

1 **UNDERTAKING JTX 1.1**
2 **(NON-CONFIDENTIAL)**
3

4 **Undertaking**
5

6 Board Staff to clarify additional question put by Board Staff, and indicate sources for the
7 data; OPG to provide an answer after they have reviewed question.
8
9

10 **Response**
11

12 The table prepared by Board Staff as part of this question does not present an
13 appropriate analysis as a result of the following factors:
14

- 15 • For development or partial release business case summaries (BCSs), the table
16 includes estimated contingencies for the entire project. These estimates are
17 included in these BCSs for information only and do not represent the final project
18 contingency. The contingency information that can be used for analysis is the
19 contingency for the development phase (for developmental BCSs) or the
20 approved phase (for the partial release BCSs) only.
- 21 • For full release BCSs, the table includes project contingencies for projects where
22 there have been previous releases through developmental or partial release
23 BCSs. In these cases, the appropriate contingency for analysis is the “going
24 forward” contingency related to the “going forward” project costs. The
25 contingency in full release BCS will have been estimated on the basis of these
26 going forward costs.
27

28 OPG has corrected the table prepared by Board Staff and presents the corrected table in
29 confidential Attachment 1. As indicated in Attachment 1, the corrected range of
30 “Contingency Factor” (as defined by Board Staff) is [REDACTED].
31

- 32 a) “Contingency Factors” (as defined by Board Staff) for the listed projects fall within
33 the range of approximately [REDACTED]. This range is consistent with OPG’s
34 approach to determining contingencies. OPG determines contingencies on a project
35 by project basis and does not apply a general percentage contingency. The
36 approach of the Project Management Institute.
37

38 Projects at the lower end of the range tend to be those where cost estimates are
39 available from previous execution of similar projects [REDACTED]
40 [REDACTED], and
41 for which the scope is particularly well defined. Projects at the higher end of the
42 range tend to be first-time projects, with more significant risks due to the nature of
43 the work involved (e.g. [REDACTED]
44 [REDACTED]). Risks
45 driving contingency allocation are discussed in Section 6 of each BCS (Risk Table).
46

- 47 b) The Environmental Qualification Discovery Work and Scope Reduction Project has a
48 partial release BCS. As indicated in (a) above, the correct contingency amount to be

1 used in any analysis is the approved contingency for this release only, ie. [REDACTED] (see
2 Ex. F2-T3-S3 Attachment 1, Tab 13, Pg 16, columns entitled "This BCS 2009/2010").
3 The amount of [REDACTED] cited in the question represents a preliminary estimate of the
4 contingency for the full project, and is included in the BCS for information purposes
5 only.
6

7 The primary factor in determining the contingency for this project (and all projects)
8 was project manager judgment. To assist in this task, the project manager assessed
9 18 contingency criteria, including, for example, resource availability, constructability,
10 familiarity, and scope definition. Based on the relative risk ranking of each criterion, a
11 percentage contingency was assigned to each criterion and then summed to arrive at
12 an estimated contingency for the entire project; in this case, [REDACTED]. This estimate and
13 project manager judgment were used to determine the contingency of [REDACTED] in the
14 partial release. The [REDACTED] contingency represented [REDACTED] of the partial release of
15 \$32.5M, as shown in Table 1.
16