

Circle Reasonable Contingency Descriptions

1. Equipment costs will exceed quote used to establish budget
2. Existing concrete pad may not support new equipment, requiring removal, excavation, and pad replacement
3. Time required for coordination between vendor and installer
4. Unforeseen site conditions (routing, obstructions, startup)
5. Unforeseen site conditions (PME support, issues resolution)
6. Design overrun
7. Project Management overrun
8. Shop overrun
9. Subcontract change orders
10. Changes in material pricing
11. Problems encountered as shops work with existing finishes
12. Entry protocol
13. Commissioning and training
14. Shop repair of vendor quality issues
15. Additional contract administration support to vendor
16. Market conditions
17. Design errors
18. Organizational interferences (customer driven)
19. Contractual risks
20. As-builts
21. Punch list resolution
22. Startup
23. Additional scope
24. Rework
25. Delays

ASSIGNMENT OF RISK AND CONTINGENCY

Purpose – Identifying risk, assessing its severity and selecting and managing options for resolving those risks; provides a structure for establishing cost provisions held by the project team to mitigate probable technical, cost, contract, and schedule risks associated with project execution.

RISK CHECKLIST

- ◆ Program Issues
- ◆ Quality Issues
- ◆ Quantities & Equipment Supplier Issues
- ◆ Subcontractor Issues
- ◆ Government Issues
- ◆ Community Issues
- ◆ Project Scope, Technology and Execution Issues
- ◆ Estimate Issues
- ◆ Schedule Issues
- ◆ Commercial Issues
- ◆ Site Issues
- ◆ Labor Issues
- ◆ Environmental Issues

CONTINGENCY VS. BASELINE

- ◆ High probability items should be included in the baseline estimate
- ◆ Describe and quantify the root cause

MANAGING CONTINGENCY

Requires Team Buy-In to Risk Assessment
Notify Team of use of approved contingency
Requires team agreement to reallocate Contingency

Trend – Documents situation
Log – Records transactions
Continue to evaluate risk during execution phase
Record elimination or reduction of previously identified risk
Identify new risk items
Reallocate unused contingency to newly defined risk items
Prepare trend to reduce or increase EAC

EXAMPLE:

Potential Change Request: Condenser Water Piping Insulation	
General Contractor: Additional Cost for piping insulation....	\$6,500
Lead Engineer: 4 hours @ \$83/hr.....	\$ 332
COTR: 8 hours @ \$83/hr	\$ 664
Project Manager: 6 hours @\$83/hr	\$ 498