



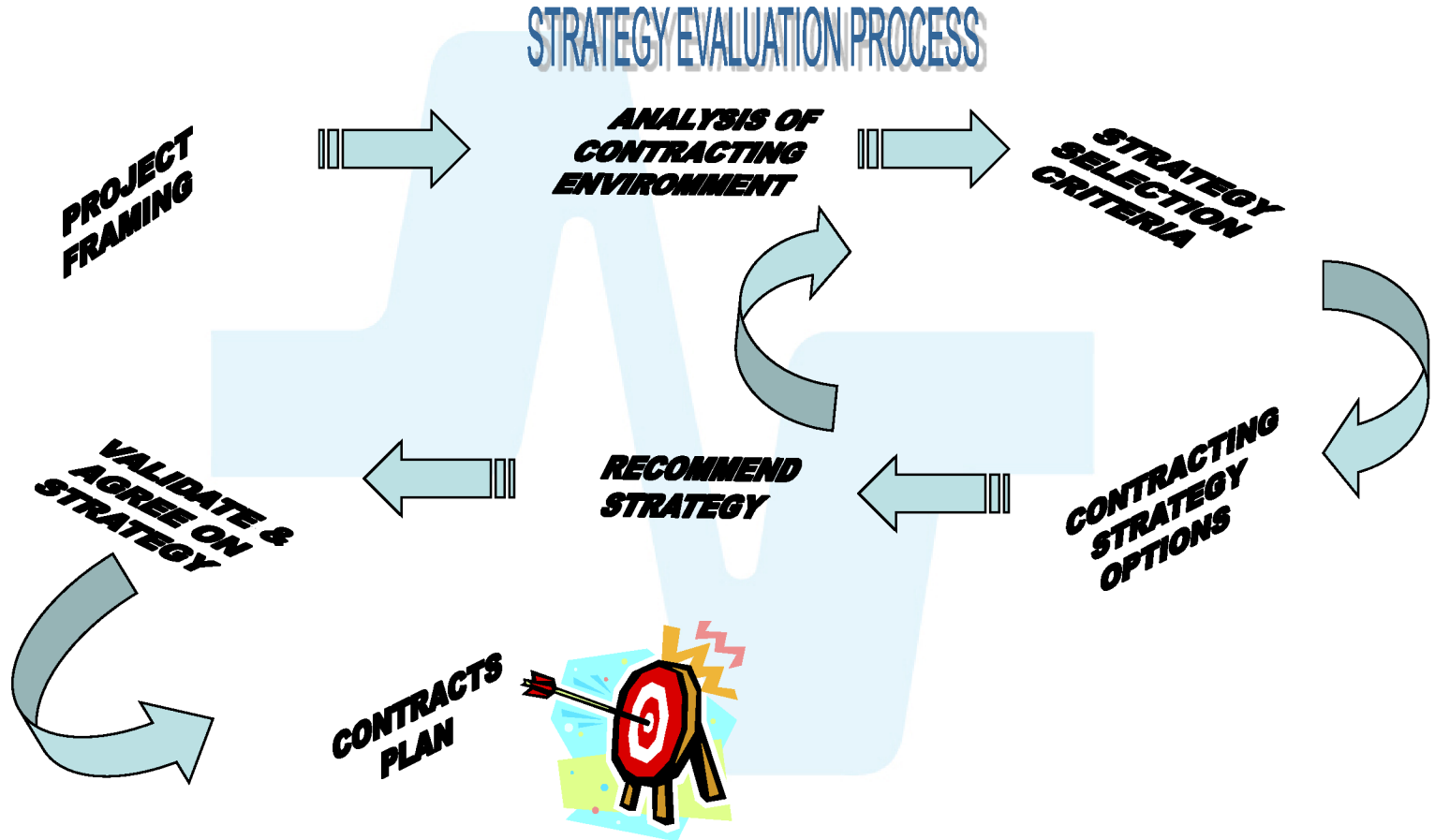
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COMMITMENT

Contracting Strategy

General Overview

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Risks Affecting Contracting Strategy

- ◆ Market Access
 - ◆ Resources (people)
 - ◆ Remote Location
 - ◆ Availability of qualified contractors
 - ◆ Aboriginal Negotiations
 - ◆ Environmental Assessment
- ❖ Note: Lessons learned from IPA/NL & Hydro mega projects will be considered

Analysis of Current Contractor Market

■ Current Trends

- ❖ Difficult to obtain contractors
- ❖ Input costs up
- ❖ Spot market costs have risen
- ❖ Harsh T&C's will see high prices
- ❖ EPC LS have significant disadvantages for the near future
- ❖ Smaller packages in this market work better
- ❖ IPA recommends mixed strategy of reimbursable & LS

Project Drivers & Selection Criteria

- Project Management by Owner
- Financing Strategy
- Cost & Schedule predictability
- Driven by provincial policies
- Driven by IBA agreement
- Achieve project definition through high FEL
- Optimal allocation of risk

Project Drivers & Selection Criteria

- Maintain flexibility for development of alternate concepts when change is required
- Understanding market conditions such as contractor availability & capability

Contracting Options - FEED

- FEED (What is FEED?)
 - ❖ Develop project definition to get us through gate
 - ❖ What are FEED deliverables? DBM, Design Criteria, Performance or detail specs
 - ❖ Multiple or single FEED contracts based on work scope?
 - ❖ Do we bid FEED work or continue WTO system
 - ❖ Continue with FEED contractors into Detail design (what information is required with FEED bid to ensure commercial certainty)?
 - ❖ Stop after FEED and bid EP?
 - ❖ Will FEED contractor be allowed to bid EP?
 - ❖ Possible Compensation Model
 - ◆ Reimbursable rates
 - ◆ Reimbursable rates + fixed fee + incentives
- When does FEED need to be awarded?

Purpose of Overview

- Update on Contracting Strategy process
 - ❖ where we are
 - ❖ how we got there
- Review Contracting Strategy Responsibility Matrix
- **Open discussion and feedback**
- Next Steps
 - ❖ Incorporate feedback from today's session
 - ❖ Prepare RFP for FEED??
 - ❖ Present project & opportunities to Market
 - ❖ Gather market intelligence - ongoing
 - ❖ Budget Pricing & Delivery information
 - ❖ Engineering scope definition