

From: scotto'brien@nalcenergy.com
To: [Over, Ed](#)
Cc: [jason kean/nlhydro](#); [mike collins/nlhydro](#); [pat hussey/nlhydro](#)
Subject: Re: CH0032 Supply and Install Powerhouse-Hydro Mechanical Equipment - Status of Prequalification and RFP
Date: Saturday, October 27, 2012 6:54:22 PM

Ed

I recommend we discuss as a group on Monday. I do support the approach of maintaining contracting flexibility but continue to consider single package approach to be prudent for this project.

Scott

Sent from my iPhone

On 2012-10-27, at 4:01 PM, "Over, Ed" <Ed.Over@snclavalin.com> wrote:

Gentlemen,

I am seeking your concurrence to make a change to our contracting approach to the subject package.

We are preparing the RFP for this package on the basis of awarding the package to a single entity. I suggest that we build some flexibility into our contracting model and ask the bidders to submit separate pricing for the powerhouse and spillway gates. The miscellaneous materials can be added to either package. We then would reserve the right to award packages individually or as one package. This allows us to pick the best solution for the project. The following is the background for this suggestion.

We have essentially completed our evaluation of the potential bidders for the subject package. As part of the prequalification process, Treasury and Risk Management conducted financial evaluations of each of the potential entities and one entity LAR/HMI/SCI has failed the financial evaluation. The three companies have combined annual sales of approx \$160M which doesn't pass the financial assessment. The only way I could see having this bidder on the bid list is on the condition of a 100% performance bond. However, I am not recommending this approach as both HMI and LAR had trouble competing in the Ontario market and this package is too big for them. Two entities were not evaluated financially; Linita and Pennecon - both ruled out as technically unacceptable.

The following entities past the financial, commercial and technical assessment.

Potential Bid List

- Andritz
- Alstom
- Korea Hydro and Nuclear Power Ltd. and Daewoo
- Black and Mc Donald/AFI/with Hatch as a sub (awaiting confirmation that B&M is the contracting entity)
- Canmec/ Ganotec (Kiewit)

Data and Issues

1. We have created a "super" package by combining the spillway and powerhouse gate requirements. If contracted to one entity this package may be one of, or the largest, single gate contracts.

2. Will be difficult for one entity to manufacture all the gates, particularly if gates required within three year window. AFI (OPG's prime gate supplier) cannot manufacture all gates in-house within three year window. Must either decline to bid or subcontract to someone like HMI and/or LAR.

Canmec is in same position as AFI. Korea Hydro has identified sub-suppliers.

3. Andritz and Alstom may have same issues as entities above - capacity constraint.

4. By awarding the package to one entity, we have created a **concentration of risk** issue.

5. SNC has had quality issues on gates being manufactured in China for the Matala Project. No information as of yet on the gates for Waneta Project from Andritz.

Please advise.

Ed