

1 Q. The response to PUB-Nalcor-35 states the expected accuracy for an AACE  
2 International Class 5 Screening or Scoping Level Estimate would be +30 to 100% on  
3 the high side. The response filed by Hydro to PUB-NLH-154 in reference to Hydro's  
4 2012 Capital Budget Application states that it would be +40% to 100%. Please clarify  
5 which is correct.

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8 A. The response to PUB-NLH-154 in reference to Hydro's 2012 Capital Budget  
9 Application referenced AACE International Recommended Practice No. 17R-97,  
10 "Cost Estimate Classification System", and AACE International Recommended  
11 Practice No. 18R-97 "Cost Estimate Classification System – As Applied in  
12 Engineering, Procurement, and Construction for the Process Industries."

13 RP 18R-97 states that the expected accuracy for a Class 5 Screening or Scoping  
14 Level Estimate is +30 to +100% on the high side:

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#### COST ESTIMATE CLASSIFICATION MATRIX FOR THE PROCESS INDUSTRIES

The five estimate classes are presented in table 1 in relationship to the identified characteristics. Only the degree of project definition determines the estimate class. The other characteristics are secondary and are generally correlated with the degree of project definition, as discussed in the generic RP<sup>[1]</sup>. The characteristics are typical for the process industries but may vary from application to application.

ESTIMATE CLASS	Primary Characteristic	Secondary Characteristic		
	DEGREE OF PROJECT DEFINITION Expressed as % of complete definition	END USAGE Typical purpose of estimate	METHODOLOGY Typical estimating method	EXPECTED ACCURACY RANGE Typical variation in low and high ranges <sup>[a]</sup>
Class 5	0% to 2%	Concept screening	Capacity factored, parametric models, judgment, or analogy	L: -20% to -50% H: +30% to +100%

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1        RP 18R-97 is primarily focused on process equipment and projects, while 17R-97  
2        provides a generic model for any industry, where secondary characteristics may  
3        increase the level of uncertainty. As the Holyrood plant is an existing process  
4        facility, RP 18R-97 was considered to a reasonable reference for the accuracy of the  
5        estimate class.

6        The level of accuracy is highly dependent on the level of project definition and  
7        presence (or absence) of technical certainty. These factors play a much more  
8        significant role on estimate accuracy than an arbitrary “Estimate Class” criterion.  
9        Estimate accuracy must be evaluated on an estimate –by-estimate basis, and should  
10       be considered in conjunction with some form of risk analysis process.