POSSIBLE MOTION

I MOVE to authorize the Municipal Administrator to negotiate and execute a Professional Services Agreement with McMillen LLC to provide Construction Management services on the Blue Lake Expansion Project

City & Borough of Sitka
Electric Department

Memorandum

April 2, 2012

To: Jim Dinley, Municipal Administrator
From: Christopher Brewton, Utility Director
Subject: **Recommendation to Award Contract for Construction Management Services**

Overview

A Request for Proposal (RFP) was issued to four engineering firms for construction management services for the Blue Lake Expansion project on January 18, 2012. These engineering services will include the overall management of the project construction, beginning next month when the City advertises the General Construction Contract for bid and ending when the Project is completed in early 2015.

The Construction Management RFP is attached to this memo as Appendix A. All firms except URS travelled to Sitka to discuss the RFP and view the job site. KBA did not submit a proposal because they were unable to commit to a Resident Engineer as required in the RFP. URS, McMillen and Hatch Energy submitted proposals on February 9, 2012.

The proposals were evaluated by Dean Orbison, Kim de Rubertis, and Chris Brewton based on:

- Work scope proposed
- Qualifications and experience of construction management team proposed
- Estimated cost of performing the work

Work Scopes Proposed by the Bidders

McMillen

Mc Millen made a site visit and proposed a work scope in line with the requirements of the project including supervision of both the construction management team and the engineering team. McMillen's proposed scope included complete project oversight by the Resident Engineer and skilled field inspectors to oversee concrete, underground work, foundation grouting, civil review and experience with document control. McMillen's proposal includes home-office engineering support, to be available when requested by the Resident Engineer. Work samples were offered to demonstrate the reporting and record-keeping performed on prior projects by McMillen.

Hatch Energy

Hatch Energy proposed a work scope that did not provide central leadership by the Resident Engineer as is required in the RFP and the bid documents. Hatch's proposal did not clearly utilize the Resident Engineer to lead the construction management effort but called for heavy oversight by a very large home office engineering staff. The Hatch proposal did not offer a clear method of document control by the construction manager, but left the onsite document control up to Sitka. Over the past two years, the lack of strong project management and poor document control within the Hatch team has been problematic during the Project's final design. The Scope of Work proposed by Hatch for the upcoming construction management does not clearly indicate that this would change.

URS

URS did not make a site visit to review the work prior to preparing their proposal. It appears that URS significantly underestimated the scope of work and failed to include the field management of the underground and foundation grouting portion of the work.

Qualifications and Experience of the Proposed Construction Management Teams

McMillen

McMillen proposed the most experienced Resident Engineer of all three firms. All of the field personnel proposed by McMillen have hydroelectric project construction experience in multiple disciplines. This suggests that their staff would be familiar with, and capable of overseeing, the work that will be performed onsite. The office staff proposed by McMillen includes geotechnical support from Jacobs Associates. Jacobs and McMillen both have recent experience with similar hydro projects.

Hatch Energy

Up to this point Hatch Energy has served as the City's design engineer for the Blue Lake Expansion Project. Hatch has an advantage over the other firms in bidding on the construction management services because they are most familiar with the Project design and the up-coming construction work.

For the Construction Management program, Hatch has proposed a very large team of qualified and experienced engineers that would intermittently travel to Sitka and work on an as needed basis within each of the engineer's area of expertise. The organization's leadership would be based in Seattle, not at the project site, as required by the RFP. Also, it appears that the frequent rotation of office staff from Seattle would lead to a more fragmented site staff, compared to having a smaller and continuously staffed field office.

It is absolutely necessary that construction management firm provide a small team with on-site leadership to oversee the work of not only the construction management team but also the

contractor and subcontractors. This leadership is lacking in the qualification and experience of the Hatch proposed team.

URS

URS has extensive experience in Hydro Electric Project design and construction. Unfortunately URS has not proposed an onsite construction management team that has the experience required. Scot Rzemien (Resident Engineer) has applicable experience at Lower Baker. The rest of the proposed field team does not have adequate hydro or underground experience. This lack of experience in the field staff would result in higher costs to provide support and travel by the home office staff. URS mentioned experience in dealing with onsite permitting issues, these issues need to be prevented not dealt with. URS has experience with the use of Share Point document control.

Estimated Cost of Work

The proposals are not written on a fixed price basis, but are based on the amount of effort estimated by the proposer. If a proposer underestimated the scope of work then their estimated cost would be lower. We believe this is the case on both the URS and Hatch Energy proposals. A summary of the proposed cost by each proposer is provided below.

Task	McMillen	Hatch Energy	URS
Pre-bid Review	$137,804	$131,774	$170,425
Home Office Support	$739,030	$728,542	Included in field work
Field Work	$3,201,500	$2,389,000	$2,137,775
Vendor Shop Inspections	Included in home office	$94,800	Included in field work
Direct Costs	$250,060	$432,067	$320,290
Total Estimated Cost	$4,328,394	$3,776,183	$2,628,490
Estimated Total Work Hours	32,655 hrs.	26,458 hrs.	17,340 hrs.
Gross Cost/hour	$133/hr	$143/hr	$152/hr

Due to the unpredictable level of effort required by the construction management firm the City will need to award this contract on a time and material basis. Once it is determined that the construction management firm is capable of performing the work efficiently, then the billing rate becomes the most important criteria in establishing the least cost.

Summary

The cost of construction management on the Green Lake Project was $4,769,233 or 6.5% of the total project cost. The total cost of construction management for the Blue lake expansion project including all the construction management activities is estimated to be $7,947,053 or 7.3% of the total project cost.

Based on the evaluation of the 3 proposals submitted, McMillen was selected as the preferred proposer. The Electric Department staff determined that McMillen has the best qualified staff, the most realistic approach to providing the required services, and they have the lowest average cost per work hour.

