelope Rehabilitation, and the continuation of the Chats Falls Generating Station Main Dam Restoration.

OM&A projects differ from base OM&A work because they have a non-recurring scope of work, a generally longer timeline and a higher materiality threshold. In contrast, base OM&A work activities are typically of an ongoing or routine nature. OM&A projects are distinct from capital projects because they do not meet the criteria for capitalization under OPG's capitalization policy (see Ex. A2-2-1). Hydroelectric plant groups manage both capital and OM&A projects in a project listing that forms the basis for budgeting during the annual business planning process. Projects are identified through routine inspections, engineering reviews and detailed plant condition assessments. The process for identifying and prioritizing hydroelectric projects is described in Ex. F1-1-1.

1 OM&A projects are mainly sustaining expenditures for repairs and maintenance, such as
2 major unit overhauls. The costs are above a materiality threshold (typically \$100k) but do not
3 meet the rules for capitalization. In addition to maintenance projects for production
4 equipment, there are many projects related to aging civil structures. Project OM&A
5 expenditures on production equipment includes the unit overhaul program at Sir Adam Beck
6 Pump G.S., which is starting in 2013. This project is estimated at \$21.3M, of which \$8.6M is
7 planned to be spent in 2014 and 2015. Other examples of expenditures on production
8 equipment include the unit overhaul programs at Lower Notch GS and Otto Holden GS,
9 which are estimated to be \$48.1M, of which \$16.3M is planned to be spent in 2014 and 2015.
10 At the Ottawa St. Lawrence Plant Group, two projects are included which address aging
11 infrastructure. The R.H. Saunders GS Administration Building Envelope Rehabilitation and
12 the Chats Falls Generating Station Main Dam Restoration projects are estimated to cost
13 \$7.5M and \$18.9M respectively, of which \$4.0M and \$7.5M is planned to be spent in 2014
14 and 2015.

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16 Major OM&A projects are listed in Ex. F1-3-3. The management of hydroelectric OM&A
17 projects is identical to that of capital projects as described in Ex. D1-1-1.