CCC Interrogatory #35

Interrogatory

Reference: Exhibit D2/T2/S 10/ pp. 2-3, 65

The evidence also explains how the risks and complexity of the project were underestimated by two experienced nuclear industry contractors retained to engineer, procure materials for and construct the project. Both contractors significantly under-forecast the project's duration and cost. The first of the two contractors was terminated by OPG based on performance. The second contractor ultimately agreed to complete the project for a maximum price that was tens of millions of dollars lower than the contractor's final cost to complete the project.

By spring 2014, with the project schedule extending and cost rising, OPG became increasingly dissatisfied with B&M's performance on the D2O Storage Project. The failure to meet the schedule for delivery of design documents and the delay in completing the LPSW relocation had pushed the construction schedule and increased costs. OPG was having difficulty getting B&M to commit to a new schedule and a firm estimate of cost at completion. Moreover, with the move into the excavation phase of the project, OPG also observed that the working relationship between B&M and EllisDon, which was responsible for both excavation and construction of the seismic dike, was not well-coordinated. In addition, the schedule delay meant that construction of the seismic dike would occur during winter, exposing the project to additional weather delays.

a) Please quantify the "increased costs" associated with B&M's performance issues that ultimately led to the termination of the B&M contract. Please discuss the extent to which any such increased costs have been included in the applied for D20 Storage Project costs sought for recovery.

Response

a) The question misstates OPG's evidence. OPG does not claim that B&M was terminated for "increased costs." Instead, as discussed in the evidence (see Ex. D2-2-10, pp. 65-68), OPG grew dissatisfied with B&M's performance on the project and, in particular, its inability to produce firm cost and schedule estimates and its unwillingness to have its payments tied to project cost beyond the performance fee in the ESMSA. As OPG's evidence makes clear, the cost increases experienced were largely attributable to the increased scope and complexity of the project as design progressed and construction conditions were better understood.

Since the costs OPG seeks to recover are consistent with the independent estimate of the costs to engineer, procure materials for, construct and commission the D2O Storage Project produced by Bates White (see Ex. D2-2-11, Attachment 3), OPG's position is that the amounts it seeks to recover in this application do not include excess costs, whether characterized as being related to B&M performance or otherwise.