A letter requesting proposal clarifications was submitted to McMillen on February 24, 2012. A response to this letter was given to the City on March 1, 2012 at a meeting held in Seattle to discuss details of the construction management scope. Based on the discussions at this meeting McMillen revised the construction management proposal and the City proposed a Professional Services Agreement. The PSA was further modified April 2, 2012. The Electric Department is requesting that the City Assembly authorize the City Administrator to enter into an agreement with McMillen for construction management services for the Blue Lake Expansion Project construction based on the attached proposal and professional services agreement.

City and Borough of Sitka

Electric Department
105 Jarvis Street
Sitka, Alaska 99835
(907) 747-1827, FAX (907)747-3208
deano@cityofsitka.com
Dean Orbison, P.E.

REQUEST FOR PROPOSAL
BLUE LAKE EXPANSION PROJECT
CONSTRUCTION MANAGEMENT SERVICES
January 18, 2012

Keith Moen
Hatch Energy
6 Nickerson, Suite 101
Seattle, WA, 98109

Morton McMillen
McMillen, LLC
1401 Shoreline Dr.
Suite 100
Boise, ID, 83702

Mike Roberts
KBA, Inc.
11000 Main Street
Bellevue, WA 98004-6364

G. Craig Freas, PE
URS Alaska LLC
700 G Street, Suite 500
Anchorage, Alaska 99501

OVERVIEW

The City and Borough of Sitka (the City) is in the process of developing the Blue Lake Expansion Project, which is an expansion of our existing Blue Lake hydroelectric facility. The project is currently at the 95% final design (the design engineer is Hatch Associates Consultants). We have awarded contracts for the new generating equipment, penstock, powerhouse crane, and building. We expect to advertize for construction bids in May 2012 with a contract award in the fall of 2012. We anticipate that construction will take place in 2013 and 2014. The majority of the construction will be performed under a general construction contract, with the City self-performing some electrical portions of the work. The work is described in the general construction bid documents.

By this letter we are issuing an RFP to engineering firms for construction management services that would include the following:

- Overall management of engineering services related to the project construction.
- Review of general contractors' shop drawings, RFIs, pay requests, change requests, other contractor submittals, inspection reports, etc.
- Project site inspection and construction management staff.
- Engineering design services as required during the construction effort.
- Management of third party design engineer Hatch Associates Consultants reviews of shop drawings and RFI's on an as-needed basis.
- Management of third party engineer performing geologic engineering and geotechnical inspections of Project excavations and underground openings.
- Management and provision for vendor shop inspection services. Note that shop inspections may be performed by the construction management services firm, by City staff, by the design engineer, or other third parties, depending on the shop location and type of equipment.
- Management and interface with third party inspection and site testing services.
- Organization and file management of project drawings, correspondence, inspection records, submittals, RFIs, FERC submittals and related construction documents. File management should use the City's Microsoft SharePoint web site.
- Assistance with City-performed work and coordination with construction contractor(s).
- Coordination of start-up and commissioning activities between Owner, Contractor, and various on site representatives.

PRELIMINARY BID DOCUMENTS

Enclosed for your reference are the 95% level Contract Bid Documents for Contract 9 – General Construction. These documents include approximately 400 drawings and 900 pages of specifications. These documents are being provided for your reference and for your use to understand the technical scope of the overall project, the level of design detail that will be provided to the contractor, the areal extent of the project site, site access constraints, and similar aspects of the work that will affect management of the contractor's activities.

The City does not expect (AND DOES NOT WANT) any detailed engineering review of these documents as part of your proposal effort. We also do not want any critique of the design methodology or any constructability analysis as part of any proposal.

We do expect that the selected Construction Management firm, after award of a CM Services contract, will review in detail the Agreement, Supplementary Conditions, Bid Form, and Division 1 specifications. This review may include editing of these portions of the Bid Documents to better tailor the Bid Documents to the Construction Manager's recommended procedures and program for management of the site work. We anticipate this review would be the first task of the CM firm, to take place in March and April, 2012.

CRITICAL ENERGY INFRASTRUCTURE DOCUMENTS AND BIDDING PRIVACY
The attached documents include Critical Energy Infrastructure Information and are not to be revealed to any third parties. All printed and electronic copies of these documents shall be returned to the City of Sitka following the proposal process.

The attached documents represent our near-final bid documents and are not to be revealed or shared in any way with any party that might submit a bid, or be part of a bidding group, for the Contract 9 construction contract.

REVIEW OF SUPPLY CONTRACTS
Note that the City anticipates retaining Hatch Associates Consultants for the primary technical review of Contractor submittals for the following contracts. The City anticipates that the selected construction management consultant would coordinate, schedule and manage the review services provided by Hatch:

- Contract 1 – Supply of Turbine and Generator Equipment
- Contract 2 – Supply of Switchgear
- Contract 3 – Supply of Gates and Hoist
- Contract 4 – Supply of Penstock and Manifold
- Contract 5 – Supply of Main 69 kV Transformers
- Contract 6 – Supply of Bridge Crane
- Contract 7 – Supply of Steel Building

DESIRED CONSTRUCTION MANAGER'S QUALIFICATIONS
For a successful construction management program, the City feels it is absolutely essential that we have in place:

- A construction management firm with proven tools, management procedures and track record in the efficient and timely management of major civil projects.
- An experienced, competent, and fully committed Resident Engineer (RPR).
- Experienced and competent inspection staff for both field construction and supplier factory inspections and acceptance testing.
- Willingness to work with and supervise local staff capable of performing and assisting with the work.
- An experienced home-office engineering team that will provide effective and timely review of submittals and contractor inquiries. This team must be led by a senior engineer with direct experience in both heavy civil design and construction management on hydropower facilities.
- A proactive approach to management of the construction activities that will seek a cooperative relationship with the contractors, the City, and the design engineer.

