

From: [Keith Dodson](#)
To: [Lance Clark](#)
Subject: Re: Current situation
Date: Monday, June 6, 2016 9:49:20 PM

Lance,

I will try to get this done tomorrow, but it may be Wednesday. I have an unexpected to client's office tomorrow afternoon to help them sort out some cost issues - you are not alone.

I just sent the first pass on the change of contractor. I am pretty sure tweaking this one will not produce a much different view. Everyone will have a slightly different opinion, but I would bet it balances out in the total.

Best

Keith

On Jun 6, 2016, at 6:39 PM,
LanceClarke@lowerchurchillproject.ca wrote:

Keith

I am in full alignment with your assessment. I have said for quite some time we are not fully equipped to be taking on day to day construction risk. We have had some further developments over the weekend (positive ones I might add) that tell me Stan will listen to our input. We are at the table Tuesday with the Feds (our guarantor) who have a lot of concern around Astaldi and want us to do a deal if possible, Stan will hear this loud and clear. We are then at the table with Astaldi on Wednesday to re-start talks. If you guys can put together a few slides on the difference between the two models to supplement the transition cost slides we talked about. I believe that will be very helpful in us being able to make the right decision going forward.

I am in Ottawa tomorrow but feel free to call if you want any updates. Look forward to getting the transition costs and slides on the model differences.

Rgds

Sent from my iPad

On Jun 4, 2016, at 12:55 PM, Keith Dodson
<k_dodson@westney.com> wrote:

Paul, Lance,

I had a lot of time to think on the way back yesterday and believe there is a potential for a disaster if the wrong decision is made. Stan is ahead of us in his thinking and I believe he is quite astute to the politics of the situation. His reading of the tea leaves is correct and the political maneuvering clearly indicates Astaldi has made a decision to find a way out of the project. [REDACTED]

[REDACTED] A way needs to be found to keep the current structure until October, but then I believe it is his plan B, replacement. My guess on the Astaldi move is they will first look for a sympathetic source to change the contract to basically reimbursable and at the same time be setting the stage to smear the Nalcor team from one end of Canada to the other so they can claim constructive dismissal or owner incompetence. They would also likely settle for a stalemate to drag the legal disagreement out for years.

You are going to have to do your own political and legal maneuvering to offset, but most importantly find a replacement. This is where the potential disaster is in play. I do not believe Stan understands the dynamics of the situation with contractors and owners. Your team and the players are perfect for managing contractor at risk contracting plans. They are not in my and more importantly Dick's opinion capable of managing owner at risk contracting which is where you will be. In simplicity your team is not capable of managing contractors like SNC Lavalin or Kiewit in a reimbursable setting. In my opinion what will work with your current organization is more of a program manager with contracting capability e.g. Bechtel and perhaps Fluor with a local. Alternately your are going to have to make significant changes in your team. I do not think than a good idea either practically or politically.

The difference in owner and contractor capability / relationships needs to be carefully explained to Stan. His experince is strictly contractor at risk and nothing close to as complex as this program. We have some good information to put together a few slides for Stan on this topic and I would be glad to talk to him or even travel back to St Johns. The new impolite Paul he liked can also likely do this. In my opinion

this is critical. We can probably get you the slides by Tuesday. I finished the first pass on the change of contractor cost on the way back and we will get it to you Monday by our COB.

Let me know if you want us to put this together.

Keith

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