

Attachment #1
AUTOMATED METER READING PROJECT
NON-FIXED PRICE COMPONENT FORECASTING

Corporate Finance completed an assessment of the non-fixed price portion of the AMR Project based on the bid provided by the preferred proponent. In conjunction with the project consultant, EMA and the Project Manager, a forecast of contingencies, approved indicies and other variable cost components was completed in order to determine an overall estimated project cost over the projected project timeframe of six years. This forecast established a variable cost component expectation of \$28.8 Million.

In addition, Corporate Finance made a determination of a “Low-End” and “High-End” boundary for the variable costs. The lower boundary was established by developing a different assumption for each non-fixed item. The assumptions were deemed to be less probable than the ‘expectation’ forecast and having a positive impact on the overall project cost. The higher boundary was established in the same way but with the each assumption having a negative impact on the overall project cost. The lower boundary indicates that the total project cost would mirror the base price given very favourable developments while the higher boundary indicates that an additional \$20 Million in project costs could result if the variable items negatively impacted the project.

The RFP specifically provided for changes to materials prices by specifying a foreign exchange index for changes to the Canada/US exchange rate, and an index for determining changes to copper prices (considered to be the key factor impacting the materials costs for meter change out work). Corporate Finance completed a detailed study of Canadian and US forecasts on the exchange rate and on copper industry fundamentals. It should be noted that forecasts for both the change in the Canadian dollar relative to the US dollar and for copper prices are extremely volatile at this time due principally to uncertain economic conditions. Annual adjustments to the forecasts are recommended.

The Project Price Forecast with high/low boundaries is summarized below:

(\$ Mil.)				
FIXED PRICE COMPONENT		191.8	191.8	191.8
VARIABLE PRICE COMPONENTS	Low- End	Expectation	Hi-End	
Contingency - Equipment	0.0	3.5	7	
Contingency - Installation	0.0	12.0	18	
Increased Accounts	1.1	1.1	2.2	
Canada/US exchange	-1.9	3.0	8.2	
Material Indexing	-4.2	4.2	8.4	
Fair Wage Adjustment	4.4	4.4	4.4	
Producer Price Index (FAN Equipment)	<u>0.6</u>	<u>0.6</u>	<u>0.6</u>	
TOTAL VARIABLE PRICE COMPONENTS	<u>0.0</u>	<u>28.8</u>	<u>48.8</u>	
TOTAL PROJECT PRICE, NET OF GST		191.8	219.1	239.1