PROPOSAL FOR CM SERVICES
Based on this short statement of our goals and the attached General Construction Contract Bid documents, please provide a proposal which contains:

- A short statement of your firm's qualifications (in no event to exceed 10 pages total).
- Your firm's experience in construction management of similar projects. Provide contact information for owners' representatives at these projects who we may contact for references.
- Proposed management staff organization structure and size. Include organization chart.
- Resumes of the Resident Engineer and Senior Engineer proposed.
- Home office engineering capability (narrative description and staff in each discipline).
- Anticipated number of Field office and Field inspection staff.
- Billing rates for all services (including any estimated annual rate adjustments).
- Confirmed availability for key project personnel.
- Per diem rates for field staff.
- Proposed Scope of Work.
- Estimated cost to perform the work broken into:

    - Services during bid phase (review of bid documents, responses to bidders, addenda, bid evaluation)
    - Resident Engineer
    - Field office staff
    - Field inspection staff
    - Home office staff
    - General expenses
    - Per diem and housing costs for field staff
    - Vendor shop inspection services

We request that the total length of your proposal not exceed 50 pages, including all of the above items.

In planning your proposal we suggest that you assume the following:

- Where a scope of work is not clear (such as home office staff) clearly state an assumed level of effort for the work, such as hours per month, with appropriate billing rates.
- The construction management firm's site office space will be provided by the City or the construction contractor, including utilities, but not internet or phone.
- The construction contractor will generally work a single shift 10 hrs per day 6 days per week, except during the 8 week Generation Outage in 2014, when the construction will use two 10-hr shifts, 6 days per week.
- The on-site construction management office will be staffed from January 10, 2013 to January 10, 2015.
- The civil construction work will take place between mid January, 2013 and late October, 2014.
- The construction contractor will be able to work year-round, with no winter shutdown.

Please submit your proposal no later than February 9, 2012. Please provide three paper copies and an electronic copy in .pdf format. The City's intent is to award the Construction Management Contract and have the Construction Manager review the general construction contract documents prior to advertising the general construction contract.

Should you have any questions please contact me by e-mail or phone at deano@cityofsitka.com, or 907-747-1827.

Thank-you for your interest in the project,

Dean Orbison PE
Generation Engineer

AGREEMENT TO PROVIDE PROFESSIONAL SERVICES TO THE CITY AND BOROUGH OF SITKA

The **City and Borough of Sitka ("CBS")** and **McMillen LLC("Contractor"),** individually referred to as "Party" and collectively referred to as "Parties," enter into this "Agreement To Provide Professional Services To The City And Borough Of Sitka" ("Agreement") regarding providing construction management services for the Blue Lake Hydroelectric Project Expansion in response to the CBS' Request for Proposals, issued on January 18, 2012. The terms, conditions, and consideration regarding this Agreement are set out below.

This Agreement includes the following documents, which are attached to this Agreement as appendices, and incorporated into and made a part of this Agreement:

Appendix A - Project Approach and Scope of Work
Appendix A1 - Schedule
Appendix A2 - Budget
Appendix B - Compensation
Appendix C - Communication
Appendix D - Work Products
Appendix E - Responsibility of the CBS
Appendix F - CBS' Blue Lake Hydroelectric Project Expansion Request for Proposals for Construction Management Services, issued January 18, 2012 (RFP)
Appendix G - Contractor's response to CBS' RFP dated February 9, 2012
Appendix H - Subsequent correspondence between CBS and Contractor related to RFP and Contractor's response

PART I

SECTION 1. DEFINITIONS

For the purpose of this Agreement, the terms used herein shall have the following meaning:

A. The term "CBS" shall mean "City and Borough of Sitka";

B. The term "Contractor" shall mean "McMillen LLC or McMillen";

C. "CBS" Authorized Representative shall be the person listed in Section 21(B)(2) of this Agreement;

D. "Days" shall mean calendar days;

E. "Deliverables" and "Work Product" are used interchangeable in this Agreement, and mean the same for purposes of this Agreement;

F. "Milestone" shall mean a delivery date for Work Products;

G. "Project Team" shall be the Contractor's employees listed in Appendix B.

SECTION 2. AGREEMENT TIME PERIOD

A. This Agreement becomes effective when signed and dated by both Parties, and covers the time period when professional services are provided by Contractor, which will be begin after the signing of this Agreement.

B. Contractor shall perform for and on behalf of CBS regarding the services set out in the Project Approach & Scope of Work (Appendix A). Except as expressly allowed under this Agreement, CBS need not grant the Contractor any extension in the time provided to complete the work under this Agreement. Subject to subsection E below, if the Contractor's progress falls behind the project schedule (Appendix A1), the Contractor shall commit additional resources to complete the work, or take such other additional steps as are reasonably necessary to assure the completion of the work at no additional cost to CBS.

C. Contractor shall perform the work set out in Appendix A in an expedient and reasonable manner in accordance with the terms of the Agreement. Contractor shall not delay delivery of work products because Project Team members have been assigned to other work.

D. A negotiated schedule and deadline for each task with milestones shall be complied with by the Contractor subject to any delays beyond its control.

E. Neither party shall be considered to be in breach of its obligations hereunder, to the extent that performance of any such obligation is prevented or delayed by Force Majeure. "Force Majeure" includes acts of God, strikes, lockout, industrial action, war or civil disturbance, unusually inclement weather, storm, flood, earthquake, lightning, fire, non-municipal governmental action or inaction, late or inadequate execution of work or supply of goods by third persons or any other event beyond the reasonable control of the parties.

SECTION 3. RESPONSIBILITY OF THE CONTRACTOR

At all times during the Contractor's performance under this Agreement, the Contractor shall possess and exercise the level of competence, knowledge and skill presently maintained by other practicing members of the profession in good standing in the same or similar localities. The Contractor shall re-perform any services that fail to comply with this standard of care within a reasonable time-frame mutually agreed to by the Parties, if CBS gives the Contractor written

notice of such failure within 24 months of performance of completion or termination of this Agreement.

