

1 Q. **Tab I, 2014 Capital Budget: 2013 Capital Expenditures Overview**

2 At page I-18, No. 7, Hydro outlines that the budget for the Upgrade Hydrogen
3 Systems in Holyrood was \$1,992.3 while the total was \$3,487.8, for a variance of
4 \$1,495.5. Can Hydro explain the large variance between the budget estimate and
5 the actual tender cost?

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8 A. The reasons for the large variance between the budget estimate and the forecast
9 project cost are as follows:

- 10 • \$398,460 increase due to additional engineering for re-design required as a
11 result of the decision not to convert Units 1 and 2 to synchronous condensers;
- 12 • \$617,613 increase in contract cost as a result of project requirements identified
13 during the project detail design phase. The original estimate did not include
14 estimates for controls, instrumentation, and alarms required by the Canadian
15 Hydrogen Installation Code to ensure the safe operation of the system.
- 16 • \$398,460 increase in materials cost related to electrical and control systems
17 which was unknown during the estimating phase of the project; and
- 18 • \$80,967 increase related to additional interest during construction as a result of
19 extending the project schedule.