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To: jasonkean@nalcenergy.com
Cc: briancrawley@nalcenergy.com; gbennett@nalcenergy.com; lanceclarke@nalcenergy.com; ronpower@nalcenergy.com
Subject: Re: Revised deck for use with MHI
Date: Thursday, September 6, 2012 9:58:48 AM
Attachments: [.png](#)
[capcost escalation contingency rev 2.pptx](#)

Agreed

Final version

Thanks Paul



capcost escalation contingency rev 2.pptx



Paul Harrington
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Jason Kean---09/06/2012 09:03:11 AM---Paul, I have reviewed your draft material from a perspective of ensuring a level of consistency with

From: Jason Kean/NLHydro

To: Paul Harrington/NLHydro@NLHydro

Cc: Brian Crawley/NLHydro@NLHydro, Gilbert Bennett/NLHydro@NLHydro, Lance Clarke/NLHydro@NLHydro, Ron Power/NLHydro@NLHydro

Date: 09/06/2012 09:03 AM

Subject: Re: Revised deck for use with MHI

Paul,

I have reviewed your draft material from a perspective of ensuring a level of consistency with our estimating and project control approach, thereby enabling alignment with what we have stated in the past and documented in our management plans.

In this context, I do not feel comfortable with statements surround the addition of \$77 million to the contingency, rather I suggest it would be more accurate to state:

"Several potential opportunities have been identified for the SOBI scope that strongly influenced the contingency setting at 3.8%. It is very probable that these opportunities will be realized, which will increase the available contingency for LITL by nearly 100%. These specific opportunities include:

- Rock dumping - volume reduction
- Embedded fibre
- Weather / downtime allowance
- SOBI cable route selection"

Further the statement "escalation and contingency are shown combined and will in practice be managed as a single contingency to cover changes to the estimated cost" is not correct. Escalation is assessed with each package award and included as part of the award recommendation and requisition, since it will be spent on things such as increasing labor rates (e.g. SLI hourly rates increasing year-over-year). This is much differ that contingency which in day-to-day contract administration by PCNs (e.g. scope additions) and Field Work Instructions (e.g. erect temporary signage, clearing buffers around bird nests, etc.)

Jason



**Jason R. Kean, P. Eng., MBA,
PMP**

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You owe it to yourself, and your family, to make it home safely every day. What have you done today so that nobody gets hurt?

Paul Harrington---09/05/2012 03:57:28 PM---MHI have previously observed that the LIL contingency is "below industry norms", specifically identi

From: Paul Harrington/NLHydro

To: Brian Crawley/NLHydro@NLHYDRO, Jason Kean/NLHydro@NLHydro, Gilbert Bennett/NLHydro@NLHydro

Cc: Lance Clarke/NLHydro@NLHydro, Ron Power/NLHydro@NLHydro

Date: 09/05/2012 03:57 PM

Subject: Revised deck for use with MHI

MHI have previously observed that the LIL contingency is "below industry norms", specifically identified to be related to converter stations.

Please find attached a deck that I intend to use with MHI Thursday 6th Sept that shows how Nalcor has mitigated that concern, which hopefully will allow that observation to be adequately addressed and not feature in the final report.

Please advise any changes you feel necessary, note I know PCN's are being prepared and the final numbers may change hence I have classed the amounts as approximate\$

Regards Paul

[attachment "capcost escalation contingency rev 1.pptx" deleted by Jason Kean/NLHydro]



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Base Cap cost, Allowances, Escalation and Contingency

