050000

DECLASSIFIED

MEMORANDUM

July 21, 1994

TO:
___ DIVISION OF APPEALS
_X_ DIVISION OF AUDITING AND FINANCIAL ANALYSIS
___ DIVISION OF COMMUNICATIONS
_X_ DIVISION OF ELECTRIC AND GAS
___ DIVISION OF RESEARCH
___ DIVISION OF WATER AND WASTEWATER
___ DIVISION OF LEGAL SERVICES

FROM: DIVISION OF RECORDS AND REPORTING (FLYNN)

RE: CONFIDENTIALITY OF CERTAIN INFORMATION

DOCUMENT NO. 06715-94 declassified 2/28/1998

DESCRIPTION: Workpapers for Polk Power Station contract audit report (Cross-reference DN# 06113-94)

SOURCE: TECO

DOCKET NO.: 940772-EI

The above material was received with a request for confidentiality (attached). Please prepare a recommendation for the attorney assigned to the case by completing the section below and forwarding a copy of this memorandum, together with a brief memorandum supporting your recommendation, to the attorney. Copies of your recommendation should also be provided to the Division of Records and Reporting and to the Division of Appeals.

Please read each of the following and check if applicable.

___ The document(s) is (are), in fact, what the utility asserts it (them) to be.

___ The utility has provided enough details to perform a reasoned analysis of its request.

___ The material has been received incident to an inquiry.

DECLASSIFIED

I N D E X - S P E C I F I E D C O N F I D E N T I A L

TAMPA ELECTRIC COMPANY
CONTRACT AUDIT - POLK POWER STATION UNIT 1
AUDIT CONTROL NUMBER - 94-014-2-1
SPECIFIED CONFIDENTIAL WORKPAPERS

The following workpapers contain items that were designated as "proprietary and confidential" by Tampa Electric Company. The original workpapers are contained in a binder titled SPECIFIED CONFIDENTIAL.

Blank copies of the workpapers are included in the normal non confidential workpaper binder.

Workpaper Number	Total Pages	Title/Description
10-9 pgs 3-6	4	Minutes of pre bid meeting
27-4	1	List of Bidders for A\E and CM contracts
27-6	2	Recommended bidders for A\E contract
27-7	2	Recommended bidders for CM contract
29-1	4	A\E Services Bid Evaluation
29-1/1	1	Adjustments to Incentive Contract A\E
29-1/1-2	3	Explanation of adjustments to A\E contract
29-1/1-3	1	Graph of changes to A\E incentive contract
29-2	5	CM Services Bid Evaluation
29-2/1	2	Explanation of adjustments to CM contract

DOCUMENT NUMBER-DATE
06715 JUL-7 95
FPSC-RECORDS/REPORTING

INDEX
Pg 1 of 1

Attachment 9A-A2

November 24, 1992
RFP No. 2557
Addendum No. 2

Questions from pre-bid meeting for Engineering services 20NOV92

Q Will alternative 2 (reimbursible) be subject to DOE audit?
A We believe that this contract will be audited.

Q Will this look like a government contract (vis-a-vis allowed charges)?
A We believe that since this is competitively bid the lump sum contract will be audited but maybe not to the level of a reimbursible contract. We will aggressively negotiate the contract with DOE. Change orders, which may be based on reimbursible charges, will be looked at harder by DOE than the lump sum price.

Q Are the other contracts that Tampa Electric has signed cast in stone?
A We have firm contracts with Texaco and GE and others will be in place by the time this contract is signed. If a lump sum contract for the entire project is proposed, other issues will be brought to the forefront and the present bid documents do not address that eventuality. If a lump sum contract for the entire project is proposed, we will need some mechanism to evaluate it's merits.

Q Does Tampa Electric have experience with incentive based contracts and more to the point, does Tampa Electric have a predisposition to a particular method?
A We have some experience with incentive based contracts (mostly in the construction area) and will consider incentive based contracts that provide a "win-win" arrangement.

Q Who should receive the bidder's questions during the bidding cycle?
A Forward questions to K. Corman with a copy to D. Cowdrick.

Q What is the difference between TAB 5A and TAB 6?
A TAB 6 is for more detailed information.

Q Is the project sponsor to be available full time?
A We expect the project sponsor to be cognizant and aware of what is going on, not necessarily all the details. We would not expect the project sponsor to be assigned duties that would take him overseas for a three week period or longer.

Q Are milestone payments to be paid at any percentage other than 100%?
A The milestone payments would be made after 100% of the milestone is completed.

Q Does the action item for the milestone payment need to be submitted with the invoice?
A No, the action item will be handled (acknowledged) by the project and does not need to be submitted with the invoice.

PBC

SPECIFIED CONFIDENTIAL

C1-12
P1-12

10-9-96
P137

November 24, 1992
RFP No. 2557
Addendum No. 2

Q What is the expected duration for receipt of bids to award?
A We expect that the process will take two to three months.

Q The documents indicate a start date of January 1, 1993, is this correct?
A The documents will be reviewed and revised and the appropriate dates and a corrected schedule will be transmitted.

Q What will be Tampa Electric's role in the design?
A Tampa Electric will be intimately involved with the detailed design's development. The Engineer will be responsible for the design. We do not expect a lot of revisions to specifications and drawings.

Q Will Tampa Electric be resident in the Engineer's office?
A Yes. We expect that our Materials Management people will be in residence to some degree especially if we do not do the procurement ourselves. We also expect that our engineering people will also be in residence as well as those from Texaco and GE.

