THE ENERGY ACADEMY

A DECISION GUIDE SUPPORTING BEAT THE DEADLINE | ALL FIGURES ILLUSTRATIVE

The Contractor Calls: Should You Spend $25,000 to Save the Schedule?

A hypothetical call, and the thought process on the receiving end, from the first question to a documented decision.

INCOMING CALL: THE CONTRACTOR

"The equipment delivery has slipped. We can expedite an alternate shipment for $25,000, but we need authorization today to protect the schedule."

Before you say yes, follow the decision through the six steps below.

THE RIPPLE: WHAT ONE REQUEST TOUCHES

Contractor request > Schedule > Total cost > Remaining contingency > Funding and returns > Approvals > Downstream teams

1 Understand the problem before buying the solution.

THE REQUEST

Expedite an alternate shipment.

$25,000. Authorization needed today.

QUESTIONS IT SHOULD TRIGGER

- What changed from the agreed plan, and when did you learn about it?
- Which milestone is affected?
- What is the revised completion forecast?
- Is this activity controlling completion, or does it have available float?
- What supports the proposed recovery date: vendor confirmation, crew availability, an updated schedule?
- What happens if we do nothing?
- What alternatives did you evaluate?

TAKEAWAY

A promised delivery improvement still needs to translate into a project completion improvement.

2 Find the full cost, and who is responsible for it.

COSTS AND SAVINGS TO VERIFY



QUESTIONS TO ASK

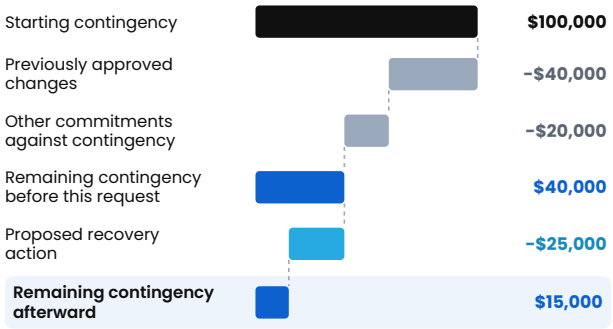
- Is the quote complete, firm and time limited?
- What costs does it exclude?
- Is this an owner cost, a contractor obligation, or a disputed responsibility under the contract?
- Does approving the action also approve a change in price or schedule?
- What additional exposure remains if the recovery fails?

TAKEAWAY

The quoted price may be only one part of the decision's cost.

3 Check the remaining contingency before spending it.

CONTINGENCY WATERFALL



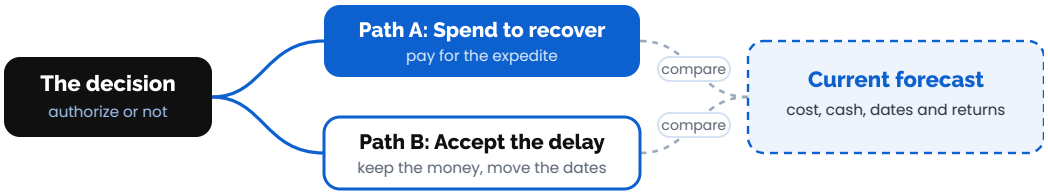
QUESTIONS TO ASK

- Does "remaining contingency" already account for committed costs?
- What unresolved risks still need that money?
- Is $15,000 sufficient for the remaining work?
- Who can authorize this expenditure?
- If the action exceeds remaining contingency, what funding and approval are required?

TAKEAWAY

Within budget does not automatically mean affordable given the risks still ahead.

4 Trace the impact through the financial model.



MODEL AREA	ASK FOR EACH PATH
Construction cost	What is the revised total forecast cost, including secondary effects?
Funding	If existing funding is insufficient, where will the additional cash come from?
Timing	When must the money be paid, and does that create a cash shortfall?
Revenue	Does the revised operating date change when revenue or savings begin?
Financing costs	Does a longer construction period change interest, fees or other carrying costs?
Returns and obligations	How do the options affect modeled returns, debt metrics and contractual milestones, where applicable?

Contingency is a budget allowance, not a separate source of cash. Check how it is represented in the model so the same cost is not counted twice.

5 Bring the right people into the decision.

KEY Supplies Reviews Approves Notified

Approval authority varies by project and contract.

Contractor/vendor
Can the recovery actually be delivered, and on what terms?
Supplies

Finance/model owner
What happens to forecast cost, cash requirements and returns?
Supplies Reviews

Scheduler/construction lead
Does it improve the controlling schedule path?
Supplies Reviews

Project manager

Owner/authorized approver
Who accepts the expenditure and remaining risk?
Approves

Engineer
Does substitution require design changes, compatibility checks or new approvals?
Supplies Reviews

Contract/commercial lead
What do the contract and change process require?
Reviews

Asset management team
What changes in the updated operations schedule, and when does handover now happen?
Notified

6 Close the call with a controlled decision.

Approve
Scope, price, funding, authority and supporting evidence are clear.

Approve with conditions
Specify exactly what must be confirmed before commitment.

> **No commitment until every stated condition is satisfied.**

Hold
Pending specific information, such as unresolved funding or authority. Set a deadline.

Reject
Final. The benefit is unsupported or the option is infeasible.

FOLLOW-THROUGH FOR EVERY OUTCOME

1. Document the decision and rationale
2. Notify the contractor and affected parties
3. Update the schedule, cost forecast and model as needed
4. Verify delivery and actual recovery (or track the hold deadline)

BEFORE YOU HANG UP

- **Can the expedite option be held for 48 hours while we confirm?**
- **What do we tell the contractor today?**

THE ENERGY ACADEMY

From The Energy Academy, theenergy.academy. Practice decisions like this one in Beat the Deadline, our 10-minute project simulation, where you step into the project manager's seat with limited contingency and a deadline.

All dollar figures in this guide are illustrative.

Put your judgment to the test
challenges.theenergy.academy
SCAN TO PLAY