

1 **Re: 2009 Capital Projects: \$500,000 and Over p. B-11 - Service Extensions - All**
2 **Areas**

3 Q. a) Is the amount of \$230,000.00 identified under the heading of 'contingency'
4 at Page B-11 a separate contingency estimate from the 'contingency fund' of
5 \$1,000,000.00 identified at Page A-2?

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7 b) What is the basis of the calculation of the contingency estimate as
8 provided on page B-11?

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11 A. a) Yes, the two contingency estimates are separate. Each project has a
12 contingency amount that is a cost estimate to cover unforeseeable costs
13 arising from uncertainties. The \$1,000,000 contingency fund is the
14 Allowance for Unforeseen Items that the Board allows Hydro to use where it
15 is impractical to make an application to the Board for approval of a
16 supplemental capital expenditure before proceeding where delays would
17 have serious negative consequences.

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19 b) The contingency estimate on page B-11 is approximately ten percent of
20 the total direct project costs. Hydro uses a ten percent figure for contingency
21 based on many years of experience with cost estimating and project
22 implementation.