Board Staff Interrogatory #170

Interrogatory

Reference:
Exhibit D2 / Tab 2 / Schedule 11 / Attachment 3 / pp. 19

Preamble:

Bates White noted that the initial estimate of overnight direct costs is $377.2 million. This initial estimate incorporates amounts, identified directly on vendor invoices and purchase orders and inferred by RSMeans, to cover the EPC contractor's overhead and profit. Bates White removed the inferred amounts in calculating the estimate of the 2019 overnight costs for the Bill of Quantities (BOQ) items.

Question(s):

a) Please advise whether the $377.2 million initial estimate of overnight direct costs includes: (i) contingency; (ii) overhead; and (iii) profit. If it does not include contingency, please explain why.

b) Please confirm that the inferred amount that was removed from the initial estimate of overnight direct costs is $34.3 million.

c) Please provide the "then-year" costs using the $377.2 million initial estimate of overnight direct costs (prior to removing the inferred costs).

Response

The following response was prepared by Bates White.

a) Bates White's overnight direct cost estimate of $377.2 million includes overhead and profit, but not contingency. A contingency allowance is not a direct cost of construction. It is, rather, a hedge against the risk of spending more than the expected direct cost (i.e., the estimated average cost) of construction.

b) Confirmed. Bates White removed $34.3 million of overhead and profit costs from its overnight direct cost estimate.

c) See Appendix D of the Bates White report.