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Subject: CH0007 Replacement Contractor Strategy
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Attachments: [.png](#)
[Replacement Contractor Strategy - 08 Aug. 2016.pdf](#)

Gilbert - in preparation for your discussion with Stan Marshall, attached please find the latest version of the strategy document.

Regards,

Ron



Replacement Contractor Strategy - 08 Aug. 2016.pdf

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PROJECT DELIVERY TEAM

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You owe it to yourself, and your family, to make it home safely every day. What have you done today so that nobody gets hurt?

CH-0007 Replacement Contractor Strategy

08 August 2016

Boundless Energy



PRIVILEGED AND CONFIDENTIAL – IN CONTEMPLATION OF LITIGATION

Take a
MOMENT
for Safety

Commercial Framework

- Minimal assumption of risk by replacement contractor
- Assignment of existing key sub-contractors and suppliers
- Assumption to keep majority of existing CH-0007 Contractor team
- Assumption of responsibility for craft labour
- No liquidated damages
- Minimal securities – compliance with Project Finance Agreement
- Cash neutral

Commercial Framework (Cont'd.)

- Possibly cost-plus, open book (depending on subs)
- Incentives to be developed for key objectives:
 - Schedule milestones
 - Cost targets
 - Production
 - Productivity
 - Retention of personnel

2 Phased Approach

- Phase 1:
 - Planning and critical preparatory activities by the replacement contractor
 - Continues through to Phase 2 or upon termination by LCP
- Phase 2:
 - Execution of the remaining work by the replacement contractor
 - Continues through to completion of the work

Selection Criteria

- Recent successful major civil work execution (preferably on LCP)
- Demonstrated successful local labour management experience
- Proven people, processes and systems
- Local cold climate experience
- Relevant hydro / heavy civil experience
- Commitment and ability to maintain existing working infrastructure, organizational structure, and people to best advantage (i.e. won't throw out the baby with the bathwater)
- Availability of experienced resources

Selection Criteria (Cont'd)

- Reputation for safety and environmental stewardship
- Organizational commitment
- Site specific experience
- Knowledge and experience with LCP processes and systems

Possible Replacement Contractors

- H. J. O'Connell (or JV)
 - Good LCP contractor to date / best labour management
 - Successful LCP experience (CH0006 - Bulk Excavation, Electrode Sites at Forteau and Dowden's Point, Soldier's Pond Civil)
 - Wuskwatim powerhouse and intake (2009 – 2011) \$240M, 120,000m³ concrete, JV lead with EBC and Neilson
 - Major civil works Long Harbour and Voisey's Bay
 - Knows CM/Supervision team at MF (many of the Astaldi team members worked for HJOC)
 - Personnel with hydro experience in NL and elsewhere
 - Market intelligence indicates that HJOC have capacity at present due to downturn in projects
 - HJOC already familiar with CH0007 - prepared proposal to help Astaldi mobilize in 2013/2014 (Astaldi never accepted)
 - Would promote local pride / commitment
 - Part of Bird Construction - \$1 Billion + annual revenue

Possible Replacement Contractors

- Pennecon Heavy Civil (or JV)
 - LCP experience (Crushing sub-contractor for Tideway – SOBI, CH0003 - Site Access Road, CH0004 - Muskrat Falls Camp, CH0009 – North and South Dams – JV with Barnard)
 - Personnel with hydro experience – Wuskwatim, Granite Canal, Star Lake, elsewhere
 - Knows CM/Supervision team at MF (many of the Astaldi team members worked for Pennecon)
 - Would promote local pride / commitment
 - Part of Pennecon Group - \$300 Million + annual revenue

Options Previously Considered

- Contractor selection process in early 2015 (with Westney)
- A main criteria was need for confidentiality – eliminated local companies.
- Financial wherewithal was a consideration to enable massive securities (potentially restricting HJOC, Penney etc)
- Resulted in Bechtel and Kiewit shortlisted
- Some preference for larger contractors at that time due to the situation on site in early 2015 (organizational challenges, extent of work remaining). The situation has since evolved – execution team in place / nature of work to be completed simpler / focus now on intake/powerhouse only.
- Kiewit was dropped due to subsequent issues regarding confidentiality

Notes

- Bechtel have since backed out citing other company priorities (June 2016). Also, Bechtel performance at Keeyask reported to be lacking.
- Kiewit / Aecon would tend to ‘throw out’ existing wherewithal and ‘start over’, leading to cost and schedule impacts – ‘restart’ would be problematic.
- Reports that Kiewit’s Canadian hydro construction wherewithal has since ‘imploded’.

Next Steps

- Management authorization to proceed (EVP/CEO)
- Informal contact with proposed replacement contractors
- Execution of non-disclosure agreements
- Prepare procurement strategy and bid evaluation plan
- Assembly of background materials
- Presentation to bidders
- Solicit proposals
- Bid clarifications and negotiations

Next Steps (Cont'd.)

- Evaluate proposals and prepare recommendation for award
- Management approvals
- Execute agreement
- Commencement of services – Phase 1
- Commencement of services – Phase 2 (if required)

Sharing our ideas in an open and supportive manner to achieve excellence.

Teamwork

Open Communication

Fostering an environment where information moves freely in a timely manner.

Honesty and Trust

Being sincere in everything we say and do.

Relentless commitment to protecting ourselves, our colleagues, and our community.

Safety

Respect and Dignity

Appreciating the individuality of others by our words and actions.

Leadership

Empowering individuals to help, guide and inspire others.

Holding ourselves responsible for our actions and performance.

Accountability