Q Is it planned to assign the GE and Texaco contract to the Engineer?
A No. If a bidder proposes a turnkey bid for the whole project than we may consider this an option if there are significant benefits to Tampa Electric.

Q What is the relationship between GE, Texaco, Tampa Electric and the Engineer?
A We will revise the organizational chart and forward to the bidders. We fully expect the Engineer to coordinate the activities of all the parties involved. However, there is no direct channel with DOE.

Q What is the intended relationship for the insurance, indemnification and warrantee section of the specimen contract.
A Tampa Electric expects the final form of the contract pursuant to the RFP to be substantially as written in the specimen contract. Any specific variances proposed by a bidder will be reviewed within the context of the entire contract by Tampa Electric's Legal and Materials Management Departments.

Q What documents are to be reviewed and approved by others (Texaco)?
A We will clarify which documents need to be reviewed and approved by Texaco and TPA.

Q Status of the ASU and SGC contract?
A Texaco should have a contract with the SGC vendor and Tampa Electric should have a contract with the ASU vendor before the Engineering contract is signed. The Engineer will review and approve the ASU vendor's drawings. Engineer should review and approve all interface designs.

PBC
SPECIFIED
CONFIDENTIAL

01-12
Pg 2 of 3
10-9
Pg 4 of 6

November 24, 1992
RFP No. 2557
Addendum No. 2

Q Where is the Tampa Electric design criteria?
A The design criteria was included in our original transmittal.

Q Will the SCA be supplied prior to submission of the bids?
A The SCA will be sent out to each bidder.

Q TAB 15, subsurface investigations, when will they be sent?
A To be forwarded to bidders by 30NOV92. The revised Design Basis Document will be forwarded to the bidders with the Preliminary Engineering Package (PEP) on 07DEC92.

Q Will the GEMS be annotated?
A No. The GEMS are significantly different from Texaco's traditional GEMS.

Q Copying of confidential information?
A Texaco advised that each of the bidders has specific contractual obligations in this regard in their contracts with Texaco.

Q Will DOE impose a quota for minority/disadvantaged firms for the project?
A None that we are aware of.

Q How many copies of the PEP will be sent out to bidders?
A Two copies will be sent to each bidder (except UHDE - one copy).

Q What about page one of GEESI's scope of work?
A Only pages two through five were included in the package to describe their scope of work.

Q When will the draft scope of work for the Construction Manager (CM) be sent to the bidders?
A This should be sent by 07DEC92.

Q Who in the room will be bidding for the CM services contract?
A All those in the room have made the short list for the CM RFP plus others.

PBC

SPECIFIED CONFIDENTIAL

C1-12 Pg 343

10-9 Pg 5 of 6

Attachment 9A-B2

MEMORANDUM

TO: Don Pless

FROM: Mike Rivers

DATE: April 28, 1993

SUBJECT: Polk County CM Prebid Meeting

The prebid meeting was held April 22, 1993 at the Production Service Complex. All four of the invited bidders attended, Bechtel, Brown & Root, Fluor Daniel and United Engineers and Constructors.

A general overview of the Project was given. Then Keith Corman reviewed the Commercial offering and I reviewed the Technical requirements with the bidders. During the meeting, 3 of the 4 bidders requested a one week extension of time and Tampa Electric has granted this request, changing the bid due date to May 13, 1993. Addendum #1 was handed out to all bidders.

Only minor clarification questions were asked and other than the bid due date changing, no other information will be formally transmitted to the bidders.

A copy of the attendance list is attached.

Should you have any questions please call.

Michael R. Rivers
Manager Project Controls/MCS

MRR/j

Attachment

c: C.R. Black
J. Duff
D. Giel
K. Corman
D. Cowdrick
N. Grotecloss
F. Sierra

m:cmmt428

PBC

SPECIFIED CONFIDENTIAL

C1-14 Pg 1 of 1

10-9 Pg 6 of 6

Response to
Florida Public Service Commission
Document / Record Request

TO: Mr. S. R. Mayes, Regulatory Analyst
Auditing & Financial Services
Florida Public Service Commission

FROM: L. W. "Buddy" Mortimer, Manager
Materials Management - Major Contracts / Polk Power Station Project

Request Number: 5 Date of Request: 02/09/94
Response Number: TE-5A Date of Response: 02/14/94

Item Description:

Re. reply to Request #1 - Attachment A - Pre-Qualification Questionnaire refers to attachment for list of bidders - was not attached (RFI 2408). Please provide:

A. 1. A list of those the letter was sent to for the A/E Services
2. A list of those the letter was sent to for the CM Services
B. For each list indicate by individual firm:
1. A reply requesting to bid was returned
2. A reply declining to bid was returned
3 No reply was received

Response

Request for Information (RFI) No. 2408 invited firms to pre-qualify for architectural/engineering (A/E) and/or construction management (CM) services. RFI No. 2408 was sent to the following:

1	Bechtel Power Corporation	Replied (*) (**)
2	Black & Veatch	Replied (***)
3	Blount, Inc.	Replied (***)
4	Brown & Root, Inc.	Replied (**)
5	Burns & Roe Southeast	Declined to Reply
6	Century Contractors West, Inc.	Replied / Interest Limited to General Const.
7	Ebasco Services / Foster Wheeler	Replied (*) (****)
8	Energy Corp.	
9	Gilbert/Commonwealth, Inc.	Replied (***)
10	Lockwood Greene Engineers Inc.	Replied (***)
11	Metric Constructors / Jones Group	Replied / Later Withdrew
12	Parsons Main, Inc.	Replied (***) / Interest Limited to Joint Award
13	Sargent & Lundy	Replied (***)
14	Fluor Daniel	Replied (*) (**)
15	Stone & Webster Engineering Corp.	Replied (***)
16	United Engineers & Constructors, Inc.	Replied (*) (**)
17	H. B. Zachry Company	Replied (***)

