

- 1 **Q. (Reference CA-NP-090) It is stated “Contingency amounts are project specific,**  
2 **and therefore depend on engineering assessments and the complexity of the**  
3 **project.”**
- 4 **a) What is the range of contingencies included in the 2024 CBA?**  
5 **b) What are the specific contingency amounts included in each of the projects**  
6 **included in the CBA?**  
7 **c) How can the Board be sure that alternatives are being given proper**  
8 **weighting when contingency amounts vary from one alternative to the next**  
9 **and the contingency amounts are not specifically identified?**
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- 11 **A.** a) The range of contingencies used in Newfoundland Power’s *2024 Capital Budget*  
12 *Application* is typically between 10% and 15%. Contingency amounts are project  
13 specific, and therefore depend on engineering assessments and the complexity of  
14 the project.<sup>1</sup>
- 15
- 16 b) Table 1 summarizes the specific contingency amounts on a percentage basis for  
17 relevant projects included in the Application.<sup>2</sup>

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<sup>1</sup> Some projects may have a contingency higher or lower than this range. For examples, see Table 1 of this response.

<sup>2</sup> The *General Expenses Capitalized* and *Allowance for Unforeseen Items* projects do not have contingencies included in their estimates.

Table 1 2024 Project Contingency Amounts		
2024 Projects	Contingency	
LED Street Lighting Replacement <sup>3</sup>	\$0	0%
Feeder Additions for Load Growth	\$406,000	15%
Distribution Reliability Initiative	\$117,000	15%
Distribution Feeder Automation	\$81,000	10%
Distribution Feeder OXP-01 Refurbishment	\$110,000	15%
Gambo Substation Refurbishment and Modernization	\$479,000	10%
Islington Substation Refurbishment and Modernization	\$456,000	10%
Memorial Substation Refurbishment and Modernization	\$568,000	15%
Old Perlican Substation Refurbishment and Modernization	\$305,000	10%
Transmission Line 146L Rebuild	\$1,033,000	10%
Lookout Brook Hydro Plant Refurbishment	\$252,000	15%
Mobile Hydro Plant Surge Tank Refurbishment <sup>4</sup>	\$195,000	25%
Hydro Facility Rehabilitation <sup>5</sup>	\$132,000	20%
Application Enhancements	\$172,000	10%
Shared Server Infrastructure	\$88,000	10%
System Upgrades	\$87,000	10%
Cybersecurity Upgrades	\$85,000	10%
Microsoft Enterprise Agreement <sup>6</sup>	\$0	0%
Gander Building Renovation <sup>7</sup>	\$187,000	25%
Replace Vehicles and Aerial Devices 2024-2025 <sup>8</sup>	\$229,000	5%

<sup>3</sup> Estimate based on actual agreement pricing from vendor.

<sup>4</sup> The work will be completed at height using rope access techniques that require good weather to execute. The uncertainty this brings requires a higher than average contingency.

<sup>5</sup> The *Hydro Facility Rehabilitation* project includes three items including the *Pitman's Pond Head Gate Replacement*. This item will require the plant forebay in the vicinity of the intake to be dewatered. There was uncertainty around how this scope of would be executed, so additional contingency was incorporated into the estimate.

<sup>6</sup> Estimate based on actual agreement pricing from vendor.

<sup>7</sup> Estimate based on uncertainty related to materials pricing.

<sup>8</sup> Contingency applies to the non-labour estimates only.

- 1 c) As provided in parts a) and b) above, contingencies are typically within a range 10%  
2 to 15%. Any contingencies outside of this range are related to the unique  
3 circumstances of a particular project. In projects where there are engineered  
4 estimates for different alternatives with similar levels of uncertainty, the  
5 contingencies are consistently applied across each alternative.<sup>9</sup> For example, the  
6 Distribution Feeder OXP-01 Upgrade item included in the *Feeder Additions for Load*  
7 *Growth* project considers two poles and wires alternatives in addition to a non-wires  
8 alternative. The engineering estimates for the two poles and wires alternatives were  
9 prepared using the same approach to contingencies.

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<sup>9</sup> Budget estimates are predictions of the actual expenditure for a proposed project. Estimates involve assumptions reflecting the uncertainties that exist in the project scope, and are associated with a level of error. Applying contingency to a budget estimate involves adding an amount to the budget estimate to account for the uncertainty and achieve a consistent level of confidence. Properly employed, the appropriate amount of contingency applied across alternatives will result in budget estimates that are comparable.