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Subject: Fw: Astaldi deck (confidential)
Date: Wednesday, November 6, 2013 1:40:55 PM
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----- Forwarded by James Meaney/NLHydro on 11/06/2013 01:39 PM -----

From: Lance Clarke/NLHydro
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Intake and Powerhouse, Spillway and Transitions Dams (CH0007) Contracting Process

Boundless Energy



SNC • LAVALIN EPCM consultant for Nalcor



Prequalification Process

- April 2012 advertisement placed in the International Water Power and Dam Construction journal seeking entities to submit prequalification submissions
- Based on in-house market knowledge, and the lists from the Engineering News Record, contractors were contacted directly
- A total of 36 contractors were contacted

Prequalification Process

- Nine submissions were received and evaluated including separate submissions from Salini and Impregilo
- Five contractors were shortlisted to bid including Salini and Impregilo which subsequently combined forces due to the buyout of Impregilo by Salini

Prequalification Process

- Prequalification submissions were evaluated against set criteria –technical .45, commercial .20, health and safety .10, environment .10 and quality .15
- As part of the evaluation process, members of the project team visited projects under construction of the shortlisted contractors in Europe, South America and Canada

RFP Process Key Dates

- Issue RFP September 2012
- Information Meeting October 2012
- Site Visits October 2012
- Closing Date April 2013
- Addendum 14 (2 bidders) July 2013
- LNTP Sept 2013

RFP Process

- Thirteen (13) Addendums issued and 346 responses to technical and commercial clarifications
- Bidders were reluctant to bid lump sum and fixed unit prices because of trades labour risks (labour availability and productivity)
- Two bidders suggested the target price concept

RFP Process

- RFP amended to allow lump sum/unit price bid or lump sum/unit price bid with target price with G-Max for site labour
- Four bids received with one being fixed price
- Bids evaluated by two separate teams; one commercial and the other technical

RFP Process

- Technical team was not privy to pricing information.
- The sub-teams completed their evaluations independently
- The Commercial Team conducted a line by line comparison between the bids and the estimate to identify anomalies. Two estimators used to review numbers.

Bid Summary

- Bidder 1 NTE - \$2B TC - \$1.82B
- Bidder 2 NTE - \$1.138B TC- \$ 1.067B
- Bidder 2 (Sept) NTE -\$1.115B TC- \$ 1.050B
- Bidder 3 NTE - \$ 2B TC - \$1.57B
- Bidder 4 LS -\$ 1.143B
- Bidder 4 (Sept) LS -\$ 1.268B

Price Summary Notes:

- September Prices are evaluated amounts including estimates for escalation of cement, rebar, and structural steel, adjustments for LCP estimate of travel costs, additional financial performance securities and discounts offered by each bidder



Price Summary Notes

- Present Value Analysis of evaluated costs is \$978M versus \$1.118B
- Three of the four bidders labour costs were within 10% of each other. The fourth bidder was approximately 50% higher.
- Two of the four bidders non-labour costs were approx 80% over the DG 3 estimate and 100% higher than the low bidder. Second lowest bidder non labour cost was approximately 20% higher than low bidder.

Bidder Observations

- The highest price bidder has billions of dollars of gas project cost reimbursable work on the island. Pricing reflects lack of interest.
- The third highest priced bidder's labour estimate was consistent with other bidders, but G-Max and non-labour costs made the bid unattractive. Suspect carried large contingencies in non-labour costs.

Bidder Observations

- Two lowest priced bids fairly aligned, and much higher than our GC3 estimate.



Astaldi Technical Assessment

- World class construction contractor with heavy civil experience including hydro plants and dams
- Good construction processes and procedures
- Strong internal controls and corporate oversight



Astaldi Execution Plan

- Heated shelter to be erected over the powerhouse to permit climate controlled conditions, especially for winter of 2015.
- Mobilization with temporary crusher and batch plant in Fall 2013 with permanent facilities being installed during winter
- Astaldi plan to subcontract concrete supply to Labrador Ready Mix.
- Have identified kick-off team

Astaldi Management Structure

- Most management are Astaldi employees brought from other projects
- Deputy Project Director is Canadian with significant hydro experience in Canada
- Project Controls Manager is Canadian
- Lower levels on the project are filled by Canadians with relevant experience

Astaldi Subcontractors

- Provided listing of potential subcontractors that they are considering
- Working with known subcontractor entities
- No surprises