

From: [David Steele](#)
To: [Richard Noble](#)
Subject: RE: Another quick question
Date: Monday, December 1, 2014 5:33:22 PM

Draft report coming this week. I suggest you reach out to Craig to close the loop on Contingency. Are you able to do so tomorrow?

From: Richard Noble
Sent: Monday, December 01, 2014 4:44:35 PM
To: David Steele
Subject: RE: Another quick question

Hi David,

Sorry... But No... this is not accurate... this is why this must be conveyed in writing:

Nalcor state they have used the AACE estimates to calculate variability in the estimates to date. AACE are reasonable standards to apply. They have used Class 1 parameters to define the confidence bounds at this phase. This is consistent with having used AACE in previous phase estimates and was reviewed (with comments) by the IE in their report last year... we are basing our understanding that they did this on our prior viewing of the IE report.

The potential overrun (downside) on the estimate based on AACE stated as a range of +3 to +15% based on completeness of the program. Nalcor have chosen 4.6%. The rationale provided was that 90% of contracts and engineering were complete (we have seen no more detail than this statement). They acknowledge this is aggressive. To assess whether this is adequate we need to see the details behind this choice.

The AACE estimates typically do not cover risk allocation for discrete risks. We are not sure if this is included in the difference between +3% and +4.6%... the better practice is also to have done Monte Carlo Simulations to analyze the cost and schedule variability... we have no information as to whether this has been performed.

I did relay this to David, I have kept my script...this was also a comment from Emiliano sent to me.

This does not appear to have been picked up by Craig from the telecom in sufficient detail to craft the wording.

He did say we were going to see the draft report again later in the week... so I assumed we'd have a second crack.

Best regards,

Richard

From: David Steele
Sent: Monday, December 01, 2014 2:30 PM
To: Richard Noble
Subject: Another quick question

Craig discussed the following point with you and wants to confirm.

Contingency as it currently stands in Nalcor's reports is expressed in a way that is standard/accepted method for MCPs. Can you please confirm that this is the case from your experience?

While Craig will not be commenting on the accuracy or appropriateness of the contingency itself, he would like to make a statement on the method they are using to report.

Regards,

Dave

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