

Rice Global EEC Forum Roundtable

October 12, 2018

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- Gain tools and strategies to:
 - Assess the shift in risk when transitioning from cost-reimbursable to lump sum contracts
 - Understand key differences in administering changes under a lump sum versus reimbursable contract
 - Address the "cost-reimbursable mindset" that may hinder success on lump sum projects

Agenda

Introduction

Overview of Contracting Mechanisms

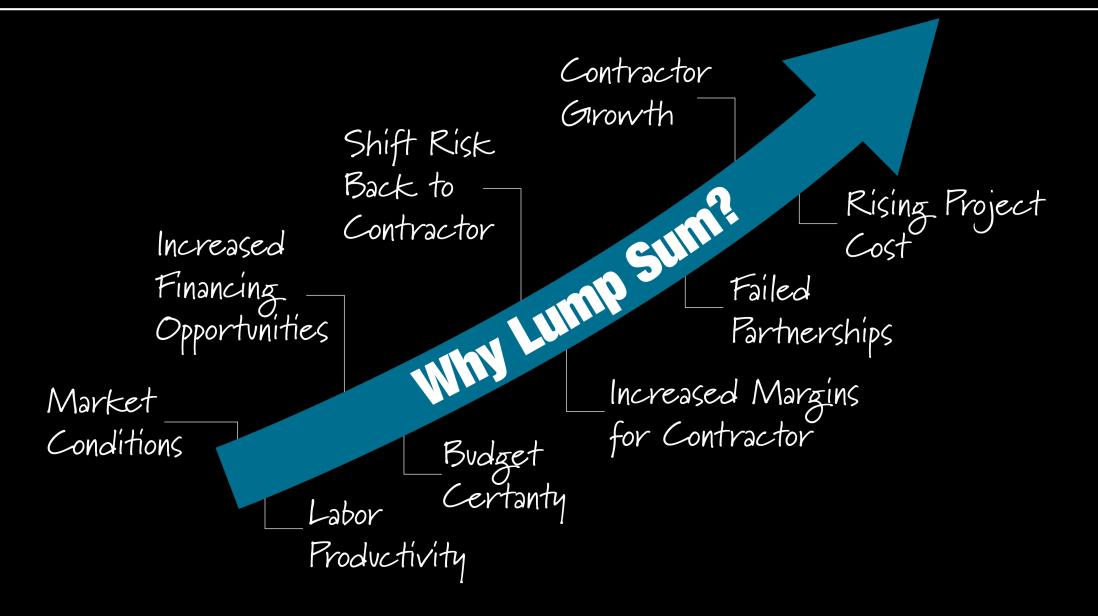
- Cost Reimbursable
- Lump Sum

Changes

