

1 **UNDERTAKING J3.4**

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3
4 **Undertaking**

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6 **Reference:** Project and Program Contingency in L4.3-2 AMPCO-72

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8 To provide what the numbers are for the target cost contingency for the RFR and the
9 Turbine Generator EPC including escalation and interest.

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12 **Response**

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14 The request was to provide the approximate total contingency, including interest and
15 escalation, within the RQE estimate of \$12.8B, should the \$371M contingency within the
16 RFR contract and the \$28.4M contingency within the Turbine Generator EPC contract
17 be added to the RQE contingency of \$1.706B (2015\$) (which is equivalent to \$2.006B
18 when interest and escalation is included).

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20 OPG has made a simplifying assumption that the RFR and Turbine Generator EPC
21 contingency would be flowed in a similar manner to OPG's contingency.

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23 The \$371M RFR contingency is in 2015\$. Applying the same ratio of interest and
24 escalation as per OPG's contingency, this would be equivalent to approximately \$436M
25 (\$371M x 2006/1706), including interest and escalation.

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27 The \$28.4M Turbine Generator EPC contingency amount is in escalated dollars,
28 therefore only interest needs to be applied. Ex. D2-2-8 Att. 1 p. 27 shows total interest
29 and escalation in OPG's RQE estimate to be \$2,371M, with \$1473M being interest and
30 \$898M being escalation. Using a similar ratio of interest to escalation, to adjust the
31 \$28.4M of Turbine Generator EPC contingency for interest only yields \$31.5M or
32 approximately \$32M.

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34 Therefore, the approximate total, including interest and escalation, when OPG's
35 contingency and the contingency in the RFR contract and the Turbine Generator EPC
36 contract are added is estimated at \$2474M (\$2006M + \$436M +\$32M), or 19% of the
37 \$12.8 Billion total estimate.
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