

- 1 **Q.** Newfoundland Power’s October 1, 2020 letter to the Board states (pages 6 of 8 and 7  
 2 of 8) “All costs to execute this project including product and implementation costs, are  
 3 included in EY’s recommended cost estimate. Acquisition of a specific vendor was  
 4 therefore not necessary to develop a sound cost estimate.”  
 5
- 6 a) How is it that EY knows what the different vendors will bid in a competitive  
 7 solicitation without having already conducted the solicitation or without  
 8 having already been selected as the winning bidder?  
 9
- 10 b) Why is Newfoundland Power seeking a \$31.6 million expenditure without first  
 11 having acquired a vendor that has submitted a detailed cost proposal? EY  
 12 states (page 3 of the EY Report) “The estimated costs to procure, implement, and  
 13 stabilize a modern CIS replacement solution is estimated at approximately \$31.6  
 14 Million over an 8-month pre-implementation period, a 21-month implementation  
 15 period, and a 4-month post-implementation period” (emphasis added). Note the  
 16 words “*estimated*” and “*approximately*”. Does this suggest that there will be a  
 17 better cost estimate following award of the implementation project?  
 18
- 19 c) Is there a contingency included in the estimated cost of \$31.6 million, and if so,  
 20 how much?  
 21
- 22 d) Would it not be prudent, in consideration of the best use of ratepayers’ money,  
 23 to have obtained a detailed cost proposal from various vendors and disclosing  
 24 the winning vendor before Board approval?  
 25
- 26 A. a) EY developed its cost estimate based on its extensive expertise in implementing  
 27 similar projects for other utilities and a comprehensive assessment of  
 28 Newfoundland Power’s operations.  
 29
- 30 b) For information on a phased approval process involving first acquiring a vendor,  
 31 see response to Request for Information PUB-NP-015.  
 32
- 33 All capital projects proposed in Newfoundland Power’s 2021 Capital Budget  
 34 Application are based on detailed cost estimates, including the CSS Replacement  
 35 Project. Actual costs are reported to the Board through established regulatory  
 36 processes.  
 37
- 38 c) Yes, there is a contingency included in the estimated cost of \$31.6 million. A  
 39 contingency of 10% is applied to all estimated project costs with the exception of  
 40 procurement-related costs and the Allowance for Funds Used During Construction.<sup>1</sup>

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<sup>1</sup> For the contingency applied to procurement-related expenses, see response to Request for Information NLH-NP-010.

1           d) No, it would not be prudent or the best use of ratepayers' money to have obtained a  
2 detailed cost proposal from various vendors and disclosed the winning vendor  
3 before Board approval.  
4

5           For information on a phased approval process involving first acquiring a vendor,  
6 see response to Request for Information PUB-NP-015.