- Reasons for Changes
- Timing of Changes
- Change Management

Cost Reimbursable vs Lump Sum – A New World

Trends Towards Lump Sum



Introduction

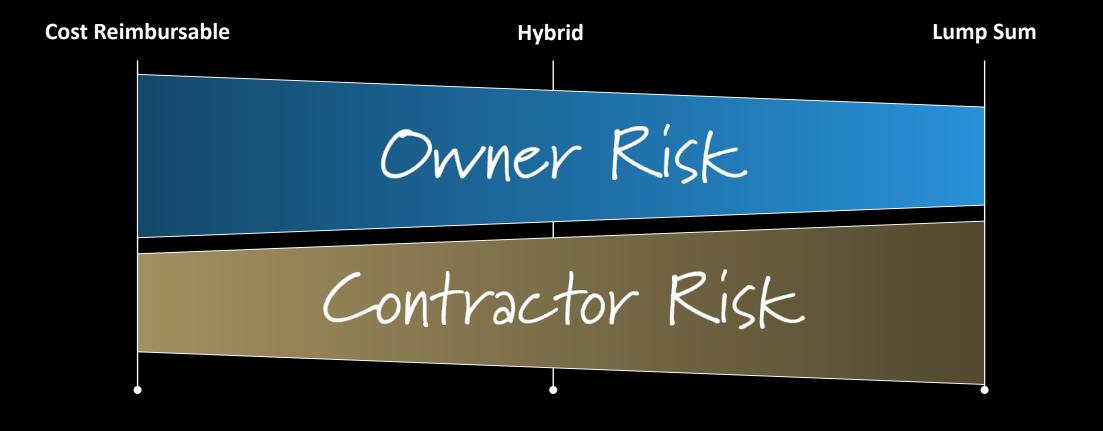
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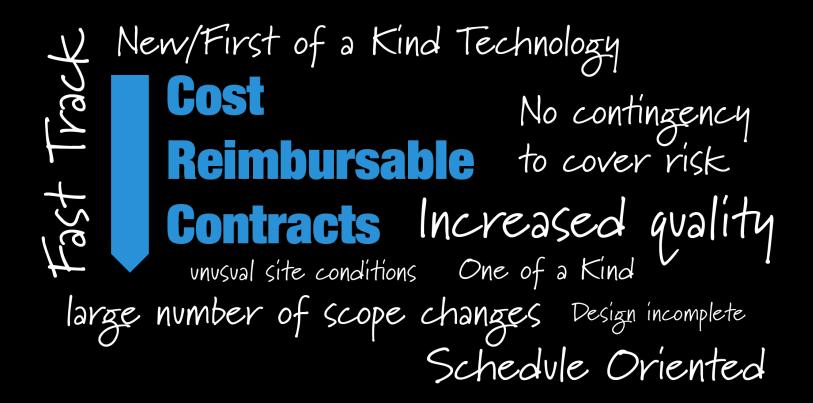
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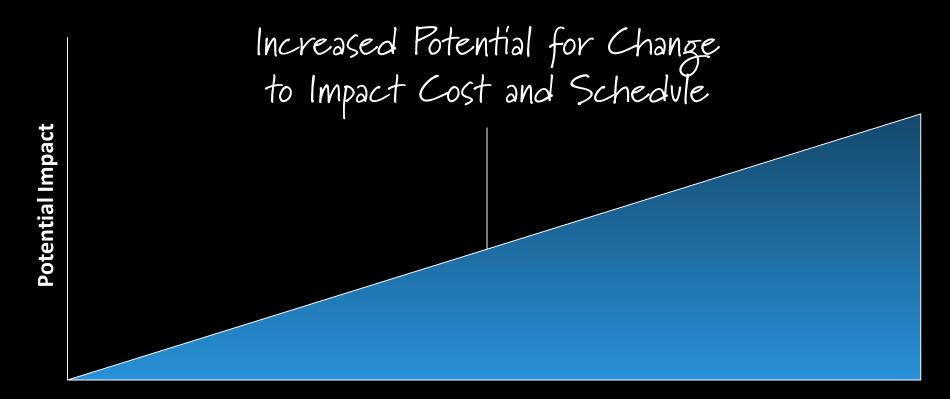
Cost Reimbursable vs Lump Sum – A New World

Owner Initiated

- Design Changes
- Input/Output Changes
- Schedule Changes
- Priority Changes
- Inspection Changes
- Operation Staff Input