Contractor shall certify that its firm is authorized to do business in Alaska and provide the required proof of insurance and licensing within ten (10) days after the Agreement is executed by both parties.

The Contractor shall comply with all relevant federal, state and municipal safety rules and regulations and, when on site or at other locations owned by CBS, CBS's policies and procedures, including safety procedures established and provided by CBS. The Contractor shall not be responsible for ensuring site safety or security as part of the Services hereunder, except for employees of the Contractor or its subcontractor(s), such liabilities and responsibilities resting solely with CBS or parties who are in control of the relevant work site other than the Contractor.

The Contractor shall not be liable for any pre-existing environmental site conditions, surface or subsurface, including but not limited to any hazardous, toxic or regulated waste, materials or substances or geotechnical conditions and CBS shall indemnify, defend and hold the Contractor harmless from any losses, claims, expenses or damage related thereto.

The Contractor shall be entitled to rely on the accuracy of any information provided by CBS unless Contractor has explicitly agreed in writing to verify its accuracy. The Contractor shall not be liable for any loss or claim arising from or in connection with the use of such information by the Contractor in the performance of the Services under this Agreement and CBS shall indemnify, defend and hold harmless the Contractor from any losses, claims, expenses or damages related to the use of such information.

SECTION 4. SCOPE OF SERVICES

The services to be performed by the Contractor shall include all services required to complete the Project Approach & Scope of Work (Appendix A), in accordance with established schedules (Appendix A1), as well as all other work related requirements in Appendices C & D, and shall be performed in accordance with all applicable statutes, ordinances, rules and regulations.

SECTION 5. OWNERSHIP OF DOCUMENTS

Subject to Section 14, all plans, drawings, calculations, supporting data and specifications, originals and tracings, shall become the property of CBS, as further set out in Appendix D - Work Products. Such documents shall be transmitted to CBS prior to the time of final payment for the work under this Agreement. Contractor shall be entitled to retain and reference record copies and electronic files of all documents.

Subject to any restrictions on use set out in Section 14, all designs, drawings, specifications, notes,

artwork, computer programs, reports and other work developed with Alaska Energy Authority (AEA) grant funds are public domain. AEA grant requirement "General Provision No. 28, "Ownership of Documents and Products" provides:

> "Except as otherwise specifically agreed, and without limiting any Intellectual Property requirements of a federal funding agency, the Energy Authority shall have unlimited rights to use and to disseminate any data produced or delivered in the performance of the contract."

SECTION 6. TERMINATION

This Agreement is a "time and expense contract," which is also subject to funding limitations that may be imposed by the CBS Assembly and State and Federal authorities. Therefore, this Agreement may be terminated:

A. By mutual consent of the Parties;

B. For the convenience of CBS, provided that CBS notifies the Contractor of its intent to terminate under this paragraph in writing at least ten (10) days prior to the effective date of the termination of this Agreement; or

C. For cause, by either Party where the other Party fails in any material way to perform its obligation under this Agreement; provided, however, that as a condition of the exercise of its right of termination under this subsection, the terminating Party shall notify the other Party of its intent to terminate this Agreement in writing, state with reasonable specificity the grounds, and allow the defaulting Party to cure the default within thirty (30) days of receiving the notice.

D. Termination pursuant to this Section shall not affect the Parties continuing obligations under this Agreement.

SECTION 7. DUTIES UPON TERMINATION

A. If CBS terminates this Agreement for convenience, CBS shall pay the Contractor the reasonable value of any services rendered in accordance with the Agreement prior to termination. Payment under this Section shall never exceed the total compensation possible under Section 9. CBS may terminate the work upon ten (10) days written notice to Contractor. Within ten (10) days after the Agreement terminates, Contractor shall deliver to CBS all finished and unfinished notes, reports, drawings and materials prepared by the Contractor which shall become the property of CBS upon receipt of payments owed in accordance with this Agreement.

B. If this Agreement is terminated for cause due to the fault of the Contractor, CBS shall pay the Contractor the reasonable value of the services rendered in accordance with the Agreement

terms prior to termination less any damages suffered by CBS because of the Contractor's failure to perform in accordance with this Agreement. Any finished or unfinished documents or materials shall become the property of CBS at its option. Under no circumstances shall payment under this Section exceed the total compensation possible under Section 9.

C. If the Contractor has received payments prior to termination in excess of the amount to which he is entitled under Subsection A or B of this Section, the excess amount shall be remitted to CBS within 30 days after receipt of CBS's notice to that effect.

D. Except as provided in Subsections A & B regarding payments and except where CBS has failed to perform its material obligations, the Contractor shall not be entitled to compensation under this Section until the Contractor has delivered to CBS all documents, records, work products, materials and equipment owned by CBS, related to this Agreement and/or requested by CBS, as provided in Subsection A and B of this Section.

E. CBS need not recognize any claim by the Contractor for reimbursable expenses or costs incurred after the time which the Contractor receives notice of termination under this Section, other than any reasonable costs agreed to by the Parties required to properly close out the services.

SECTION 8. LIABILITY AND INDEMNIFICATION

A. The Contractor shall defend, save and hold harmless, and indemnify CBS from any claims, lawsuits or liability, including attorney's fees and costs, arising from any wrongful or negligent act, error or omission of the Contractor occurring during the course of or as a result of the Contractor's performance pursuant to this Agreement.

B. The Contractor shall not defend, save and hold harmless, and indemnify from any claims, lawsuits, liability, or attorney's fees and costs, arising from wrongful or negligent acts, errors or omissions solely by the City and Borough of Sitka occurring during the course of or as a result of the performance of this Agreement.

C. Where claims, lawsuits, or liability, including attorney's fees and costs, arise from wrongful or negligent acts of both CBS and the Contractor, the Contractor shall defend, save and hold harmless, and indemnify CBS from only that portion of claims, lawsuits or liability, including attorney's fees and costs, which result from the Contractor's wrongful or negligent acts occurring during the course of or as a result of the Contractor's performance pursuant to this Agreement.

