

1 Q. New Combustion Turbine: Progress reports on the new CT indicate that labor hours  
2 are more than 50% higher than planned. In addition, considerable overtime became  
3 necessary to maintain the schedule. However, costs are reported as below plan.  
4 Please explain this potential inconsistency.

5

6

7 A. The primary contract for the work is a lump sum, turnkey engagement for  
8 Engineering, Procurement, and Construction (EPC) services. As this is a lump sum  
9 contract, labour hours are not directly related to the contract price. In this instance,  
10 the EPC contractor had provided an estimate of labour hours to complete the work,  
11 as a means of monitoring the general progress of the work.

12

13 Please note that the cost report summarizes the approved expenditures on the  
14 project as a whole, and not only the labour expenditures on the EPC contract.  
15 Project costs include components of labour, materials, and equipment, for the EPC  
16 contract as well as for other elements of the project such as the terminal station  
17 upgrades, transmission line construction, water supply tie-ins, internal engineering,  
18 overheads, etc. To date, overall project costs have been tracking with compliance  
19 to the original approved budget.