SPECIFIED CONFIDENTIAL

* Progressed to shortlist for RFP No. 2557 (A/E) - See TE-2A
** Progressed to shortlist for RFP No. 4095 (CM) - See TE-2A
*** Did not qualify for (A/E) or (CM) RFP shortlists - See TE-3A
**** Declined to respond to RFP after reaching shortlist .

27-4 pg 14

MEMORANDUM

October 7, 1992

TO: D.E. Pless

FROM: D.A. Cowdrick

SUBJECT: Polk Power Station Unit 1 - A/E & CM Recommended Bidders

The decision to bid detail engineering and construction management services requires us to determine a list of suitable bidders for the effort. Keith Corman of the Materials Management Department sent letters to several architect/engineering (A/E) and construction management (CM) firms soliciting their interest in providing the services. Interested firms were to advise us and submit qualifications, information, and related requested information.

While the prospective bidders were preparing their submittals, evaluation criteria for selecting bidders for the engineering and construction management services were developed and reviewed by Production, Project Management, and Materials Management. The two sets of criteria (one for engineering and one for construction management) finally selected are attached. The criteria for A/E services placed considerable weight on actual IGCC and other gasification experience. A successful project will require the A/E to incorporate specific knowledge of past projects of a similar nature into the design. The characteristics of the streams in these systems are only just being understood and they are substantially different from other streams in other processes. The criteria for CM services placed most weight on the firm's experience in CM on comparably complex projects in the industry and on the firm's potential project team's experience and capability.

Submittals from ten A/E firms and four CM firms were received. Most of the A/E firms were also potential CM firms. Primary responsibility for evaluation of A/E firms was delegated to the Production Engineering Department, with Mike Carlson coordinating. Evaluation of the CM firms was delegated to the Maintenance and Contract Services Department, with Mike Rivers coordinating.

The A/E firms were evaluated by a multi-discipline task force including Production Engineering, Polk Project Management, and Materials Management personnel based on the evaluation criteria. Points were assigned to the A/E's in each of the areas, then a total score was determined using the appropriate weighting factor. Each of the five individuals performing the evaluation had access to the full A/E submittals and were provided sheets summarizing the A/E's qualification and experience (attached). The evaluation determined that three of the A/E's, Bechtel, Fluor and UE&C/Uhde, stood out with significantly higher total scores than the others and a fourth, Ebasco/Foster Wheeler, was not far from the top grouping.

PBC

SPECIFIED CONFIDENTIAL

97.6 P/14.

TE3A 2a ①
P/143
SC-3

Polk Power Station - A/E Evaluation Criteria

Total Weighting Factor	Criteria
30%	1. Direct "Coal" IGCC experience (A) Operating plants and Detailed Eng. (80%) (B) Studies (20%)
15%	2. Related Experience (A) Coal Gasification (40%) (B) Oil Gasification (20%) (C) Combined Cycle (preferably w/ 7F) (30%) (D) Other Process (ammonia plant, etc.) (10%)
20%	3. Proposed Project Team (A) Project Manager (50%) (B) Other Team Members (30%) (C) Manpower Availability (20%)
10%	4. Corporate Factors (A) Corporate Commitment (80%) (B) Corporate Strength (Annual Report) (20%)
15%	5. DOE/Government Contracting Experience
10%	6. Other Factors (A) Proposed Incentive (risk sharing) program (30%) (B) Historical Relationship (w/ TEC and/or Texaco)(30%) (C) Proposed Contracting Relationship (10%) (D) Location of Proposed Engineering Office (10%) (E) Procurement Capabilities and Experience (10%) (F) Ability to Work w/ Open and Union Shops (10%)

Each of the criteria will have a total of 100 possible points and will be broken down as specified. The total score determined for each of the 6 criteria will then be multiplied by the weighting factor to determine an overall score.

PBC

7E3A 2a(3)
SC-5 Pg1of1

SPECIFIED CONFIDENTIAL

27.6 Pg2of6

MEMORANDUM

TE-3A

TO: D. A. Cowdrick

FROM: Frank J. Sierra

DATE: September 29, 1992

SUBJECT: Bidders List for Construction Management
Polk County Power Plant Project

The information submitted by the firms interested in bidding the engineering and construction management portion of the Polk County Power Plant project was reviewed and the results are attached regarding the construction management portion only.

The Maintenance and Contract Services Department recommends that the following firms be allowed to bid for construction management services on the Polk County Power Plant project:

1. Brown & Root
2. Bechtel
3. United Engineers & Constructors/UHDE
4. Flour-Daniel
5. J. A. Jones
6. Ebasco/Foster Wheeler Corp.

Parsons-Main did score well in our review but was not included in the final listing because they are not interested in only bidding the construction management portion of the package. As we discussed, Parsons-Main is not on your proposed final engineering bid list and therefore are not included in ours per their request as stated in their submittals.

