

1 **Q. Newfoundland Power’s October 1, 2020 letter to the Board states (pages 6 of 8 and 7**
 2 **of 8) “All costs to execute this project including product and implementation costs, are**
 3 **included in EY’s recommended cost estimate. Acquisition of a specific vendor was**
 4 **therefore not necessary to develop a sound cost estimate.”**

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 6 **a) Has this statement been verified by EY?**

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 8 **b) Can EY guarantee its cost estimate in a competitive procurement without**
 9 **knowing what its competitors will bid? How can EY make such a guarantee**
 10 **unless it has already been awarded/promised the contract, or it has built**
 11 **considerable leeway in the estimate to ensure prospective bidders will come**
 12 **in less than the amount included in the cost estimate? Is the \$31.6 million**
 13 **estimate truly an estimate or is it a “quote” by EY to do the job?**

14
 15 **c) EY states (page 3 of the EY Report) “The estimated costs to procure,**
 16 **implement, and stabilize a modern CIS replacement solution is estimated at**
 17 **approximately \$31.6 Million over an 8-month pre-implementation period, a 21-**
 18 **month implementation period, and a 4-month post-implementation period”**
 19 **(emphasis added). Note the words “estimated” and “approximately”. Does this**
 20 **suggest that there will be a better cost estimate following award of the**
 21 **implementation project? Please explain how an estimate following award of**
 22 **the implementation contract could not be more accurate. Is EY so confident**
 23 **in its estimate that it will cover any cost overruns itself?**

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 25 **d) In EY’s opinion, what is the impediment in gaining a detailed cost proposal**
 26 **from the winning vendor before Board approval so parties can be fully**
 27 **informed before public funds are engaged?**

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 29 **A. a) EY agrees with the statement noted.**

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 31 **b) EY doesn’t require competitors’ bids to prepare a reasonable cost estimate.**

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 33 EY’s assessment resulted in detailed scope and cost estimates based on EY’s
 34 market experience delivering CSS replacement projects, industry leading
 35 practices, current market information and Newfoundland Power’s requirements.
 36 Utilizing its experience, EY developed a recommended project schedule,
 37 resourcing plan and cost baseline estimates for Newfoundland Power. These
 38 estimates were compared against standard industry benchmarks, provided by
 39 leading industry analysts, such as Gartner’s cost-per-customer and average CIS
 40 duration implementation figures to confirm that the recommended estimates were
 41 in acceptable ranges.

42
 43 This is not a quote - this is a cost estimate recommended by EY for
 44 Newfoundland Power’s CSS assessment and planning purposes. Refer to part c.
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- 1 c) Newfoundland Power will have a more precise cost estimate once they have
2 completed contract negotiations with the successful vendor.
3
4 EY is not aware of any instances whereby consultants hired to assist in similar
5 assessment and planning projects have guaranteed cost estimates and EY will not
6 be doing so in this instance.
7
8 d) There would be impacts of requesting detailed cost proposals before board
9 approval. This would lengthen the procurement and contracting process which
10 could have knock-on effects, lengthening the overall project timeline and causing
11 a later project completion date. Lengthening duration by itself would introduce
12 additional costs (resourcing – internal and external) to the project. This along with
13 deferring implementation would introduce additional costs and risk into the
14 project. Refer to PUB-NP-023 for risks and costs of deferral. In addition,
15 Newfoundland Power may be challenged to obtain best and final offers from
16 vendors without regulatory approval and project start dates defined.