

1 Q. **Reference: Construct Storage Facility, Volume I, Section E, Page E-139**
2 Newfoundland and Labrador Hydro's consultant, Hatch, provides an Order of
3 Magnitude (+/- 30%) Capital Cost Estimate of \$83,000 to construct a storage facility
4 in Postville. Newfoundland and Labrador Hydro's budget estimate for this project is
5 \$183,800. Please explain why Newfoundland and Labrador Hydro's budget
6 estimate is \$100,800 greater than the estimate provided by Hatch.

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9 A. Hatch's estimate provides an order of magnitude of +/- 30% and includes an
10 estimated construction cost of \$56,720 with 20% added to cover Engineering and
11 Construction Supervision. A 20% contingency was then applied to the estimated
12 total to arrive at the total amount of \$83,000.

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14 When utilizing Hatch's estimate to form the basis of the proposal estimate, Hydro
15 considered the expected accuracy range of the estimate and applied a 30% increase
16 to the construction estimate of \$56,720, resulting in a revised construction estimate
17 of \$75,000. The 30% increase accounts for the low level of project definition,
18 available at the time of estimate, and takes into consideration the rising
19 construction costs experienced on the coast of Labrador. Additional costs were
20 then added to cover expenses associated with the provision of a new overhead
21 electrical service, the provision of full-time site inspection as well as internal labour
22 and travel costs. The application of the standard 20% contingency along with the
23 applicable interest and escalation resulted in the budget estimate of \$183,800.