

Review Team Report on the LCP EPCM bid assessment (22 Dec 2010)

Overview:

Review Team:

- Derek Owen (lead)
- Gilbert Bennett
- Derrick Sturge
- John Maclsaac

The review was performed on Monday 20 December 2010 in the Pippy Place offices.

The following members of the bid assessment team were interviewed: Pat Hussey, Ron Power, Bob Barnes and Lance Clarke.

The review was carried out in accordance with the requirements of the LCP EPCM Contract Award-Cold Eyes Review Charter (attached).

The documents reviewed were:

- EPCM Contract Bid assessment procedure.
- EPCM bid scoring sheets.
- EPCM bid assessment team overall scoring and recommendation.

The EPCM Contract scope as identified in the RFP as submitted to the three bidders, which was later reduced to reflect the NE-LCP Phase 1 development (excluding the Maritime Link). i.e. Muskrat Falls, HVac transmission from Muskrat Falls to Churchill Falls, Labrador – Island HVdc link.

The bidders were:

- SNC-Lavalin (SNC-L).
- Hatch Energy
- Black and Veatch

An executive summary “deck” was presented to the Gatekeeper on Tuesday 21 December 2010 (attached).

Observations:

1. The Assessment Plan was issued on 15 September 2010 prior to the opening of the bids on 16 September 2010. A change to the plan was approved and issued on 20 October 2010. This document recorded four changes covering reduction of the project scope, an addition to the assessment team and two minor changes to the scoring criteria. None of these changes had any impact on the assessment process.
2. The assessment plan was found to be thorough and the scoring matrix detailed and comprehensive that ensured equitable treatment of the bidders.
3. Separate and secure offices were provided for the assessment process with access restricted to the dedicated assessment team members and only to other personnel involved in the assessment process.

4. Separate teams carried out the technical and commercial assessments and there was no cross flow of information prior to the completion of the individual assessments.
5. Considerable effort was expended by the assessment team in interviewing the bidders' nominated personnel. This involved in excess of 150 interviews.

Findings:

1. The bid assessment process was conducted in accordance with the assessment plan.
2. The schedule defined in the assessment plan was met.
3. The process demonstrated the implementation of contracting best practices.
4. Confidentiality and security was maintained.
5. The separation of technical and commercial ensured that the assessments were conducted without bias.
6. The process was extremely robust and did ensure a fair and equitable treatment of all bidders.
7. Based on the assessment scoring the Review Team concurs with the decision to short list the bidders to two and eliminating Black and Veatch.
8. The Review Team supports the steps being taken to lock-in key personnel and to impose financial penalties if these key people are removed from or are not assigned to the project. Notwithstanding these good efforts the project team should be prepared for the fact that all contractors experience difficulties in fulfilling their obligations in this area.
9. The assessment team responded positively to the Review Team challenge regarding the wide difference between the short-listed bidders quoted fixed fee. The Review Team supports the approach being taken by the assessment team to proactively address change management with the preferred bidder in an attempt to reach an equitable balance of risk accountability.
10. The Review Team notes that the assessment team did not unduly penalize RFP respondents for their partner structure during the evaluation.

Recommendations:

1. The Review Team concurs with the assessment team's recommended contractor.
2. The underlying principles regarding change management and risk accountability discussed with preferred bidder are captured as an Exhibit to the Agreement.