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Cc: lanceclarke@nalcenergy.com
Subject: RFP LC-PM-082: IE
Date: Wednesday, May 23, 2012 12:16:52 PM
Attachments: [.png](#)
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Gentlemen

Seems we're set to speak for an hour or so at 2:00 local time. One of the objectives is to sort out the status of the technical evaluation. Lance provided a draft evaluation sheet by e-mail on the 16th. Its based on a rough draft that I had provided earlier. Its flawed to the extent that it suggests the various items would be scored 0 to 10. The Contracting Strategy that was approved in January for this package requires scoring as follows:

Score	Basis
0	Question not answered or no relevant information provided in response.
1	Response does not meet the key criteria.
2	Response only meets a few of the key criteria.
3	Response meets majority of key criteria.
4	Response meets all key criteria.
5	Response meets and exceeds key criteria.

When complete, the technical evaluation will be combined with the other evaluations based on the following weighting to yield overall scores:

Discipline	Weighting (%)
Technical	40
Quality	20
Health and Safety	20
Commercial, cost, benefits	20

I'll prepare a Bid Evaluation and Recommendation per attached sample.




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Ross



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LOWER CHURCHILL PROJECT

Introduction:

This evaluation and recommendation contains the following documents:


1. Contracting Strategy - Appendix A
2. Commercial Evaluation – Appendix B
3. Technical Evaluation Spread Sheet – Appendix C
4. Quality Evaluation Spread Sheet – Appendix D
5. Health and Safety Evaluation Spread Sheet– Appendix E
6. Purchase Requisition – Appendix F

Recommendation:

Based on Technical, Commercial, Quality, and Health and Safety considerations, the evaluation team recommends that the contract be awarded to MWH for independent engineer services which are required to support project lenders (WBS 5.1.953.0000.0601.02.00):

Recommended Bidder. MWH Canada Inc.
 Approval to Commit: \$1,000,000.00 (for 2012)

ACTION	NAME	TITLE	SIGNATURE	DATE
Prepared / Reviewed by:	Ross Beckwith	Commercial		
Reviewed by:	Lance Clarke	Technical		
Reviewed by:	Peter Hickman	Legal		
Reviewed by:	Michelle Alexander	Quality		
Reviewed by:	Bill Peddle	Health & Safety		
Approved by:	James Meaney	Corporate Treasurer & Chief Risk Officer		
Approved by:	Pat Hussey	Supply Chain Manager		
Approved by:	Paul Harrington	Project Director		

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1.0 SCOPE OF WORK

A qualified contractor is required to provide independent engineering (IE) services to support lenders and related financial organizations relative to the Muskrat Falls, Labrador Transmission Assets (LTA), and Labrador-Island Link (LIL) projects.

Phase 1 scope includes the following, will commence in June 2012 on behalf of Nalcor, will transition to lenders by early-2013, and is intended to enable the IE to become with the projects, to identify required documentation, and to commence an initial review prior to engagement of lenders:

- review project design and projected performance
- review construction plan and schedule
- review capital budget
- review commercial operation and maintenance services
- review project agreements
- review permits and licenses
- review basis of project pro forma financial model


Phase 2 commences with financial close, expected in Q3 2013, and consists of the following:

- attend project review meetings
- monitor engineering and procurement relative to milestone schedules
- conduct site visits and review quality control document to assess compliance with milestone schedules
- review change orders to construction contracts
- prepare periodic and final reports and other documentation
- verify project completion

Relevant financial groups, which include lenders, hedge providers, ratings agencies, and the federal guarantor, will rely on the IE to persuade them of the viability of the projects and Nalcor’s credit worthiness.

Debt for MF and LTA will be borrowed by one Nalcor entity and debt for LIL will be borrowed by another. Accordingly, two IE reports (draft and final) will be required.

2.0 PROCUREMENT PROCESS

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2.1 Bidder selection

Prequalification questionnaires were issued to ten (10) companies in an expression of interest (EOI) process in December 2011. The following three companies submitted responses in mid-January 2012:

- Black & Veatch – Overland Park, Kansas
- E3 Consulting – Englewood, Colorado
- MWH Canada – Vancouver, BC

2.2 Request for Proposal

The request for proposal (RFP) package was issued on February 2, 2012 to the three pre-qualified bidders. Five Bid Bulletins were issued, one of which extended the closing date to March 6, 2012.

2.3 Bid Opening

Opening of the three sealed bids was delayed until April 11, 2012 to enable the provincial government to determine it has no requirement for involvement in the IE function relative to its role as the equity investor.