We were not initially able to review the J. A. Jones Construction Management Team organization due to lack of submitted information. We have asked Mr. K. A. Corman to request this missing information from J. A. Jones. J. A. Jones has been given a score of 20 for purposes of this evaluation since they have shown good capability in this area on the Hardee County Power Project. J. A. Jones also has the ability to manage a merit shop job site.

Ebasco was included since they are also on your proposed final engineering bid list.

Please advise should further discussion be required.

Frank J. Sierra
General Manager - MCS

FJS/j

c: R. F. Tomczak
M. R. Rivers

SPECIFIED CONFIDENTIAL

277 Pg 4

PBC

TE-3A 2b①

POLK POWER - CONSTRUCTION MANAGER EVALUATION CRITERIA

TOTAL WEIGHING FACTOR	CRITERIA		
30%	1.	Previous CM History (successful track record)	
		A. One of a kind/First build	50%
		B. Power Industry	25%
		C. Process Industry	25%
30%	2.	Project Team	
		A. Project Manager	30%
		B. Team Members	50%
		C. Manpower Availability	20%
20%	3.	Construction/Contracting History	
		A. Signatory to Union Agreements	60%
		B. Direct Hire of Field Forces	25%
		C. Current Backlog	15%
10%	4.	Corporate Factors	
		A. Financial Strength	50%
		B. Previous Working Partners	25%
		C. AE vs Pure Contractor/CM	25%
10%	5.	Other Factors	
		A. Previous IGCC Experience	30%
		B. Previous DOE Experience	25%
		C. Incentive Arrangements	15%
		D. Location of Offices	15%
		E. Proposed Contracting Relationship	15%

Each of the criteria will have a total of 100 possible points and will be broken down as specified. The total score determined for each of the 5 criteria will then be multiplied by the weighting factor to determine an overall score.

PBC

SC 8 Pg 1 of 1

TE3A26 (3)

SPECIFIED CONFIDENTIAL

27-7 Pg 2 of 2

CONFIDENTIAL

MEMORANDUM [redacted]

April 21, 1993

TO: Mr. D. E. Pless

FROM: D. A. Cowdrick

SUBJECT: Polk Unit 1 - A/E Services Bid Evaluation

EXECUTIVE SUMMARY

The search for an Engineer to perform the Architect/Engineering services for the Polk Unit 1 IGCC project is complete following an extensive pre-qualification review of many firms and, ultimately, a bidding effort involving the qualified firms (Bechtel Power Corporation, Fluor Daniel International, and a joint effort between United Engineers and Constructors and Uhde, a German engineering firm with experience in Texaco gasification). The most important factor in selecting the Engineer was his ability to be successful in designing a cost effective plant on schedule, within performance expectations, and within schedule. To be successful, the Engineer had to have a good balance of experience in power plant design, specific coal gasification experience, experience in developing new "first-of-a-kind" designs, good organizational and communication skills and a strong commitment to coal gasification both corporately and for the project. The highest quality engineering is expected to produce the lowest project cost and the best overall project from all aspects.

The result of the selection process is our recommendation to contract with Bechtel Power Corporation for the A/E services. The combined quantitative and qualitative evaluation shows Bechtel's incentive based cost reimbursable proposal is the lowest evaluated bid. Bechtel has demonstrated the most experience with the technology and the most understanding of the effort which will be required. In particular, Bechtel's experience with Cool Water (the first, and only, IGCC demonstration project to be built and operated, also based on Texaco gasification) and the Tennessee Eastman (Kodak) coal gasification plant are the projects Bechtel has been directly involved in and from which they will draw most of the experience for our project.

Our recommendation is to contract with Bechtel on a cost reimbursable, time and material basis with a strong incentive program designed to assure project goals, including cost, performance and schedule, are met. The reimbursable rates for Bechtel were approximately equal to those of United Engineers and Constructors and less than those of Fluor Daniel. It is generally expected that the total manhour effort should be approximately the same regardless of which firm does the work, with the exception of some minor differences in productivity. More importantly, the overall project cost, schedule and plant performance can be impacted greatly by the selection of the best Engineer. The evaluation heavily considered, therefore, the capabilities of the bidders. CONFIDENTIAL [redacted]

CONFIDENTIAL SPECIFIED

PBC

29-1
P9144

Selection of an incentive based cost reimbursable contract as opposed to a lump sum firm price contract is based on the assessment that the overall impact on the project was best for that alternative. The lump sum costs include substantial contingency and risk costs which we feel are better managed by our own personnel. The incentive programs include risk costs which, if paid, would result in overall cost or performance improvements in the project. The incentives are arranged such that Tampa Electric would have to have received substantially more benefits from the specific incentive issue than the incentive payment would be to Bechtel. For example, if we pay Bechtel for expending fewer manhours than the target, we will only be paying them a fraction of the savings we would be getting because Bechtel will not be charging us for those hours which they did not expend. The incentives also include some cost recovery for us based on less than expected performance by the Engineer. In Bechtel's case, they have put at risk up to $8 million, $3 million more than the next best offering. Bechtel's incentives are all encompassing, covering total installed cost, plant performance, schedule, Engineer's manhours, and Engineer's performance. The incentives show a strong commitment, both corporately and for their project team, towards a successful project. It also reflects Bechtel's understanding of all the important aspects of the project. In addition to the strong incentive program, Bechtel has included provisions to pay for construction labor and materials to correct engineering and/or design problems caused by them, in addition to re-performing the engineering and/or design. All the other bidders have offered only to re-perform part of the engineering and/or design. Bechtel's cap on this is equal to the value of the contract up to a maximum of $50 million - a very substantial commitment to the project and a strong statement of their confidence in their ability to do the work right the first time.

