

From: jasonkean@nlh.nl.ca
Sent: Sunday, October 26, 2008 8:10 PM
To: Bali, Raminder
Subject: RE: Risk Analysis for Contingency Determination
Attachments: Risk_NLH.ppt; Risk_NLH - JK.ppt

Raminder,

I have updated your slide (see attached). This should answer most of your questions.

Call me if you need clarification. My mobile number is 709-129.

Jason



Risk_NLH - JK.ppt

Jason R. Kean, P. Eng., PMP

Project Services Manager (Consultant)
Lower Churchill Project

Newfoundland & Labrador Hydro
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Toll Free: 1-888-576-5454
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Website: <http://www.lowerchurchillproject.ca>

"Bali, Raminder" <rbali@hydro.mb.ca>

"Bali, Raminder" <rbali@hydro.mb.ca> 10/24/2008 09:40 AM	
	To <JasonKean@nlh.nl.ca>
	cc []
	Subject RE: Risk Analysis for Contingency Determination

Thanks Jason for your reply. I am attaching the Power point slide. We are interested in knowing the following

- What is the confidence level of your contingency (P50, P60, ???), when estimating it for the base estimate?
- Do you have the concept of project reserve and if yes, what is typically included in it?
- Who is responsible for authorization of Project reserve?
- For what final amount is project approved e.g. base amount + contingency + project reserve
- Who approves the project amount, (NL Hydro Board or Minister ??)

I will give you a call after hopefully you have had a chance to review the slide and this email.

Thanks

Raminder S. Bali P. Eng.
Hydro Power Planning
Tel: 204 480 5463

From: JasonKean@nlh.nl.ca [mailto:JasonKean@nlh.nl.ca]
Sent: Friday, October 24, 2008 4:38 AM
To: Bali, Raminder
Subject: Re: Risk Analysis for Contingency Determination

Raminder,

I would be pleased to, however I am out of the office until end of day today. Also I cannot appear to open the attachment. Suggest resending as MS Project version 2003. I will review tonight and advise as I am leaving town tomorrow AM for the weekend. I am available at 709-██████129 should you need to discuss.

Jason

Jason R. Kean, P. Eng., PMP

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"Bali, Raminder" <rbali@hydro.mb.ca> 10/23/2008 05:42 PM		
	To	<JasonKean@nlh.nl.ca>
	cc	
	Subject	Risk Analysis for Contingency Determination

Jason,

I have been asked to present to the Manitoba Hydro executive on how other utilities handle contingency. I have prepared this slide based on your presentation earlier in the month with some blanks for you to fill. I will appreciate if you can please confirm the items in "red". I have this presentation to give on Monday morning at 8:00. I will appreciate your response before that, if possible.

Please feel free to add or suggest any thing extra.

Thank you,

Raminder S. Bali, P. Eng.
 Hydro Power Planning
 Tel: 204 480 5463



Risk_NLH.ppt

Risk Analysis for Contingency Determination

NL Hydro Practices

Lower Churchill Project

- Business Proposals are based on **P?**
 - Contingency equals amount to get to **P?**
- Project Reserve is to account for Scope Change (*do you have concept of project reserve*)
- P? and Project Reserve does not include Force Majeure
- Project Reserve is Controlled by the Project Client (*if yes, who controls project reserve*)?
- **who approves the cost estimate? NL Board??**
- Estimate Contingency -- Tactical Risks (Project related risks)
 - a) Definition Factors (**Scope?**)
 - b) Price Factors,
 - c) Performance Factors
 - d) Construction Methodology Factors
- Financial Exposure -- Strategic Risks (Gatekeeper Risks)
 - a) Contractor Financial Stability
 - b) Global Commodity Demand,
 - c) License Delays
 - d) Management Decisions
 - e) Stakeholder Claims
- Investment Value = Base Estimate + Estimate Contingency + Financial Exposure

Risk Analysis for Contingency Determination

NL Hydro Practices

Lower Churchill Project

- Business Proposals are based on P50
 - Estimate Contingency and Financial Exposure equals amount to get to P50
- Management Reserve is to account for Scope Change and to provide a higher level of confidence to account for unknowns including Force Majeure
- Management Reserve is Controlled by the Project Gatekeeper.
- Gatekeeper approves the cost estimate, however the Board and Shareholder approve the Project based upon key investment analysis practices (NPV, IRR, etc)
- Estimate Contingency -- Tactical Risks (Project related risks)
 - a) Definition Factors (Scope)
 - b) Price Factors,
 - c) Performance Factors
 - d) Construction Methodology Factors
- Financial Exposure -- Strategic Risks (Gatekeeper Risks)
 - a) Contractor Financial Stability
 - b) Global Commodity Demand,
 - c) License Delays
 - d) Management Decisions
 - e) Stakeholder Claims

~~▪ Investment Value – Base Estimate + Estimate Contingency + Financial Exposure +~~

~~Management Reserve~~