D. Notwithstanding any other provision of the Agreement, the aggregate liability of the Contractor to CBS under the Agreement in contract, tort, warranty, negligence or otherwise, shall not exceed the amount that the Contractor is insured under this Agreement as set out in Subsection 18B. Any claims must be submitted within 24 months of the earlier of completion of the Services or termination of the Agreement. Neither CBS nor the Contractor nor any of their officers, agents

or employees shall be liable to the other for consequential, special, exemplary, indirect or incidental losses or damages, including but not limited to loss of use, lost production, cost of capital, and CBS and the Contractor each hereby releases the other from any such liability.

SECTION 9. PAYMENT

A. For the Contractor's services, as described in Appendices A, C & D of this Agreement, compensation will be paid on a time and expense basis, subject to Contractor's satisfactory performance, as further defined in Appendix B, unless a different procedure is mutually agreed upon by both Parties.

B. The Contractor shall present invoice(s) to Dean Orbison, Project Manager, 105 Jarvis St. Sitka, Alaska 99835. Such invoice(s) shall describe the work for which payment is sought and shall document expenses and fees to the satisfaction of the CBS's Authorized Representative. Invoices shall not be submitted more frequently than once every 30 days.

C. CBS's Project Manager shall review all invoices and make payment on all approved invoices within 30 days of receipt of the invoices. If an invoice is not approved, CBS shall notify the Contractor of the unapproved invoice and may withhold payment on the unapproved portion but paying on the approved portion, within 30 days of receipt of the invoice. Any amounts not in dispute and not paid when due shall be subject to interest at the rate of 0.5% per month accruing from the day payment is due until the day payment is received by the Contractor.

D. The Contractor shall be entitled to no compensation under this Agreement beyond the amount of the CBS's express obligation under Subsection A above.

SECTION 10. AUDIT: ACCESS TO RECORDS

A. The Contractor shall maintain records of performances, communications, documents, correspondence and costs pertinent to this Agreement. CBS's Authorized Representatives shall have the right to examine such records and accounting procedures and practices.

B. CBS's Authorized Representative shall have the right to examine all books, records, documents and other data of the Contractor related to the negotiation, pricing and performance Agreement, and any change or modification for the purpose of evaluating the accuracy, completeness and currency of the data submitted. The right of examination shall extend to all documents necessary to permit adequate evaluation of the data, computations and projections used.

C. The materials described in this Section shall be made available at the business office of the Contractor at all reasonable times for inspection, audit or reproduction, for a minimum of three (3) years from the date of final payment under this Agreement and for such longer period, if any, as may be required by applicable statute or other provisions of this Agreement.

D. If this Agreement is completely or partially terminated, records relating to the services terminated shall be made available to CBS by the Contractor for a minimum of three (3) years from the date of any resulting final settlement.

E. Records which relate to claims or litigation or the settlement of claims arising out of the performance of this Agreement shall be made available to CBS by the Contractor until such claims or litigation have been concluded.

SECTION 11. RELATIONSHIP OF PARTIES

The Contractor shall perform the obligations in this Agreement as an independent contractor of CBS. CBS may administer the Agreement and monitor the Contractor's compliance with its obligations. CBS shall not supervise or direct the Contractor other than as provided in this Section.

SECTION 12. ASSIGNMENTS

Unless otherwise allowed by this Agreement or in writing by CBS, any assignment by the Contractor of its interest in any part of this Agreement or any delegation of duties under this Agreement shall be void, and any attempt by the Contractor to assign any part of its interest or delegate duties under this Agreement shall give CBS the right immediately to terminate this Agreement without any liability for work performed.

CBS reserves the right to approve all subconsultant agreements.

SECTION 13. NONDISCRIMINATION

A. The Contractor shall not discriminate against any employee or applicant for employment because of race, color religion, national origin, ancestry, age, sex or marital status or mental or physical handicap. The Contractor shall take affirmative action to ensure that applicants are employed and that employees are treated during employment without regard to their race, color, religion, national origin, ancestry, age, sex, or marital status or mental or physical handicap. Such action shall include, without limitation, employment, upgrading, demotion or transfer, recruitment or recruiting, advertising, lay-off or termination, rates of pay or other forms of compensation, and selection for training including apprenticeship. The Contractor agrees to post, in conspicuous places, available to employees and applicants for employment, notices setting forth the provisions for this nondiscrimination clause.

B. The Contractor shall state in all solicitations or advertisements for employees to work on jobs relating to this Agreement, that all qualified applicants will receive consideration for employment without regard to race, color, religion, national origin, ancestry, age, or marital status or mental or physical handicap.

C. The Contractor shall include the provisions of Subsection A of this Section in every subcontract or purchase order under this Agreement, so as to be binding upon every such subcontractor or vendor of the Contractor under this Agreement.

D. The Contractor shall comply with all applicable Federal, State and Municipal laws concerning the prohibition of discrimination.

SECTION 14. COPYRIGHTS AND RIGHTS TO DATA

All documentation, including notes, drawings, reports and other technical information, hereinafter referred to as work products, produced under this Agreement, except items which have pre-existing copyrights, are the property of the CBS. Payments to the Contractor for services hereunder include full compensation for all work products produced by the Contractor and its subcontractor.

All such subject data furnished by the Contractor pursuant to this Agreement are instruments of the Contractor's services in respect to this particular project. It is understood that the Contractor does not represent such subject data to be suitable for reuse on any other project or for any other purpose. If the CBS reuses the subject data without the Contractor's specific written verification of adaption, such reuse will be at the risk of CBS, without liability to the Contractor. Any such verification of adaption requested in writing by CBS at CBS's sole option will entitle the Contractor to further compensation at rates agreed upon by CBS and Contractor.

