

1 Q. At page 13 of the 2013 Capital Projects Overview, Hydro states that the estimated
2 contingency has been set at 20% and that this is consistent with the AACE estimate
3 classification system. Would a lesser contingency (i.e. 10%) be consistent with the
4 AACE estimate classification system and if so, why would a lesser contingency not
5 be considered appropriate in this Application?
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8 A. The contingency applied to a project is generally based on the level of project
9 definition and is provided to cover unexpected costs or uncertainty in the cost
10 estimates. Within the AACE estimate classification system, typical contingencies
11 are suggested based on the class of estimate being developed, with generally higher
12 contingencies applied to estimate classes with lower levels of project definition and
13 lower contingencies applied to estimate classes with higher levels of project
14 definition.
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16 A ten percent contingency is more suited to projects in which 80 percent of the
17 engineering is complete and the project scope has been tendered or quoted.
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19 Hydro's approach is to complete the reasonable amount of front end engineering
20 and carry a representative contingency in keeping with the level of engineering
21 completed. Twenty percent is appropriate in this case.