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Subject: Way Forward - Cost and Schedule
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Jim

Here are my thoughts that perhaps you can run passed CCB and BF to see if we are aligned.....

The cost and schedule experts will get lost in the minutae and will not be able to agree so we have to raise the discussion and this is what I propose:

Schedule - I have asked Ed Bush to work with Tom Chudy to develop a Critical Path overview which should allow MWH to make a determination on the reasonableness of the sequence, duration and interdependencies of the main works - LTA and LIL can be discounted from the discussion because they have months of float - the Critical Path for this Project has always been MF The high level CP for Muskrat Falls will show the main contracts , Bulk Excavation, Main civil , Dams and North Spur with the tie ins for the key supply and install contracts of Gates, TG sets and Balance of Plant . We can include the proposed Astaldi high level schedule that we have with the LD dates and shoe River Diversion as the main pivot point. MWH have a lot of experience and should be able to assess this level of schedule as being reasonable stating their assumptions in arriving at that opinion.

Cost - We know we have approx 2/3rds of the total Project estimate firmed up as completed contracts, delivered Po's or firm priced executed contracts or LNTP's. The net effect of this is a cost increase of ~5% which results in the \$6.531B - so there is \$2.2B left to firm up with contracts and PO's - the cost to complete as far as we know today is \$6.531B and we believe that the greatest budget hits are already behind us and even if in the worst case the 5% increase in cap cost we have seen continues to be experienced for the next \$2.2B (which we do not accept at this time) the \$6.531 would not exceed \$6.641. So we are now out of the realm of estimating theory and into the world of fixed and firm contract and PO costs. So MWH can be assessing actual fixed and firm costs that we have and then focus on the costs we have yet to firm up and again using their experience look at the cost situation and pass an opinion on the reasonableness of our revised budget of \$6.531B

If we take this simplified but practical approach to what we are looking for from MWH's test of reasonableness we should be able to satisfy the stated requirement and allow MWH to comment on the reasonableness of the LCP Cost and Schedule

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