

**From:** [Tim Calver](#)  
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**Cc:** [Sam Wolyniec](#); [Chris Congram](#); [Robert Spasyouti](#)  
**Subject:** Question on Owner's costs  
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Steve,

Yesterday in the meeting at Hydro Place we touched briefly on owner's costs. We have a very early draft section on this but I think it's easier to ask on email and we can go into more detail as required. Can you pass this question on to the most appropriate member of the team please?

The question is about the spend rate on Owner's costs versus the % of project completion and hence the impact on FFC.

Based on the numbers in the Nalcor Monthly Reports, Project management has expended 73% (\$562m) of Current Control Budget (\$774m) vs. an Earned Construction Project Progress of 40.5% and an overall Project earned progress of c 50%.

I recognise that a linear relationship does not exist between project management expenditure and project physical progress, but the difference here is significant. Although Project Management expenditure would be expected to tail off accordingly as elements of the project complete, I expect that Nalcor will continue with intensive contract management to mitigate the risks around contractor performance. Also, with the project fully in construction mode and with commissioning to follow I assume that required site resourcing levels will not reduce significantly.

Can you explain the phasing of these costs which is consistent with the FFC. Based on a simple analysis of the average expenditure of the last 12 months, at the current "burn rate" the project management budget would expire in June 2017.

Notwithstanding the costs associated with any Astaldi schedule delay, I want to understand whether this represents a cost risk, as the monthly Owner's costs are in the region of \$11m dollars.

Thanks

Tim