SECTION 15. NOTICES

Any notice required pertaining to this Agreement shall be in writing and either personally delivered or mailed by prepaid, first class, registered or certified mail, return receipt requested, to the following addresses:

CITY AND BOROUGH OF SITKA:
Attn: James Dinley
Municipal Administrator
City and Borough of Sitka
100 Lincoln Street
Sitka, Alaska 99835

CONTRACTOR:
Attn: Morton D. McMillen
Chief Engineer
McMillen LLC
1401 Shoreline Drive, Suite 100
Boise, Idaho 83702

SECTION 16. CLAIMS AND DISPUTES

If the Contractor becomes aware, or reasonably should have become aware, of any act or occurrence which may form the basis of a claim, the Contractor shall immediately notify in writing the CBS's Authorized Representative. If the matter cannot be resolved within seven (7) days, the Contractor

shall, within the next fourteen (14) days, submit a written notice of the claim. The Contractor shall, in presenting the claim, include the facts and circumstances surrounding the claim, the specific relief requested including any additional compensation claimed and the basis upon which it was calculated, and the provisions of this Agreement under which the claim is made. This procedure covers all claims by the Contractor for additional compensation or any extension of the time for performance or any dispute regarding a question of fact or interpretation of this Agreement. The Contractor agrees that unless these written notices are provided, the Contractor shall have no entitlement to additional time nor compensation for such act, event or condition.

Differences between the parties to the Agreement as to the interpretation, application or administration of the Agreement or any failure to agree where agreement between the Parties is called for is a dispute.

The parties shall make all reasonable efforts to resolve any disputes by negotiations.

If the parties are unable to resolve a dispute within 30 days of commencing negotiations, then upon written notice from either party that negotiations are at an end, the dispute shall proceed to binding arbitration. The arbitrator shall be selected as provided in accordance with the rules of the AAA in effect during the Term of this Agreement, from a panel of proposed arbitrators who specialize in construction law. The arbitrator shall have the exclusive authority to decide the scope of issues to be arbitrated. Any challenge to the arbitrability of any issue related in any way to the matters or claims in dispute between the Parties shall be determined solely by the arbitrator. Also, any challenge to the validity of this arbitration provision, or any subpart thereof, shall be determined and decided exclusively by the arbitrator. CBS and the Contractor shall select and pay the cost of the arbitrator whose expenses shall be borne half by CBS and half by the Contractor.

Where an arbitrator is used to settle a dispute, the results of the arbitration will be binding on both Parties. Any appeal of an arbitrator's decision is subject to the limited grounds allowed under Alaska laws regarding arbitrator's decisions and under this Agreement, and shall be to Alaska Superior Court, First Judicial District at Sitka, Alaska.

SECTION 17. SUCCESSORS AND ASSIGNS

CBS and the Contractor each bind himself, his partners, successors, assigns and legal representatives to the other Party to this Agreement and to the partners, successors, assigns and legal representatives of such other Party with respect to all covenants of this Agreement.

SECTION 18. INSURANCE

A. The Contractor shall at all times during the term of this Agreement, maintain in good standing the insurance described in Subsection B of this Section. Before rendering any services under this

Agreement, the Contractor shall furnish the CBS with proof of insurance in accordance with Subsection B of this Section in the form of an insurance certificate; such proof of insurance shall be incorporated as Appendix C of this Agreement.

B. Type of coverage:

1.	General Liability	Single Limit Aggregate	$5,000,000 $5,000,000
2.	Workman's Compensation		Statutory
3.	Comprehensive Automotive Liability Including all owned, hired and non-owned vehicles		$5,000,000 per occurrence/ aggregate
4.	Professional Errors and Omissions		$1,000,000 per claim/aggregate

C. Insurance Notes

1. CBS shall be named as an additional insured on the required general liability. CBS shall also be granted a full waiver of any rights of subrogation under all required policies including Worker's Compensation policy. These requirements extend to all subcontractors.

2. All of the policies of insurance so required to be purchased and maintained (or the certificates or other evidence thereof) shall contain a provision or endorsement that the coverage afforded will not be canceled or renewal refused until at least thirty days prior written notice has been given to CBS by certified mail.

SECTION 19. PERMITS, LAWS AND TAXES

Contractor shall acquire and maintain in good standing all permits, licenses and other entitlement necessary to its performance under this Agreement. All actions taken by the Contractor under this Agreement shall comply with all applicable statutes, ordinances, rules and regulations. The Contractor shall exercise usual and customary professional care in interpreting and complying with laws, building codes, by-laws and regulations (collectively "Codes") in effect as of the commencement date of the Services. CBS expressly acknowledges that as the Services progress, such Codes may change or the interpretation thereof by any authority having jurisdiction may differ from the interpretation of Contractor, through no fault of Contractor. All additional Services and costs necessary to conform to such change or interpretation during or after the performance of the

Services shall be paid by CBS in the event of such change or in the event that Contractor has received a prior approval or authorization from such authority in respect of such interpretation. Contractor shall pay all taxes pertaining to its performance under this Agreement.

SECTION 20. NON-WAIVER

The failure of either Party at any time to enforce a provision of this Agreement shall in no way constitute a waiver of the provision, nor in any way affect the validity of this Agreement or any part of the Agreement, or the right of such Party to enforce each and every provision of the Agreement.

SECTION 21. AMENDMENT

A. This Agreement shall only be amended, modified or changed by a written amendment, executed by Authorized Representatives of the Parties, and such amendment shall be attached to this Agreement as an appendix.

B. For the purposes of any amendment, modifications or change to the terms and conditions of this Agreement, the only authorized representatives of the Parties are:

    1. Chief Engineer McMillen LLC– For Contractor

    2. Municipal Administrator James Dinley - For CBS

C. Any attempt to amend, modify or change this Agreement by either an unauthorized representative or unauthorized means, shall be void.