6 September 2012

Boundless Energy



DRAFT



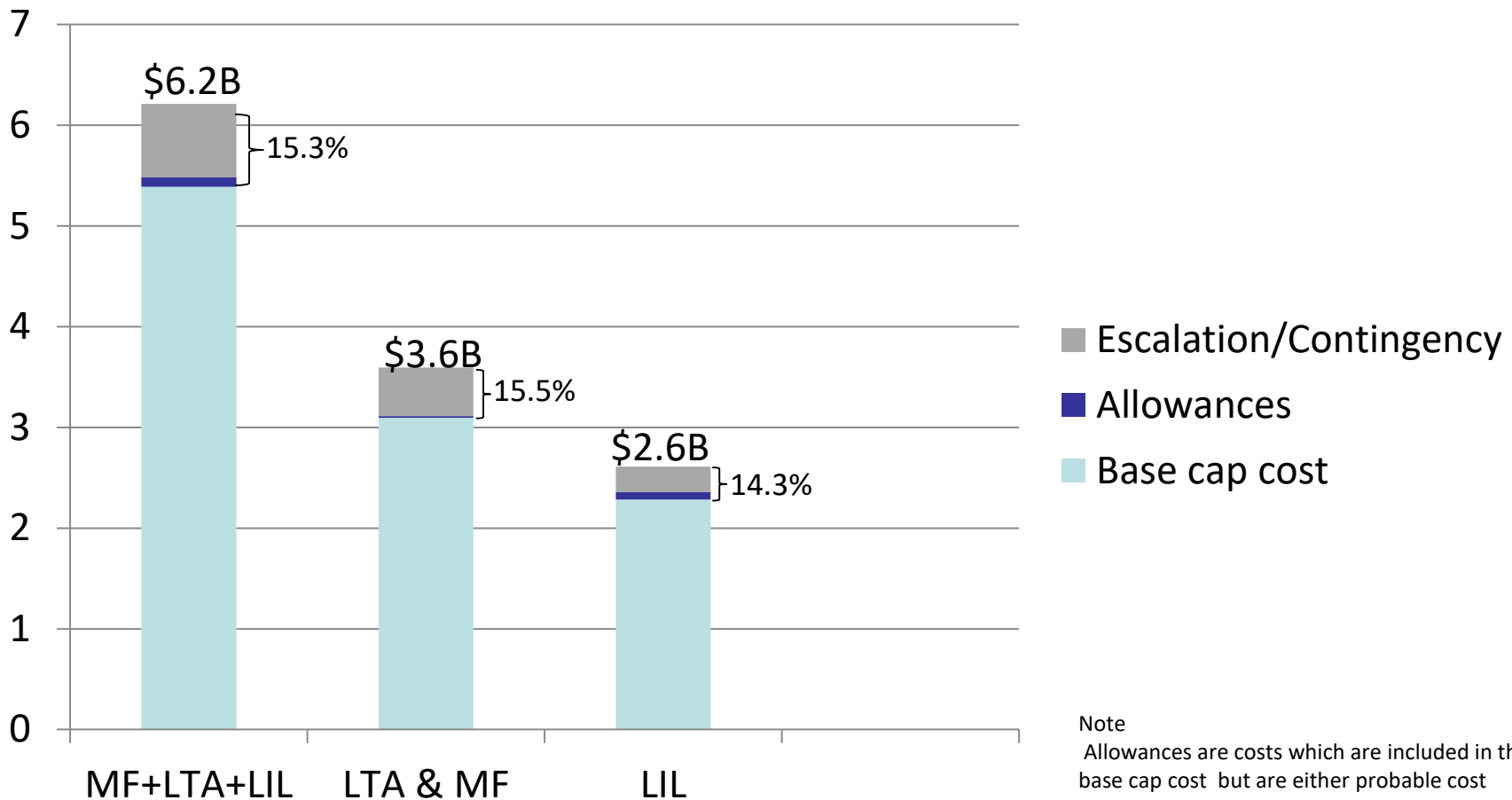
MHI Observation and Nalcor Mitigation

DRAFT

- **MHI Observation-** that the contingency for the Converter Stations is below industry norms
- **Nalcor's Mitigation** – An additional \$77M has identified as probable cost saving which when processed will be added to the LIL contingency which includes the Converter Stations. The \$77M consists of potential cost savings identified including:
 - Rock Dumping saving of..... ~\$20M
 - Embedded fibre saving of~\$17M
 - Weather/downtime allowance..... ~\$30M
 - SOBI cable route saving..... ~\$10M
 - **Total..... ~\$77M**

Overall View

DRAFT



LIL

DRAFT

	Previous LIL	Current %	Current LIL	Probable %
Base Estimate	\$2,359.61		\$2,282.61	
Contingency & Escalation	\$250.14	10.6%	\$327.14	14.33%
Totals	\$2,609.75		\$2,609.75	