UNDERTAKING J3.4

Undertaking

TO UPDATE THE REPORT WITH CORRECTED NUMBERS

Response

The following response was prepared by Bates White:

The Bates White document at Attachment 1, "Construction Cost Estimate for the Darlington Nuclear Generating Station D2O Storage Project," dated August 16, 2021, represents an update to the original report of that title, dated December 16, 2020, to correct an error identified in oral testimony delivered by Bates White on August 6, 2021. The analysis was not changed and all references to tables and pages are identical between the original and updated documents.

The original Bates White report inadvertently contained 12 lines of preliminary cost data calculations related to BOQ item 33-05, Yard Drainage Temporary Provision (civil) on p. D-47. Those lines of data and the calculations should have been removed before the report was submitted. While correcting p. D-47 to remove the provisional cost data, the sub-title of the section was updated from "Dewatering (based on actuals)" to "Soil Management and Dewatering (based on actuals)," to more accurately reflect the items listed. In addition, the "Design and Fabrication" line was modified to read "Design and Fabrication (F1)" to define it more precisely. Neither of these labelling changes had an impact on the costs.

The presence of preliminary cost data resulted in an additional $5.6 million being included in the overnight cost estimate. Bates White corrected this error by reducing the total overnight cost for BOQ Section B 33 from $30.2 million, as reported in Exhibit D2-2-11, Attachment 3 ("Bates White Report"), pages 67 and 113, which correspond to pages D-1 and D-47 in the native-format report), to $24.6 million. Consequently, the total overnight cost for BOQ Section B was reduced from $94.2 million (Bates White report, p. D-1) to $88.6 million, a reduction of $5.6 million. In turn, the original overall estimate of overnight costs was reduced from $377.2 million (see Bates White Report, p. 19, Table 6) to $371.6 million. This sum comprised both the EPC contractor's direct costs and fees associated with performing all construction activities as if those activities were accomplished in late 2019.

Bates White then re-ran its cost model with the revised overnight cost estimate as an input. The model extracted the fee portion of the overnight cost estimate and recorded those costs in a separate cost category of fee and contingency. (The contingency amount was estimated separately and then added to the fee amount.) This is discussed in Section VI.A.2 of the Bates White Report, at p. 20.

Bates White then de-escalated those 2019 cost estimates to reflect the nominal dollar values in the year(s) those costs were expected to be expended. The resulting de-escalated direct costs without fee and contingency were reduced from $307.7 million (Bates White Report, Tables 1, 5, and 18) to $303.3 million, a reduction of $4.4 million. Fees and contingency costs fell from $47.2 million (Bates White Report, Tables 1, 5, and 18) to $46.6 million, a reduction of $0.6 million, based on the slightly lower direct cost values

The slightly lower direct cost affected two other cost categories: owner's cost less financing, and financing costs. The owner's costs were reduced from $35.4 million (Bates White report, Tables 1, 5, and 18) to $35.3 million, as the Bates White estimate for a management reserve was lowered by $0.1 million. The financing costs were reduced from $46.1 million (Bates White report, Tables 1, 5, and 18) to $45.6 million, a reduction of $0.5 million, as fewer dollars had to be financed.

Overall, the Bates White total cost estimate was reduced from $517.7 million (Bates White Report, Tables 1, 5, and 18) to $512.1 million, a reduction of 5.6 million.

Bates White notes in passing that these changes were described correctly in oral testimony. (Tr. Vol. 3, pp. 54-55)

Bates White has taken the opportunity to clean-up three minor errors in the updated report. None of these affected the cost estimate or the accompanying analyses:

1. Table 19—In the process of updating the table to reflect the reduction in direct costs, it was determined that the table contained other minor transcription errors. The table has been updated to reflect the correct information. This affected neither the cost estimate nor the conclusions drawn from the table.

2. Appendix D, p. D-137, D_06_03 Pipe Supports—In the process of printing the backup sheets to BOQ Section D, the value $132.88 was inadvertently omitted from the right-hand column. This affected the total shown for this section in the Bates White Report, but not the total in the model itself and therefore did not have an impact on the cost estimate.

3. Appendix D, p. D-171, F_03_02 Temporary foam fire suppression connection—In the process of printing the backup sheets to BOQ Section F, the values in the top row did not sum properly. The actual sum should have been $2,963.48. Making this correction, the total is revised from $39,771.70 to $41,720.20, an increase of $1,948.50. As stated, this was done in the course of printing the Excel file, rather than in the model itself, and therefore did not have an impact on the cost estimate.