**COST MANAGEMENT PLAN**

**ACC BCC Expansion Project**

**American Chemet Corporation**

**145 Highway 282**

**East Helena, MT 59635**

**May/02/2025**

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**Introduction**

The Project Manager for the ACC BCC Expansion Project will be responsible for managing and reporting on the project's cost throughout its duration. During monthly project status meetings, the Project Manager will present and review the project's cost performance for the preceding month to management. The Project Manager is accountable for addressing cost deviations and presenting the Project Sponsor with options for bringing the project back on budget. The Project Sponsor holds the authority to adjust the project to ensure it remains within the allocated budget.

**Cost Management Approach**

For the BCC Expansion Project, our cost management approach will prioritize the efficient allocation of resources and adherence to the allocated budget. We will closely align cost management activities with the project's Work Breakdown Structure (WBS) to ensure accurate tracking and control of expenses.

Throughout the project lifecycle, we will rigorously monitor both cost and schedule performance. Minor discrepancies will be promptly identified and reported as cautionary warnings in our project status reports. However, if significant deviations are observed, immediate action will be taken to address them. The Project Manager will initiate change requests outlining necessary corrective actions, which will then require approval from the Project Sponsor before implementation. This approach will enable us to maintain financial control and ensure that the project remains on track to achieve its objectives within the established budget constraints.

**Measuring Project Costs**

For the BCC Expansion Project, we will employ Earned Value Management (EVM) to measure project costs effectively. Our focus will be on four key Earned Value metrics: Schedule Variance (SV), Cost Variance (CV), Schedule Performance Index (SPI), and Cost Performance Index (CPI). These metrics will provide us with insights into whether the project is progressing as planned in terms of schedule and budget.

1. Schedule Variance (SV): This metric will indicate the variance between the actual progress and the planned progress of the project. If SV is zero, the project is on schedule. A positive SV indicates the project is ahead of schedule, while a negative SV indicates it's behind schedule.
2. Cost Variance (CV): CV measures the difference between the actual cost and the earned value of the project. A CV of zero means the project is on budget. A positive CV indicates it's under budget, while a negative CV indicates its over budget.
3. Schedule Performance Index (SPI): SPI measures the ratio of earned value to planned value. An SPI of 1 means the project is on schedule. If SPI is greater than 1, the project is ahead of schedule, while if it's less than 1, the project is behind schedule.
4. Cost Performance Index (CPI): CPI measures the ratio of earned value to actual cost. A CPI of 1 means the project is on budget. If CPI is greater than 1, the project is under budget, while if it's less than 1, the project is over budget.

The Project Manager will monitor these metrics and report any significant variances. If the SPI or CPI falls within a cautionary range (between 0.8 and 0.9 or between 1.1 and 1.2), the Project Manager will explain the reason for the variance. If the SPI or CPI falls into an alert range (less than 0.8 or greater than 1.2), the Project Manager will not only explain the variance but also provide a detailed corrective plan to bring the project's performance back to acceptable levels.

| **Performance Measure** | **Yellow** | **Red** |
| --- | --- | --- |
| Schedule Performance Index (SPI) | Between 0.8 and 0.9 or Between 1.1 and 1.2 | Less Than 0.8 or Greater than 1.2 |
| Cost Performance Index (CPI) | Between 0.8 and 0.9 or Between 1.1 and 1.2 | Less Than 0.8 or Greater than 1.2 |

This approach ensures that we can proactively manage project costs and schedule, addressing any deviations promptly to keep the BCC Expansion Project on track for success.

**Reporting Format**

Reporting for cost management will be included in the monthly project status report. The Monthly Project Status Report will include a section labeled, “Cost Management”. This section will contain the Earned Value Metrics identified in the previous section. All cost variances outside of the thresholds identified in this Cost Management Plan will be reported on including any corrective actions which are planned. Change Requests which are triggered based upon project cost overruns will be identified and tracked in this report. A comprehensive cost analysis will be maintained in the Earned Value Analysis Report (attached).

**Cost Variance Response Process**

The Cost Variance Response Process for the ACC BCC Expansion Project outlines the steps to address any control threshold triggers, set at a Schedule Performance Index (SPI) or Cost Performance Index (CPI) of less than 0.8 or greater than 1.2. If a threshold is reached, the Project Manager will present corrective action options to the Project Sponsor within five business days. Once the Sponsor selects an option, the Project Manager will develop a formal Cost Variance Corrective Action Plan within three business days, detailing the actions needed to bring the project back within budget and the methods for measuring their effectiveness. Upon acceptance, the plan will be incorporated into the project plan, ensuring that budget deviations are promptly addressed, and the project remains on track.

**Cost Change Control Process**

The Cost Change Control Process for the ACC BCC Expansion Project follows the established project change request process. Any budget or cost changes must be approved by the Project Sponsor to ensure proper control and tracking of project expenses.

**PROJECT BUDGET**

Any changes to the project budget must go through the appropriate change control process and receive approval from the Project Sponsor before they are implemented. This approach ensures that the project remains on track financially and that all stakeholders are aware of any adjustments made to the budget.

* 1. **Initiation - $49,000**
     1. Evaluation & Recommendations - **$5,000**
     2. Develop Project Charter – **$35,000**
     3. *Deliverable:* Submit Project Charter - **$5,000**
     4. Project Sponsor Reviews Project Charter - **$3,000**
     5. Project Charter Signed/Approved - **$1,000**
  2. **Planning - $146,000**
     1. Create Preliminary Scope Statement - **$10,000**
     2. Determine Project Team - **$55,000**
     3. Project Team Kickoff Meeting - **$10,000**
     4. Develop Project Plan - **$50,000**
     5. Submit Project Plan - **$20,000**
     6. *Milestone:* Project Plan Approval - **$1,000**
  3. **Execution - $8,805,000**
     1. Project Kickoff Meeting - **$25,000**
     2. Confirm Deliverables and Deadline – **$20,000**
     3. Design Build Out - **$150,000**
     4. Procure Critical Components - **$5,000,000**
     5. Procure Contracted Services - **$2,750,000**
     6. Installation Phase - **$600,000**
     7. Testing Phase - **$150,000**
     8. User Training - **$100,000**
     9. Go Live - **$10,000**
  4. **Control - $210,000**
     1. Project Management - **$10,000**
     2. Project Status Meetings - **$25,000**
     3. Risk Management - **$100,000**
     4. Update Project Management Plan - **$75,000**
  5. **Closeout - $635,000**
     1. Audit Procurement - **$300,000**
     2. Document Lessons Learned - **$150,000**
     3. Update Files/Records - **$100,000**
     4. Gain Formal Acceptance - **$10,000**
     5. Archive Files/Documents - **$75,000**

Management Reserve (contingency funds for unforeseen issues): $100,000

Any changes to the project budget must go through the appropriate change control process and receive approval from the Project Sponsor before they are implemented. This approach ensures that the project remains on track financially and that all stakeholders are aware of any adjustments made to the budget.

**Supporting Document**

See Earned Value Analysis

**Sponsor Acceptance**

Approved by the Project Sponsor:

Date:

Bill H. S.

President and CEO