All the bidders were very complimentary of the Texaco Preliminary Engineering Package (PEP), the Scope of Work document and the complete Request for Quotation package prepared by Tampa Electric. A thorough review of the proposals, including extensive interviewing of the bidders regarding the basis for their bids, revealed, however, substantial differences in the bidders basis of proposal, as well as substantial differences in their level of understanding of the effort required to be accomplished. The bid evaluation considered this information in determining the best proposal for the project.

The complete evaluation is the result of the efforts of many people from TECO Power Services, Project Management, Materials Management, Production Engineering and Maintenance & Contract Services. The estimated price for Bechtel's effort is $34,800,000 and includes labor costs, travel costs, copy and reproduction costs, computer and telecommunication costs, and postage and other miscellaneous costs. It does not include any potential incentive payments or credits, which as previously noted, are +/- $8,000,000. Bechtel's lump sum price would have been $43,500,000. Bechtel's estimated cost reimbursable price is within the current amount included in the project authorization.

Bechtel is expected to start work in mid-April, following approval of the contract documents by Tampa Electric, Bechtel and the DOE. All contract negotiations are essentially complete. This start date is approximately two months ahead of when engineering would have been expected to start if we had pursued a lump sum turnkey contract for the project.

SPECIFIED
CONFIDENTIAL

29-1
Pg 2 of 4

PBC

"Expected" Price Adjustments - Alternate #2 - Guaranteed Maximum Price . . . Sheet #5-Expected

"Expected" Price Adjustments - Alternate #3 - Incentive Pricing . . . . . Sheet #6 -Expected

Cost Correction Factors . . . . . Sheet #7-Expected

"Expected" Total Evaluated Price . . . . . Sheet #8-Expected

"Expected" Commercial Exceptions . . . . . Sheet #11-Expected

"Expected" Potential Adders - Alternates 1 & 2 . . . . . Sheet #12-Expected

"Expected" Alternate #2 - Probability of Price Less than the Guaranteed Maximum Price . . . . . Sheet #14-Expected

1 "Expected" Incentive Payments & Indirect Costs (Savings) - Bechtel . . . . . Sheet #21-Expected

2 "Expected" Incentive Payments & Indirect Costs (Savings) - Fluor . . . . . Sheet #22-Expected

3 "Expected" Incentive Payments & Indirect Costs (Savings) - U E & C . . . . . Sheet #23-Expected

"Potential" Price Adjustments - Alternate #1 - Lump Sum . . . . . Sheet #4-Potential

"Potential" Price Adjustments - Alternate #2 - Guaranteed Maximum Price . . . . Sheet #5-Potential

"Potential" Price Adjustments - Alternate #3 - Incentive Pricing . . . . . Sheet #6-Potential

Cost Correction Factors . . . . . Sheet #7-Potential

"Potential" Total Evaluated Price . . . . . Sheet #8-Potential

4 "Potential" Incentive Payments & Indirect Costs(Savings) - Fluor . . . . . Sheet #22-Potential

5 "Potential" Incentive Payments & Indirect Costs (Savings) - UE & C . . . . . Sheet #23-Potential

"Potential" Commercial Exceptions . . . . . Sheet #11-Potential

"Potential" Adders - Alternates 1 & 2 . . . . . Sheet #12 -Potential

"Potential" Alternate #2 - Probability Of Price Less Than The Guaranteed Maximum Price . . . . . Sheet #14-Potential

L "Potential" Incentive Payments & Indirect Costs (Savings) - Bechtel . . . . . Sheet #21-Potential

PBC CONFIDENTIAL

29-1
P9444

CONFIDENTIAL

[redacted]