SECTION 22. SEVERABILITY

Any provision of this Agreement decreed invalid by a court of competent jurisdiction shall not invalidate the remaining provisions of the Agreement.

SECTION 23. JURISDICTION - CHOICE OF LAW

Any civil action rising from this Agreement shall be brought in the Alaska Superior Court First Judicial District at Sitka. The law of the State of Alaska shall govern the rights and obligations of the Parties under this Agreement.

SECTION 24. INTEGRATION

This Agreement and all appendices and amendments embody the entire agreement of the Parties. There are no promises, terms, conditions or obligations other than those contained in this Agreement.

This Agreement shall supersede all previous communications, representations or agreements, either oral or written, between the Parties.

SECTION 25. SURVIVAL

All rights obligations and remedies of the parties which accrued prior to the time of expiry or earlier termination of this Agreement, or which are by their nature continuing and all other provisions necessary for the interpretation or enforcement of such clauses will survive expiry or earlier termination of this Agreement.

IN WITNESS, the Parties execute this Agreement in duplicate on the date shown below, and by their signatures, confirm they are authorized to sign this Agreement.

CITY AND BOROUGH OF SITKA

James Dinley, Municipal Administrator

Date:_____

ATTEST:

Colleen Ingman, MMC
Municipal Clerk

Date:_____

CONTRACTOR

Morton McMillen,
Chief Engineer, McMillen LLC

Date:_____

EIN NO._____

CERTIFIED FUNDS AVAILABLE:

Fund Number: _____

Account Number: 90594.0008

Amount of Contract: **$4,328,394.00**

Jay Sweeney, Finance Director

Date: _____

APPROVAL OF CONTRACT FORM

Theresa Hillhouse
Municipal Attorney

Date:_____

Appendix A – Project Approach & Scope of Work

The Construction Management phase of the Blue Lake Expansion Project will consist of Managing all phases of construction and engineering required to complete the Blue Lake Expansion project. The construction phase is described in the contract 9 Bid Documents and its associated series 109 drawings. The Resident Project Representative (RPR) employed by McMillen will lead the Construction Management and Engineering.

1.0 Project Approach

The primary goal of McMillen's approach is to recognize and address construction risks as they arise. The approach is structured to facilitate communication with the City and building relationships at all levels of the project by developing a partnering atmosphere. In this way, technical and managerial conflicts are resolved before they impact costs and schedule, thereby avoiding construction claims.

1.2 Approach to Construction Safety

The Blue Lake project has numerous work areas including the tunnels and intake which are congested where ventilations, lighting, communication, and ground support must be implemented in challenging environments – safety can be the biggest risk on a hydroelectric and tunnel project. A safe project hinges on the participation of all team members. The McMillen team will strive to develop and maintain a safe work environment that complies with the City, State, and Federal guidelines.

One of the primary roles of the McMillen team is to assist the Contractor's Safety manager with the development, review, and monitoring of the Contractor's safety program to ensure compliance with regulatory requirements. McMillen will also stress that the Contractor's overall responsibility for safety cannot be compromised.

1.3 Review of Construction Bid Documents

Mc Millen will complete a detailed review of the Agreement, Supplementary Conditions, Bid Form, and Division I Specifications as defined in the scope of work. The focus of review is to identify those portions of the bid documents which could be modified to align more closely with our proposed CM procedures, more clearly outline the contract requirements in terms of contract language. RPR, Dick Linden, will lead this initial work task.

1.4 Construction Contract Pre-Bid Conference and Review of Bids

As outlined in Article 19 of the Instructions to Bidders, the City intends to evaluate Construction Contractor bids based on a combination of factors including total bid price, bidders qualifications and capabilities, preliminary work plan and schedule, and proposed generation outage work plan and schedule. This evaluation approach ensures the Contractor's ability to deliver projects on time, at the least cost, and with the least impact to the community and environment. Major considerations are the Contractor's safety record, and history of claims and qualifications.

McMillen will work with the City to prepare an agenda for the pre-bid conference and will provide input and prepare remarks for the conference as agreed with the City in advance. McMillen will prepare minutes of the pre-bid conference to document the topics discussed.

McMillen will work with the Design Engineer and the City to prepare responses to bidders' requests for clarification, and assist with their preparation of addenda as necessary. McMillen will be present at bid opening, and work with the City to evaluate bids and recommend award to the selected bidder.

1.5 Preparation for and Participation in the Pre-Construction Conference

The pre-construction conference will allow the City, Contractor, Construction Manager, Design Engineer, and any other entities closely involved in the project to meet and define roles and responsibilities. The RPR will handle logistics, such as setting the agenda, coordinating the meeting location and schedule, and distributing meeting minutes to all parties. The purpose of the pre-construction conference is to introduce the key team members to each other, familiarize all concerned with the various administrative requirements of the project, and ensure that each participant understands what is required to fulfill their contracts.

1.6 Approach to Construction Contract Management Services

1.6.1 Partnering – The First Step to Disputes Avoidance

McMillen strongly supports the use of partnering on a construction project to avoid disputes. McMillen's experience with partnering on many hydroelectric related construction projects has resulted in resolution of problems at the lowest level possible, which prevents small problems from developing into big problems.

When adopting a partnering approach, all of the project delivery parties must agree from the beginning to a formal structure that focuses on creative cooperation and teamwork in

order to avoid adversarial relationships. Working relationships are carefully and deliberately built based on mutual respect, trust, and integrity. The partnering approach is based upon the idea that partnering can provide the basis for participants to reorient themselves towards a "win-win" approach to problem solving and can foster synergistic teamwork.

Partnering does not replace or substitute the contract plans and specifications. Instead, partnering is a business plan developed by the project partners that defines the cooperative approach to be used in administering the contract plans and specifications. Mutual goals are defined and all partners agree to work cooperatively so that the project goals can be achieved.

