Board Staff Interrogatory #137

Interrogatory

Reference:
Exhibit D2 / Tab 2 / Schedule 6 / p. 6

Preamble:

OPG stated that the U3EE contingency amount represents approximately 10% of the Remaining Units' estimate, including contingency. OPG also stated that this percentage is within the range of cost estimate uncertainty associated with a Class 2 estimate per AACE guidelines. Class 2 estimates have a range of -5% to -15% to +5% to +20%.

Question(s):

a) Please advise whether the U3EE is a Class 2 estimate as a whole or that a 10% contingency estimate is consistent with a Class 2 contingency estimate (or both).

Response

a) The U3EE is a Class 2 estimate. Please see Ex. D2-2-7, Attachment 3, p. 3, *Independent Oversight Team, Report on Darlington Unit 3 Execution Estimate*, Burns McDonnell/Modus Strategic Solutions, November 11-12, 2019, where the Burns/Modus team concluded as follows: "Based on the maturity of the DR Project, the Unit 3 estimate can be classified on the lower range of a Class 2 (+5% to +20%) and upper range of Class 1 (+3% to +15%) estimate as measured by the AACEi Classification System adopted by OPG for the DR Project."

   There is no such thing as a "Class 2 contingency estimate". The purpose of the statement in Ex. D2-2-6, p. 6, lines 17-20 is to indicate that the evaluated contingency amount of $647M, when divided by total estimate cost for the Remaining Units, yields a percentage of contingency (10%) that falls within the uncertainty ranges that are associated with a Class 2 estimate. As indicated above, what determines the Class of an estimate is an evaluation of whether that estimate meets the requirements as set out in the AACEi Classification System. The amount of contingency is arrived at through a different process, i.e., not a cost estimating process, but through an assessment of the risks and uncertainties in the cost and schedule and the potential dollar impacts of those risks and uncertainties. However, should the contingency assessment yield an amount or percentage of contingency

that differs widely from the expected percentage of contingency, given the separate evaluation of the Class of Estimate per AACEi Guidelines, it would be a flag to review the evaluation of the process of determining the Class of Estimate and/or the process for evaluating the amount of contingency required.