

1 Q. With reference to all of the Capital Projects, what policies or guidelines does Hydro
2 follow as to (a) when a “Contingency” cost component should be included in the
3 Budget Estimate and (b) how it should be calculated? Have any of those policies or
4 guidelines changed within the last five (5) years? If yes, also provide the previously
5 followed policies or guidelines.

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8 A. (a) A contingency may be provided in the cost estimate to cover unforeseeable
9 costs arising from uncertainties. Previously it has been set at 10 percent
10 however the application of a contingency amount is at the discretion of the
11 budget estimator. Hydro has set a contingency guideline of 20 percent which
12 would apply to most of the projects for the 2013 Capital Budget Application as
13 appropriate for the level of project definition at the budgeting phase.

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15 (b) Contingency is calculated on the total direct costs at the end of the project. In
16 the case of a multiyear project, the budget estimator has the option of applying
17 the contingency annually rather than at the end of the project. The guidelines
18 on the contingency calculation remain unchanged.