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Subject: Fw: presentation1.docx
Date: Tuesday, July 21, 2015 12:44:35 PM
Attachments: [.png](#)
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Morning Gentlemen,

I just received a note that Lance is out of the office from the 21 to the 24th.

Ken,

I've inserted information using track changes into the commercial section of the presentation. This is a work in progress as we are continuing to have dialogue with both bidders.

Ed

Ed Over

Sr. Advisor-Commercial Strategies

PROJECT DELIVERY TEAM

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----- Forwarded by Ed Over/LCP/NLHydro on 07/21/2015 11:10 AM -----

From: "Over, Ed" <Ed.Over@snclavalin.com>

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CH0009 Presentation - July 24, 2015

1. Safety Moment

2. Purpose – Provide an update on the status of CH0009 – Construction of North and South Dams

3. Background - (scope, reduction to 2 bidders, timeline, work completed/approach, team change, new approach/detailed re-evaluation, focus on cost savings and firm conditions (tech & commercial), provision for schedule delay

4. Actions Since May 19

- Reviewed previous work completed and all tech deviations, execution plans, proposed teams and schedules
- Worked toward closure on all commercial/technical exceptions
- Option for delayed river closure
- Revised pricing based on new spec for roads, fly ash, cement mix design resp’y, option for road & river closure & jet grouting, tailrace bridge removal, selection method for 3C material,
- Developed new evaluation/scoring model to emphasize team and some soft elements
- Developed contractors estimate for evaluation.
- Revision of all technical and commercial documents
- Focus on laydown/staging areas. Communication with site and CH0007
- Revised pricing submitted June 30
- Interface issues with CH0007 (Area J & Intake Cofferdam area)

5. Status of Articles/Commercial – Ed

- **Barnard /Pennecon (65/35JV)**
 - Performance Security is a 15% letter of credit reducing to 5% for the one year warranty period
 - Holdback Release Bond
 - No amendments to liability limit wording
 - Four remaining minor exceptions to Articles – no show stoppers

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- Bidder has proposed unit prices/lump sums with target cost for craft labour and 50/50 sharing for cost underrun and over run until profit pool is exhausted
- Fixed amount for craft overhead calculated at 7.9% based on target value
- Craft Profit at risk calculated at 8.3%
- Changes subject to O/H and profit adjustment up or down of 16.2%
- Price adjustment for quantity variation
- Need to revise Exhibit 2 to reflect target cost model and finalize wording of parental guarantee and letter of credit. Other documents need to be finalized based on latest price reduction

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O'Connell/Dragados (50/50 JV)

- 50% Performance bond that covers the one year warranty period
- Liability cap of 50% of contract price
- Bidder has proposed unit prices/lump sums
- No price adjustment for quantity variation, accepted mark-ups for changes for related work.
- Bidder has not accepted delivery risk for cement and flyash (neither bidder has been able to complete due diligence for availability because sources have not selected)
- Open items with Articles – release of holdback, proposed six year limit on latent defect claims, timeframe for termination due to force majeure event(s) and concern with assignment to Lenders provision (no recourse against LCP for non-payment previous two months)

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6. Evaluation and Scoring

- New scoring model
- Elements accepted from previous evaluation (Benefits/Labour Relations/Environmental/ Quality/Risk/Safety) – however, proposed team members reviewed by LCP leads
- Scoring results

7. Bidder Overview

Barnard / Pennecon JV

Pros

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- Solid Project Team, RCC experience in leadership
- Solid execution plan & schedule
- Schedule float and built-in additional capacity
- Driven by JV member with most experience
- Robust design
- Previous Muskrat Falls experience – work completed satisfactorily
- Least impacted by CH0007 interface
- Risk/reward proposed on limited profit value

Cons

- Higher price
- Higher extra work rates
- No Cap on craft labor
- Apparent gap in linkage with local partner

Other Considerations

- Very good “feel”, good business relationship
- Spill over of activities into 2018 – no Critical Path impact

Dragados / H. J. O’Connell JV

Pros

- Lower evaluated price
- Lump Sum (except on some elements of craft labour)
- Highly rated RCC experience
- Previous Muskrat Falls experience – work completed satisfactorily

Cons

- Weak Project Team
 - Lack of RCC experience of team leadership
 - Weak Project Manager

- QA manager unacceptable
- Key RCC resources appear to be on “ad hoc’ basis
- Execution plan not well conceived, adjustments after challenge, remains unacceptable
- Very tight schedule, no float – Critical Path in jeopardy
- Driven by JV member with less experience in RCC construction
- Possible issues with CH0007 interface
- No responsibility for cement/fly ash availability

Other Considerations

- Local JV member continues to have claim from previous contract
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8. Recommendation

9. Next Steps

- Issue LNTP to _____ immediately
- Finalize all commercial & technical documents
- Initiate discussions & actions on RCC mix design (objectives/Nalcor participation/methodology/remuneration)
- Initiate value engineering workshop
- Assign Package Leader and Contract Administrator