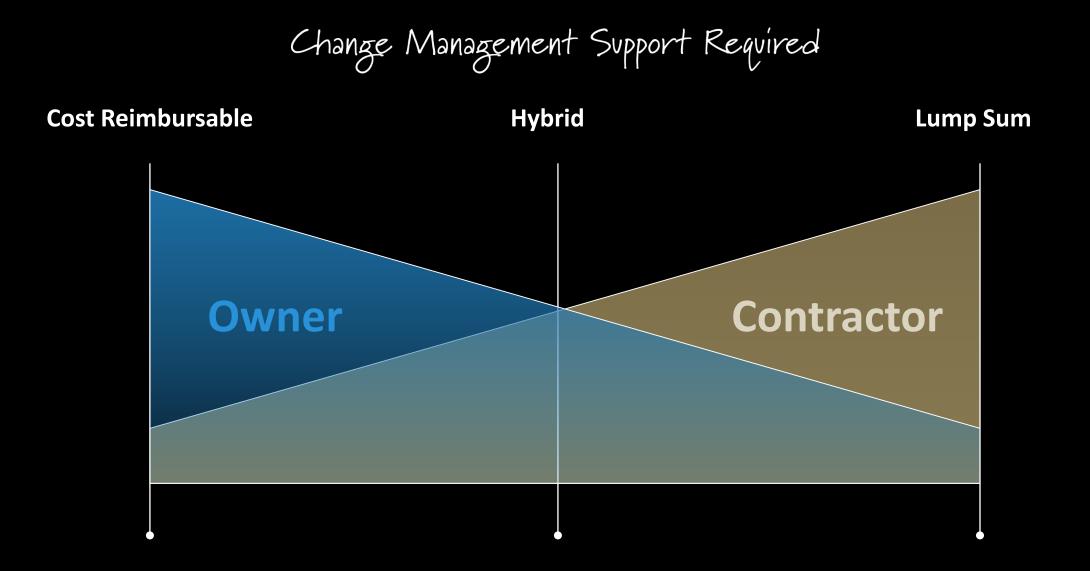
Contractor Initiated

- Differing Conditions
- Weather Impacts
- Incomplete Design/RFIs
- Impact of Owner Initiated Changes on Schedule and Productivity



Project Timeline

Change Management



Cost Reimbursable

- Monitor project events;
- Maintain Log of Unanticipated Events;
- Segregate Costs;

Lump Sum

- Monitor project events;
- Provide Timely Notice;
- Demonstrate Entitlement;
- Quantify Additional Work;
- Submit Change Order Request;
- Negotiate Change Orders;

Cost Reimbursable

- Monitor Cost and Productivity Trends;
- Monitor Design Development;
- Facilitate Timely and Comprehensive Design Input;
- Evaluate Most Effective Means to Address Issues during Design Development;
- Manage Communications;
- Provide Clear Direction in the Event of Changes;

Lump Sum

- Evaluate Change Order Requests;
- Negotiate Change Orders;

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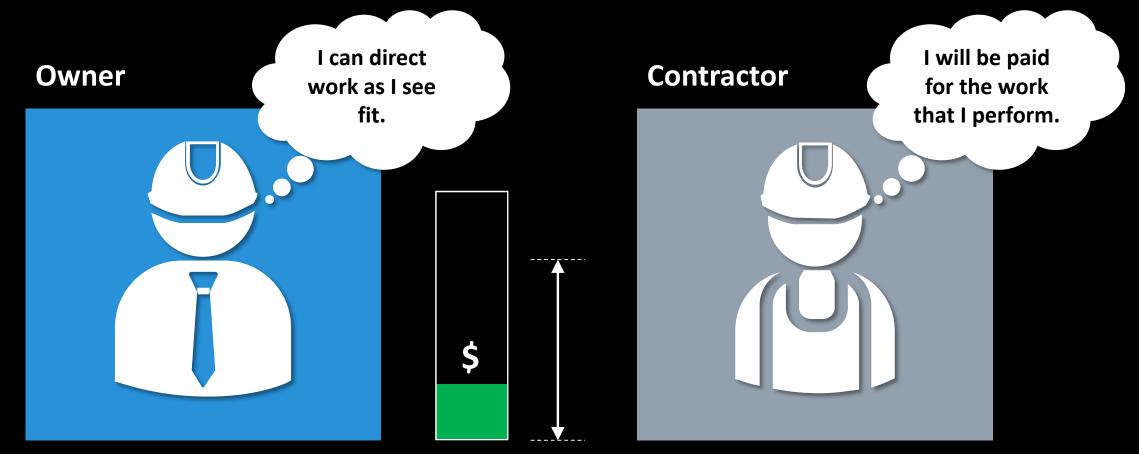
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Cost Reimbursable vs Lump Sum – A New World



Cost Reimbursable Mindset



No Incentive to Document

- Owner directed changes throughout construction
 - Change Directives
 - Directed Acceleration
- Change Management Skill Set
 - Based primarily on estimated quantities, rates and costs;
 - Can include components such as:
 - Loss of Productivity;
 - Extension of time;

- Handover from Bid to Execution Team and beyond
- Unclear Lines of Communication;
- Internal Recognition and Communication of Change;
- Change Management Skill Set
 - Identification of Change
 - Substantiation of Entitlement to Change
 - Methods of Quantification
 - Substantiation of Costs and Time Extensions
- Need for More Robust Project Controls

