

From: Richard Westney
To: [Derek Owen](#)
Subject: RE: Schedule Reserve
Date: Monday, September 3, 2012 11:38:32 PM
Attachments: [LCP IPR analysis of changes.pptx](#)

Derek;

I took the time to prepare two slides that show explicitly the differences between what we presented and what Paul suggests. See attached.

Here is the first point: we absolutely cannot allow our work product to be dictated or edited by Nalcor management or the LCH project management and then issued as IPR TEam work product. This violates our obligation to the Gatekeeper and our IPR charter, not to mention our professional ethics.

What we can do is accept feedback and suggestions from the review as part of the IPR process, just as we do with other meetings and interviews, and prepare a final version of our report to reflect all the input we have received. Once we submit the final version, we do not change it.

Second point: there are some suggestions I am comfortable with and some I am not; also some things that were deleted I feel should not have been. We need to discuss.

For both the above reasons, I do not agree that the changes are acceptable as given.


THird point: the schedule reserve deck is out of IPR scope. They are redefining schedule reserve as contingency planning, and we have not studied that, nor is it a DG3 key deliverable we were given to review. So I agree we should ignore it.

So, I propose the path forward is for you to talk with Paul, understand his suggestions, but make no commitments, and then get the team together via teleconference to draft the final copy of the two slides. Once we complete that, it is the finished work product and not subject to change. You said earlier the team had to be 100% agreed on the report and I totally support that.

I am available Tues to discuss.

D

Richard Westney
Founder/Chairman
Westney Consulting Group
713-861-0800
cell 713-962-1410
www.westney.com

From: Derek Owen [rdowen@
Sent: Monday, September 03, 2012 5:51 PM
To: Richard Westney

Subject: FW: Schedule Reserve

Dick,.....please see e-mail from Paul and attachments.

My first reaction is that the rewording of slides 13 and 40 seem to be acceptable. I do have the original wording available but I have no real objection. With regard to the Project Schedule Deck I see no reason for us the comment on this as I consider this to be project follow up on the theme on slides 13 and 40.

Your thoughts, please. I will be talking to Paul Tuesday.

Regards, Derek

----- Forwarded Message

From: [REDACTED] Paul Harrington <harrington@[REDACTED]>

Date: Mon, 3 Sep 2012 13:02:14 -0230

To: <rdowen@[REDACTED]>

Cc: <pharrington@[REDACTED]>

Subject: Schedule Reserve

Please find attached two attachments

1 Schedule reserve deck – where we explain the Nalcor position regarding how we intend to represent the schedule reserve- also note Ed Martins article in the Globe and mail today wherein he states that power will be flowing from Labrador to the Island in 2017. That is consistent with the messaging so far which will continue – we can bring power into the Island via LTA and LIL without the need for MF initially.

2 We are proposing some wording for the draft IPR report (slides 13 and 40) following our meeting later on Friday with Ed which we believe does not change the substance of the first draft and the messages it contained it simply uses language that could not be taken out of context and easily used in a negative sense. I know that was not the intent but we exist in a climate where words can be twisted and used in a manner that was not what the writer meant, So please review with Dick and see if we can agree on the final wording for this and item 1 above.

Regards Paul

Lets talk on Tuesday – I am heading out for a hike now

----- End of Forwarded Message

Comparison of text.....

FROM:

The IPR Team finds that best practice risk analysis processes were followed that can reasonably be expected to indicate adequate realistic cost and schedule allowances. However, since the Project Sanction documentation is not yet complete, the IPR Team cannot comment upon how these allowances have been or will be included in the Project Sanction cost and schedule.

TO:

The IPR Team finds that best practice risk analysis processes were followed that can reasonably be expected to indicate adequate and realistic cost and schedule allowances. This information will inform the Gatekeeper and the DG3 decision regarding appropriate contingencies. The Project Sanction decision is subject to other pre requisites including economic and other analysis which are underway and not yet complete, the IPR Team understands that appropriate cost and schedule allowances will be included in the Project Sanction cost and schedule.

Analysis of changes

- The IPR Team provides the following findings and **observations** ~~recommendations~~ concerning the use of Management Reserve and Schedule Reserve to account for the strategic project risks associated with mega-projects such as LCP.
 - The extensive and very public track record of large infrastructure projects provides many examples of substantial cost overruns and schedule delays. The size of these mega-projects increases their exposure to strategic risks such as regional and global economic conditions, market trends, changing governmental regulations, limits on resource availability, and declining global construction productivity.
 - Nalcor LCP management team has long recognized these risks and the need to account their potential impact on project cost and schedule. The LCP Project Execution and Project Risk Management Plans describe the use of Management Reserve and Schedule Reserve for this purpose.
 - Nalcor LCP management team has long recognized the extensive and very public track record of large infrastructure mega-project risks and the need to account their potential impact on project cost and schedule.
 - Front End Loading and pro active risk management has been a key feature of Nalcor's work leading up to DG3.
 - The size of these mega-projects increases their potential exposure to external risks such as regional and global economic conditions, market trends, changing governmental regulations, limits on resource availability, and declining global construction productivity. The LCP Project Execution and Project Risk Management Plans consider the appropriate use of Management Reserve and Schedule Reserve for this purpose.
 - Nalcor's decision gate process defines DG3 deliverables that include both Tactical and Strategic Risk Analyses; and the Nalcor team has invested considerable effort in these analyses which provide the required quantification of Estimate Contingency, Management Reserve, and Schedule Reserve.
 - Nalcor's decision gate process defines DG3 deliverables that include appropriate Risk Analyses; and the Nalcor team has invested considerable effort in these analyses which have included the quantification of ranges of Project and other cost and schedule contingency and reserves.
 - The Nalcor team has been careful to align the project cost estimate and detailed schedule; the IPR Team recommends that this consistency be maintained in the use of risk analysis results.
 - The Nalcor team has been careful to align the project cost estimate and detailed schedule; the IPR Team recommends that this consistency be maintained in the use of risk analysis results.
 - The IPR Team concurs with the expectations set by the LCP Project Execution and Risk Management Plans that adequate provisions for Management Reserve and Schedule Reserve be included in the Project Sanction costs and schedules.
 - The IPR Team concurs with the expectations set by the LCP Project Execution and Risk Management Plans that adequate provisions for Management Reserve and Schedule Reserve be recognized in the Project Sanction decision making process.