CME Interrogatory #22

Interrogatory

Reference:
Exhibit D2, Tab 2, Schedule 11, Attachment 3, page 18.
Bates and White stated that their "opinion regarding their (vendor invoices) reasonableness rests upon four considerations."

(a) With respect to competitive procurements, please explain the comment in the first bullet point. Does it mean that while Bates and White did attempt to replicate the competitive procurement and got certain results?
(b) If the answer to (a) is yes, confirm if Bates and White compared the results to the actual purchases.
(c) In its analysis, how does Bates and White reconcile the starting position of perfect knowledge, with the additional amounts provided for contingency. Please explain.

Response

This response was prepared by Bates White:

a) and b) No. Bates White did not endeavor to replicate such competitive procurements. As explained elsewhere in our four considerations, we reviewed documents from the subject procurements, along with background documents that described OPG's EPC contractor's procurement process. We determined that the procurement process described in the documents represented a formal process appropriate for the scope and scale of the D2O Storage Project. Our review of the evidence provided by actual procurement documents provided evidence of the EPC contractor executing procurements in accordance with those procedures.

c) We used the term "perfect knowledge" to describe the fact that we had access to the fully defined project scope, a final design, and an understanding of actual site conditions encountered during the execution of the project. Such information provided details that estimates early in the execution of a project would not have access to; however, knowledge of this type does not eliminate all potential sources of uncertainty in a cost estimate. For example, as noted on p. 9 of the Bates White report, variability in such factors as labour productivity, weather, and the need for modest rework is an unavoidable part of any construction project.