3.0 COMMERCIAL EVALUATION (20%)

- 3.1 Budget per approved requisition
- 2012: \$1,104,000.00
 - 2013: 900,000.00
 - \$2,004,000.00

3.2 Total estimated cost (MWH):

	2012	2013	2014 to 2018	Total
Services				
Travel expenses				
Total				

3.3 Pricing Summary (excluding taxes):


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Quoted costs for services (excluding reimbursables) based on resource estimates can be summarized as follows:

Bidder	Cost (\$)	Hours	Average Hourly Rate
Black & Veatch			
E3			
MWH			

These costs were not used for evaluation purposes because it was assessed that:

- the Black & Veatch proposal is less well developed than the two;
- the proposals from E3 and MWH do not adequately reflect the following advantages of the MF, LTA, and LIL projects:
 - Nalcor is a provincial crown corporation and the federal government is providing a financial guarantee.
 - preponderance of crown land and low population will minimize transmission issues.
 - geography of MF accommodates minimal spoil, a RCC dam, and low head Kaplan turbines.
 - water depths prevent larger ice bergs from entering the Strait of Belle Isle.
 - significant up-front work has been done to de-risk the project Including turbine and generator model testing and a HDD test hole.
 - detailed design is well advanced and is based on proven technology including LCC rather than VSC HVdc.
 - request for proposal processes are well advanced for submarine cable for the Strait of Belle Isle and for turbines and generators.

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Accordingly, the following normalized costs were used for evaluation purposes based on 20,000 hours of work and the average hourly rate for each bidder:

Bidder	Hours	Average Hourly Rate	Cost (\$)
Black & Veatch			
E3			
MWH			

These normalized estimated total costs make up 95% of the Commercial score. The remaining 5% is based on benefits and compliance with the contract document that was issued with the RFP package.

Rates comparison and other relevant details are summarized in the Commercial Evaluation in Appendix B. Commercial scoring per Appendix B can be summarized as follows:

Rank	Bidder	Score
1	MWH	
2	E3	
3	Black & Veatch	

3.4 Exceptions to Agreement Terms and Conditions:


All three bidders took exception to the contract document that was issued with the RFP package including a cap on liabilities. The proposals from MWH have been resolved with input from the Legal department.

3.5 Proposal Expiry Date: 31 May 2012

3.6 Delivery Schedule:

Work to commence immediately upon award in June 2012. Related key dates are as follows, whereafter the EI would transition to the lending group:

- sanction: Q3 2012
- market sounding road show: October 2012
- RFP for lead arranger: 1 Nov 12 to 31 Jan 13
- binding finance commitment: February 2013

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3.7 Key Points:

While Black & Veatch have no offices in Canada, MWH has offices in British Columbia, Saskatchewan, and Ontario. Nonetheless, as is the case with the other bidders, MWH is also dependent upon resources in the U.S. MWH must make appropriate effort to optimize the utilization of personnel to maximize progress and minimize costs.

4.0 TECHNICAL EVALUATION (40%)

Detailed Technical Scoring is shown on the Bid Evaluation Sheet provided in Appendix C. This scoring can be summarized as follows:

Rank	Bidder	Score
1	MWH	
2	E3	
3	Black & Veatch	

The three main areas of the technical evaluation are:


- independence
 - ability to demonstrate independence to lenders after having worked for Nalcor for a number of months
 - ability to convince lenders of the viability of the projects and Nalcor’s credit worthiness

- technical expertise
 - experience with cold climate hydro generation and transmission
 - experience in projects with government funding and a guarantor
 - experience with EPCM model

- compatibility
 - probability of proposed individuals to work cooperatively based on individual styles and proposed methodology

Overall MWH had the highest Technical Score and would be recommended from a technical basis.

5.0 QUALITY EVALUATION (20%)

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Detailed Quality Scoring is shown on the Bid Evaluation Sheet provided in Appendix D. This scoring can be summarized as follows:

Rank	Bidder	Score
1	MWH	
2	E3	
3	Black & Veatch	

6.0 HEALTH AND SAFETY EVALUATION (15%)

Detailed Health and Safety Scoring is shown on the Bid Evaluation Sheet provided in Appendix E. This scoring can be summarized as follows:

Rank	Bidder	Score
1	MWH	
2	E3	
3	Black & Veatch	


7.0 BASIS OF RECOMMENDATION

Ranking weights per the Contract Strategy Document in Appendix A are as follows:


Commercial	20%
Technical	40%
Quality	20%
Health and Safety	20%

Based on these weights, overall scoring is as follows:

Criteria	Bidder		
	Black & Veatch	E3	MWH
Commercial			
Technical			
Quality			
Health and Safety			


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Basis of award per Contracting Strategy: highest total score.

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APPENDIX A


CONTRACTING STRATEGY DOCUMENT

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APPENDIX B


COMMERCIAL EVALUATION

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APPENDIX C

TECHNICAL EVALUATION SPREAD SHEET

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QUALITY EVALUATION SPREAD SHEET

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HEALTH AND SAFETY EVALUATION SPREAD SHEET

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APPENDIX F

PURCHASE REQUISITION