TAMPA ELECTRIC COMPANY
CONTRACT AUDIT – POLK CITY POWER STATION – UNIT 1
ADJUSTMENTS TO INCENTIVE CONTRACT 1A

Sen 4/26/94

1-B

		BECHTEL 3		FLUOR DANIEL		UE&C	
	1	2	ADJUSTED	4	ADJUSTED 5	6	ADJUSTED 7
REFERENCE	ADJUSTMENT	AMOUNT	AMOUNT	AMOUNT	AMOUNT	AMOUNT	AMOUNT
Bid 1	Original	42,214,600	29-1/1-3 42,214,600	31,801,000	31,801,000	22,900,000	22,900,000
Sheet 19 2	Project Controls	(466,116)		(517,000)		(477,553)	
SEE 3	Reduce Supervision	(1,997,641)					
29-1/1-2 4	Key Person Support	833,016					
Pg 1 5	Use of Texaco Gems	(665,880)					
for 6	Target Manhours	(5,117,979)				683,400	
Reasons 7	3D Cad					1,353,500	
8	Partic. in Meetings					120,000	
9	Sequence Drawings					186,000	
10	TEC Insurance Reqs.					500,000	
11	Total	(7,414,600)	34,800,000	(517,000)	31,284,000	2,365,347	25,265,347
Sheet 9 12	Additional P&IDS	0		73,050		236,500	
13	Pre engineered buildings	0		73,050		0	
14	Cathodic Protection	0		73,050		68,222	
SEE 15	Fire Protec. Piping	66,588		73,050		0	
29-1/1-2 16	HAZOP analysis	0		73,050		354,750	
Pg 2 17	Heat Exchanger Drawings	0		73,050		136,444	
18	Syngas Cooler Coord.	0		73,050		473,000	
for 19	Interface Coord.	66,588		146,101		372,944	
Reasons 20	Loop Diagram Diffs.	0		350,641		960,674	
21	Elec. Drawing Differentials	0		1,022,704		382,042	
22	Control Equip. Specs.	106,541		0		0	
23	Procurement shop inspect.	153,152		0		716,329	
24	Logic diagrams	0		292,201		0	
25	Total	392,869	35,192,869	2,322,997	33,606,997	3,700,905	28,966,252
Sheet 15 26	Payment terms	(700,000)	34,492,869	0	33,606,997	(252,653)	28,713,599
Sheet 11 27	Liability for labor and material						
28	for engineering rework	0	34,492,869	1,100,000	34,706,997	1,650,000	30,363,599
Sheet 12 29	Redesign effort	332,940		730,503		1,023,328	
SEE 29-1/1-2 30	Texaco Gems	0		365,251		682,218	
Pg 3 31	Total	332,940	34,825,809	1,095,754	35,802,751	1,705,546	32,069,145
Sheet 21,23 32	Incentive Bonus/(penalty)						
33	Installed Cost	650,000		(350,000)			
34	Teamwork	262,500		52,500		131,250	
35	Plant Performance	(100,000)		0		(93,300)	
36	Manhours	(550,000)		0		1,048,000	
37	Schedule	(175,000)		0		(116,700)	
38	Total Capital Cost	0		400000			
39	Quality	0		0		131250	
40	Purchasing					68750	
41	Total	87,500	34,913,309	102,500	35,905,251	1,169,250	33,238,395
Sheet 21,23 42	Indirect Cost Savings						
43	Installed Cost	(3,650,000)		2,281,250			
44	Teamwork	0		0		0	
45	Plant Performance	1,350,000		0		(291,000)	
46	Manhours	1,650,000		0		3,523,000	
47	Schedule	466,500		0		934,000	
48	Total Capital Cost			(1,700,000)			
49	Quality			0		0	
50	Purchasing			29-1/1-3 0		29-1/1-3 (1,375,000)	29-1/1-3
51	Total	(183,500)	34,729,809	581,250	36,486,501	2,791,000	36,029,395

CONFIDENTIAL

[redacted]

As Referenced

29-1/1
Pg 1 of 1

MEMORANDUM

April 26, 1994

CONFIDENTIAL

REVISED

TO: Buddy Mortimer

FROM: Dave Cowdrick

SUBJECT: PSC Audit Request Number 25

1. Sheet 17 - Adjustments to base price.

The base price adjustments shown on Sheets 17, 18 and 19 for the three alternate proposals are accounted for on Sheet 3 as the "Adjusted Prices" shown at the bottom of Sheet 3. Page 6 of the memorandum notes the adjustments are backed up by the correspondence between the bidders and Tampa Electric. For each adjustment, I've reviewed the files and found the referenced adjustment to man hours as follows:

Bechtel
1. Modify Project Controls - 2/17/93 Letter, Bechtel to Tampa Electric.
2. Reduced Supervision - 2/8/93 Letter, Bechtel to Tampa Electric.
3. Additional Key Person Support - 1/21/93 Letter and 2/8/93 Letter, Bechtel to Tampa Electric.
4. Reduced Use of Texaco GEMS - 2/17/93 Letter, Bechtel to Tampa Electric.
5. Reduced Target Manhours by 100,000 - 2/8/93 Letter, Bechtel to Tampa Electric.

99-1/1 Pg 1

1
2

Note that some numbers were estimated due to unavailability of comparable numbers from a given bidder. This is shown by the notation EST next to the item in the tables. Pages 7 & 8 of the memorandum also address how the costs were determined. The man hours were adjusted to dollars using the average man hour rates and are summarized on Sheets 17, 18 & 19 for the three alternates.

2. 3 4 Sheet 19 - Adjustment to base price for Incentive Price Alternative.

See response to item 1 - all three sheets are discussed in

CONFIDENTIAL

99-1/1-2
Pg 1 of 3

that response.

SPECIFIED CONFIDENTIAL

3. Sheet 9 - Technical Exceptions

As part of the qualitative evaluation we identified differences in scope as the three companies explained their basis for proposal to us. This is explained on Pages 8 and 9 of the memorandum, itemized on Sheet 9 and accounted for on Sheets 4, 5 and 6 for each of the three Alternates.

These items were estimated by Tampa Electric based on the interviews we had with each of the three companies and comparison of the bid documents. In some cases, the number of deliverables estimated by each, summarized on Sheet 20, was used in developing an estimate. The interviews are documented in notes of meetings held in February, 1993. In many cases it was necessary for Tampa Electric to estimate the value of these discrepancies due to a lack of sufficient information from the bidders to quantify them. Copies of those notes of meeting are attached.

4. Sheet 15 - Neutral Cash Flow

Sheets 10, 13 & 15 show the value of the difference in payment methods proposed by the bidders. It is accounted for on Sheets 4, 5 & 6 as Terms of Payment Price Adjustment for each of the three alternates. The issue is described on Page 9 of the memorandum. The cost reductions from Bechtel and United to maintain them in a cash neutral position are documented in the correspondence. The Bechtel letter, dated 2/17/93, estimates the value at $700,000 and describes the actual adjustment method to account for this change as a reduction the multiplier. As the estimated project cost is a function of the number of man hours and timing, this is adjusted to the numbers shown on the sheets.

