

1 Q. Pg. 6 of Exhibit 31 states that the current capital cost estimates for the Muskrat
2 Falls Project and the Labrador-Island Transmission Link were prepared for the
3 purposes of Decision Gate 2 and on pg. 7 it is stated that this cost estimate is
4 “*commensurate with a AACE International Class 4 estimate*”. What degree of
5 accuracy is usually attached to Class 4 estimates?
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8 A. According to AACE International Recommended Practice No. 18R-97, typical
9 accuracy ranges for a Class 4 estimate can be -15% to -30% on the low side to +20
10 to +50% on the high side, depending on the technical complexity of the project,
11 degree of project definition (i.e. percentage of design complete), appropriate
12 reference information, and the inclusion of an appropriate contingency
13 determination.
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15 However these ranges are not absolute and are not industry or project specific.
16 AACE International Recommended Practice No. 18R-97 “Cost Estimate Classification
17 System” states:

18 “In summary, estimate accuracy will generally be correlated with
19 estimate classification (and therefore the level of project definition),
20 all else being equal. However, specific accuracy ranges will typically
21 vary by industry. Also, the accuracy of any given estimate is not fixed
22 or determined by its classification category. Significant variations in
23 accuracy from estimate to estimate are possible if any of the
24 determinants of accuracy such as technology, quality of reference
25 cost data, quality of the estimating process, and skill and knowledge
26 of the estimator vary. Accuracy is also not necessarily determined by

1 the methodology used or the effort expended. Estimate accuracy
2 must be evaluated on an estimate-by-estimate basis (emphasis
3 added), usually in conjunction with some form of risk analysis
4 process.”