

Fwd: Target Price Model - Revised to Include Subcontractor Labour
Scott O'Brien
to:
John Mulcahy
04/14/2015 02:03 PM
Hide Details
From: Scott O'Brien/NLHydro
To: John Mulcahy/NLHydro@nlhydro,

Scott O'Brien
Project Manager - Muskrat Falls Generation
PROJECT DELIVERY TEAM
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Begin forwarded message:

From: "Ed Over" <EdOver@lowerchurchillproject.ca>
Date: April 14, 2015 at 12:00:03 PM NDT
To: "Scott O'Brien" <ScottOBrien@lowerchurchillproject.ca>
Subject: Fw: Target Price Model - Revised to Include Subcontractor Labour

Scott,

Bidder 3 has not offered a guaranteed maximum price under the target cost model. See note below. The difference between the current target cost and the firm unit/lump sum price is in the range of \$5m.

If we were to enter into a contract with this bidder, and based on our collective experience to date, the unit/lump sum price would be the preferred option. This would be easier for us to manage.

Bidder 2 is buying all new equipment for this work. Bidder 3 is using its current fleet. This may account for a major portion of the large front end payments.

We also need to deal with the issue of the proposed PM for Bidder 3.

Ed

Ed Over
Sr. Advisor-Commercial Strategies
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----- Forwarded by Ed Over/LCP/NLHydro on 04/14/2015 09:40 AM -----

From: Nolan Jenkins <NJenkins@hjoc.com>
To: "EdOver@lowerchurchillproject.ca" <EdOver@lowerchurchillproject.ca>,
Cc: Leonard Knox <L.Knox@hjoc.com>, "RonAdamcyk@lowerchurchillproject.ca" <RonAdamcyk@lowerchurchillproject.ca>, "SteveGoulding@lowerchurchillproject.ca" <SteveGoulding@lowerchurchillproject.ca>, "MarkTurpin@lowerchurchillproject.ca" <MarkTurpin@lowerchurchillproject.ca>, "Botero, Jose Daniel" <jbotero@dragados-canada.com>, Jim Brennan <jbrennan@hjoc.com>
Date: 04/14/2015 09:37 AM
Subject: RE: Target Price Model - Revised to Include Subcontractor Labour

Ed:

Our Target Price model does not include a guaranteed maximum price (GMAX).

Sorry for the delay getting back to you.

Regards,

Nolan

From: EdOver@lowerchurchillproject.ca [<mailto:EdOver@lowerchurchillproject.ca>]
Sent: Monday, April 13, 2015 11:24 AM
To: Nolan Jenkins
Cc: Leonard Knox; RonAdamcyk@lowerchurchillproject.ca;
SteveGoulding@lowerchurchillproject.ca; MarkTurpin@lowerchurchillproject.ca
Subject: Fw: Target Price Model - Revised to Include Subcontractor Labour

Nolan,

We would prefer keeping the target cost model as simple as possible. To that end, we would suggest that your subcontract model remain unchanged. The subcontract labour would be outside the target.

Given that you have already offered unit/lump sum prices for this package. Would you consider offering a guaranteed maximum price? The Gmax would be based on the assumed quantities and would adjust up or down based on variation in the quantities.

Please review your model and let us know of any further changes.

Thanks,
Ed

Ed Over

Sr. Advisor - Commercial Strategies

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----- Forwarded by Ed Over/LCP/NLHydro on 04/13/2015 09:41 AM -----

From: Ed Over/LCP/NLHydro

To: Leonard Knox <LKnox@hjoc.com>

Cc: Ron Adamcyk/LCP/NLHydro@NLHYDRO

Date: 03/19/2015 10:18 AM

Subject: Re: Fwd: Target Price Model - Revised to Include Subcontractor Labour

Len,

Thanks for the summary. The more I think about the subcontractors the more uncomfortable I get including their hours in the target cost model. As a general principle, I would prefer the owner staying out of the Contractor's relationships with the subs. However, I think there needs to be some control on the costs for the owner? Maybe the model is the wrong one??

I need to give a little more thought to your target proposal.

Thanks,
Ed

Ed Over

Sr. Advisor - Commercial Strategies

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From: Leonard Knox <LKnox@hjoc.com>
To: "EdOver@lowerchurchillproject.ca" <EdOver@lowerchurchillproject.ca>,
Date: 03/18/2015 10:49 PM
Subject: Fwd: Target Price Model - Revised to Include Subcontractor Labour

Ed

Here is the list of sub's with identified scope. I concur with your observation that it will take some extra effort to administer. If the client does not want to include the sub's in the risk sharing approach we ok with that as well. We have not discussed any risk sharing approach with any of the sub's to date. We would not move down that road until we understand the approach preferred by the client and not until the client approved.

Take care

Len

Sent from my iPad

Begin forwarded message:

From: Nolan Jenkins <NJenkins@hjoc.com>
Date: March 18, 2015 at 4:39:18 PM NDT
To: Leonard Knox <LKnox@hjoc.com>
Subject: FW: Target Price Model - Revised to Include Subcontractor Labour

Len:

See attached list of Subs that I pulled out of our submission. It gives a good breakdown of scope and approximate percentages of contract value.

Nolan

From: EdOver@lowerchurchillproject.ca [<mailto:EdOver@lowerchurchillproject.ca>]

Sent: Tuesday, March 17, 2015 10:31 AM
To: Nolan Jenkins
Cc: Leonard Knox; RonAdamcyk@lowerchurchillproject.ca
Subject: Re: Target Price Model - Revised to Include Subcontractor Labour

Nolan,

Do you have a listing of these subcontractors? How would you manage the subcontractor billings? I guess I am concerned that this would become messy and difficult to administer for both parties.

Do you have experience doing this with another owner?

Ed

Ed Over
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From: Nolan Jenkins <NJenkins@hjoc.com>
To: "'EdOver@lowerchurchillproject.ca'" <EdOver@lowerchurchillproject.ca>,
Cc: Leonard Knox <LKnox@hjoc.com>
Date: 03/13/2015 04:34 PM
Subject: Target Price Model - Revised to Include Subcontractor Labour

Ed:

Please see attached revised Target Price Model spreadsheet with subcontractor labour moved to the Labour side of the ledger and out of Materials & Equipment.

As mentioned in your conversation with Len, the total labour amount differs from the BOQ due to how prices were spread over various items at the time we closed.

We can chat further on Monday if you wish.

Have a good weekend.

Nolan

Nolan Jenkins, P.Eng., PQS

VP, Strategic Development and Aboriginal Affairs

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