5. Sheet 11 - Commercial Exceptions

Sheet 11 shows the anticipated value of the much better liability provision in the Bechtel proposal. It was calculated based on a conservative estimate of the amount of rework that would likely be necessary and have been caused by the engineer's errors. Bechtel would pay to correct the problem, including labor and materials. The other companies would only agree to re-perform the engineering at no additional cost. This is described on Page 9 & 10 of the memorandum. The terms are described in each bidders proposal or in the correspondence. Further discussion can be found on Pages 14 and 15 of the memorandum for the Qualitative Evaluation range of values associated with this item. Those numbers are summarized on Sheets 11-Expected &

CONFIDENTIAL

11-Potential.

6. Sheet 21 - "Expected Savings"
&7.

The methodology and rationale for the Qualitative Evaluation is described starting on Page 10 of the memorandum. Detailed review of the reasons for differing values are described on Pages 11 - 14 of the memorandum. Specific discussions for each category, including Additional Rework Liability, Potential Adders and Incentive Programs, can be found on Pages 14 - 18 of the memorandum. The summary of the values of the "Expected" and "Potential" cases can be found on the Sheets that have "Expected" or "Potential" in their numbering. The subtotals were calculated using a probability analysis wherein each probability was multiplied by the value of the scenario and the multiplications added up. For example, on Sheet 21 - Expected the Total Installed Cost subtotal of the Bonus(Penalty) was calculated as .2*$1,500,000 + .35*$1,000,000 + .25*$500,000 + .05*$0 + .05*(-$500,000) + .1*(-$1,000,000) + .00*(-$1,500,000) = $650,000.

8. Sheet 12 - Expected - "Potential Adders"

As part of the Qualitative Evaluation, an estimate was made of the Potential Adders we may incur from each of the companies. This is discussed on Page 15 of the memorandum. The number of manhours was a subjective estimate made by Tampa Electric considering all of the factors we had learned about each of the companies and the basis for their proposals. We consider the estimates to be quite conservative. The value of the manhours was determined by multiplying by the average manhour rate.

SPECIFIED CONFIDENTIAL

29-1/1-2 → Pg 3/3

P. 3 of 3

A & E CONTRACT – PPS UNIT 1

REVISION OF BID AMOUNTS

TAMPA ELECTRIC COMPANY
CONTRACT AUDIT
POLK POWER STATION - UNIT 1

CONFIDENTIAL

CONFIDENTIAL

MEMORANDUM

TO: D. E. Pless June 21, 1993

FROM: M. R. Rivers

SUBJECT: Polk Unit 1 - Bid Evaluation
Construction Management Services

EXECUTIVE SUMMARY

The evaluation of proposals for the Construction Management (CM) services for Polk County has been completed. The project team is recommending a cost reimbursable contract be issued to Bechtel Power Corporation (Bechtel). This recommendation follows a detailed pre-bid evaluation of 14 interested companies that responded to Tampa Electric's request for information, followed by an extensive evaluation of proposals submitted by the top four candidates; Bechtel Power Corporation, Brown & Root, Inc., Fluor-Daniel, Inc., and United Engineers. After reviewing the four proposals, the Project Team agreed presentations were required of the three top proposals; Bechtel, Brown & Root, and Fluor-Daniel. This decision was based on a combined technical and commercial evaluation procedure previously approved by Project Management. A summary of the bids as received is included as Table 1 of the attachments.

After the presentations were held, the evaluations were re-analyzed and the project team ranked Fluor-Daniel and Bechtel as the two top companies. It was decided to begin commercial discussions with Fluor-Daniel first. This decision was made because of the Project team's previous knowledge of Bechtel's commercial offerings as a result of the Architect/Engineering (A/E) contract previously awarded to Bechtel.

PBC

SPECIFIED CONFIDENTIAL

29-2
Pg 1 of 5

Negotiations with Fluor-Daniel were stopped after 5 days due to a difference in philosophy with Tampa Electric on the amount of risk the CM should accept. Two major concerns with Fluor-Daniel were their unwillingness to substantially accept risk for contractors work, and the extensive commercial exceptions taken to the proposed Contract documents. Any risk taken had to be capped at 5 million dollars.

Negotiations were begun with Bechtel and continued through June 15, 1993. All business issues and commercial terms were resolved favorably. The natural synergy expected from the Bechtel combination of A/E and CM roles is expected to reduce cost and allow an easy transition from design to planning to erection. The use of a single project controls system and the ability to effectively integrate the use of 3D CADD in the field further enhances Bechtel's proposal. Bechtel has assured us they can successfully operate a merit shop construction site as Bechtel Power Corporation or BECON.

Bechtel's construction management philosophy of providing clear written procedures, effective contract documents and strong enforcement procedures are consistent with Tampa Electric's desire to minimize duplication of effort. This will require the construction contractors to be responsible for all planning and execution aspects of construction. Bechtel's role will be one of coordination and support to provide necessary resources for a successful Project.

The strength of the proposed Bechtel team is in corporate sponsorship, Mr. Barry Markowitz and the CM Project Manager, Mr. Bill Henry. Mr. Henry has a strong background in construction and has an excellent working relationship with his construction manager, Mr. Bruce Sullivan. An expected weakness is in the project controls manager. This situation will be resolved between Tampa Electric and Bechtel once a contract is signed. The proposed

PBC

SPECIFIED CONFIDENTIAL

29-2 Pg 2 of 5

organization will allow integration of Tampa Electric into key positions to maximize the effectiveness between engineering, construction, and operations. We expect the project team to become a part of the organization at the alignment session on June 22, 1993, and then begin immediate transition for Phase I activities. Phase II activities will begin in January 1994 with the site development contract and subsequent ground breaking activities.

It is recommended a cost reimbursable contract with fee at risk be awarded. The scope of work for the CM will depend on many activities and functions. This type of contract will allow flexibility in staffing the CM organization with the best possible resource.

The incentive program agreed to with Bechtel will provide maximum benefit to the Project. The incentives are arranged to promote effective teamwork between all Polk Power Station participants. Incentives for Total Installed Cost, Plant Performance, and Teamwork closely parallel the Project incentives in the A/E contract. Additional targets for manhours, safety, and CM effectiveness all insure that for Bechtel to earn fee, the Project must be successful. The target manhours are based on the final agreed organizational chart. Bechtel's commitment to team work is demonstrated with the inclusion of Tampa Electric's manhours at the site into the Targeted Manhours incentive. No incentives will be paid to Bechtel for average performance in any given category. The incentives are plus and minus. Should Bechtel's performance be below target levels they would not earn fee and would actually have to pay fee to Tampa Electric Company (minus fee).

Bechtel will be responsible for all site safety, quality and environmental compliance. It is their responsibility to formulate all site policy and procedures to assure compliance with these plans from all site contractors.

SPECIFIED CONFIDENTIAL

29-2 Pg 3 of 5

PBC

The basis of the commercial offering is actual manhour cost times a multiplier. The multiplier of 1.75 includes payroll additives for insurance, taxes and benefits as well as overhead cost for home office support, furniture, floor space and clerical support for home office activities. When the Project moves to the field the multiplier is reduced to 1.63 to accommodate home office support only. Field clerical and administrative personnel will be direct billed. Table 2 of the attachments gives a summary of Bechtel's proposed multipliers.

The Target Manhours for the project is 155,000. This Target represents the CM's efforts for Phase I and Phase II services. Bechtel's original bid of 89,000 manhours did not reflect any clerical or administrative hours and was deficient in Phase II field support. Adding 20,600 manhours for clerical and 45,600 manhours for field supervision gives a total of 155,200 manhours (rounded to 155,000 for Target Manhours) for the project. Table 10-1 of Bechtel's proposal, attached as Table 3, gives a detailed summary of the expected Manhours.

Expected manhours of 155,000 are at a cost of approximately $7,100,000. Additional expenses for the execution of the CM's responsibilities are detailed in Table 4 of the attachments.

Attached for your review is the detailed analysis of the bids, and a purchase requisition to issue Bechtel the CM contract. The purchase order should be placed for $10 million dollars. This will include funds used to provide the required site services of surveying, utilities, and quality control as outlined in the contract documents.

SPECIFIED
CONFIDENTIAL

PBC

29-2
Pg 4 of 5

Response to
Florida Public Service Commission
Document / Record Request

TO: Mr. S. R. Mayes, Regulatory Analyst
Auditing & Financial Services
Florida Public Service Commission

FROM: L. W. "Buddy" Mortimer, Manager
Materials Management - Major Contracts / Polk Power Station Project

Request Number:	26	Date of Request:	4/8/94
Response Number:	TE-26A	Date of Response:	4/15/94

Item Description:

"As discussed:

Backup data for CM Contract - Document Request No. 19

1 (1) Table 6 - Base manhours are 188,897 for each contractor. This is a substantial variance from original bids. Please provide backup on how these hours were arrived at, including concurrence from bidders.

(2) Table 2 - How was multiplier developed?

2 Table 7 - How did you get from 188,897 hours to 154,767 hours. Did contractor concur? Please furnish backup."

Response

Please see attached memorandum dated April 12, 1994 from M. R. Rivers to L. W. Mortimer (1 page) and its attachments (7 pages).

PBC

SPECIFIED
CONFIDENTIAL

29-2/
P1/92

M E M O R A N D U M

To	L.W. Mortimer	File No.	CM - PSC Audit
Subject	PSC Audit Request 26	Date	April 12, 1994
		From	M.R. Rivers
		Of	Construction Mgmt.
Copies to	Production Service File	At	3040/7S102 Ext. 3503

I have responded to your fax of 4/8/94 via FAX. This memo is to transmit a hard copy for your use.

Question 1

Table 6 is a summary of the expected manhours based on Tampa Electric's anticipated organizational structure as shown in Table 5 of the recommendation document. The 188,897 manhours represents Tampa Electric's (MCS'S) opinion of the required effort for the project. We did not ask bidders to concur with this number. Manhours were calculated using assumed durations from the project schedule. Backup is attached.

Question 2

A) Multipliers in Table 2 were submitted by the bidders with their proposals.

B) The 154,767 manhours were based on the revised organization chart included in the bid recommendation. Table 3 reflects Bechtel's final organization and their concurrence to our plan. The final target of 155,000 manhours is agreed to in the contract.

I have included some attachments from the recommendation document for reference. All of the documents can be found in the recommendation package for the CM contract.

MRR:mm
Attachment

cc: M.F. Wadsworth
C.R. Black
J.R. Rowe
R.N. Howell
R.F. Tomczak
D.A. Cowdrick
D.E. Pless
K.A. Corman
L.H. Champion
R.D. Chapman

SPECIFIED CONFIDENTIAL

PBC

MRRIOM.030