One of the first steps in partnering is to identify appropriate contact personnel within each organization to form an "Issue Resolution Ladder". For the Contractor this is usually the President, Vice President, or Director of Regional Operations. For the City this may be the Electric Department Utility Director. The next level down is termed the sponsor level. For the Contractor, this is usually the person reporting directly to the executive manager. For the City it is the Project Manager.

The last level is called the project level, and it is at this level that most of the partnering must take place. It would include the Contractor's project manager, field engineers, and superintendents. For the City this level would include the RPR and all Inspectors.

This process helps establish the chain of command in each organization. Each level of the organization is expected to work cooperatively to resolve issues. However, if issues cannot be resolved in a timely manner or are beyond the authority granted at that level, each level understands that the issue must be elevated.

McMillen's experiences with true partnering have been positive. Regular meetings at the executive and sponsor level are highly encouraged, particularly on large and/or complex projects. However, when disagreements cannot be resolved we will follow the Dispute Resolution process as outlined in Article 16 of the contract specifications.

1.6.2 Quality Control and Quality Assurance

McMillen's will prepare the QCIP under the philosophy is that Quality Control (QC) is performed to provide evidence that contract requirements for the finished product are met, and to identify deficiencies requiring evaluation and/or correction. The Contractor's QC activities include: (1) field verification of work in progress and completed work; (2) verification of materials and equipment fabricated off site; (3) testing of materials performed by on-site and off-site organizations; (4) documentation of verifications and testing; and (5) evaluation of test or inspections; (6) identification of non-conforming conditions; and (7) tracking resolution or correction of non-conformance issues.

McMillen sees their Quality Assurance (QA) role as the process to evaluate the effectiveness of the QC activities to determine if they conform with the project Quality

Control (QC) Plan. As appropriate, McMillen will enforce the approved construction QC plan where deficiencies are observed. QA activities include review and evaluation of the QC Plan, procedures, qualifications, and documentation, as well as independent inspections, audits and verification surveys.

McMillen Lead QA Inspectors, in conjunction with material testing organizations and Inspectors, will develop and implement a QA plan in accordance with City requirements. McMillen will also perform independent identification of non-conforming conditions, and take the lead in tracking resolution of non- conformance issues.

Tunnel construction requires the implementation of expensive, complicated equipment operated by specialized work forces. Any delays to these critical path operations often lead to expensive, contentious contract disputes, claims, and litigation. The RPR must therefore have accurate records documenting details of the Contractor's work activities to rapidly evaluate and resolve construction issues as they arise. The underground inspector must attend to both QA/QC and to documentation of construction activities: quantity verification, progress, specialized excavation equipment operation, dispute avoidance, etc.

The daily reports will be prepared by each Inspector electronically. A daily log will then be generated automatically allowing the construction management team real-time access to inspection details, material and labor quantities, and the complete daily ledger.

McMillen's goal is to work closely with the City and Design Engineer to ensure the Plans and Specifications requirements are met during construction. McMillen's approach to changes caused by unforeseen conditions or other circumstances will be reviewed with the City and Design Engineer to ensure that the integrity of the design is maintained.

1.6.3 Contractor Submittals

A planned, coordinated and timely submittal process is essential for a successful project. A submittal list is presented in the Blue Lake Specifications, Section 1300 outlining the required submittals and submission general scheduled. McMillen will work closely with the Contractor to refine the submittal schedule and tie it to the overall Contractor's work schedule. McMillen will also coordinate with the City and the Design Engineer to clearly designate those submittals which require review by the Design Engineer and those that will be handled by the McMillen team. To increase efficiency and decrease re-submittals, McMillen will log the submittal and make an initial evaluation of each submittal for completeness and clarity then transmit immediately to the Design Engineer or back to the Contractor if incomplete. The McMillen team will track, log, and communicate the status of all submittals at the project meetings. McMillen will track and log submittals using the SharePoint web site. When necessary to shorten review cycles, McMillen will arrange pre-submittal or submittal review meetings with the relevant parties. Our team will also review submittal comments before they are returned to the contractor to confirm they are clear and unambiguous.

1.6.4 Request for Information (RFI)

The RFI process is another essential element of the work to maintain progress. However, they are often written in haste and can be poorly worded. Poorly worded RFIs lead to misunderstandings and unexpected responses which can waste valuable time. The McMillen team will review each RFI and make sure it asks the proper question before it is transmitted to the responder. Where appropriate, McMillen will provide suggestions and additional information to facilitate the response or respond directly. RFI submittals and responses will be managed through the SharePoint web site.

1.6.5 Potential Change Orders

Prompt and equitable evaluation of change orders, whether they are change orders originating from the City or the Contractor, require an impartial evaluation of cost and schedule impacts. When evaluating a large change order proposal, it is important to develop independent production-type cost estimates that account for labor, equipment, and construction methods in the same way that the contractor bids the work. This approach segregates the work into discrete tasks, which in turn requires the development of crew and equipment spreads in conjunction with production rates for each task. McMillen's and Jacobs Associates' cost estimators, who are not outside consultants, have gained significant experience working in the employment of underground construction contractors as well as McMillen's self executing construction division. These staff members will provide independent cost estimates as required for evaluating change orders.

1.6.6 Non-Conformance Reports

Non-Conformance Reports (NCRs) are issued when the work is not completed in accordance with the specifications and drawings or any safety violations are observed in the field. The McMillen team will log each notice and keep it open until such time the non conformance issue is resolved to the satisfaction of the project requirements. NCR posting, logging and resolution will be documented on SharePoint.

1.6.7 Payment Requests

The progress payments must reflect the schedule progress and the schedule of values. At the end of each pay period, the actual amount of work performed must be determined. McMillen daily inspection records which contain accurate registers of work accomplished is the best method to evaluate progress. Progress payments should not be made against unresolved change orders. The RPR will meet with the Contractor and agree on the payment against the schedule of values. Records of the progress payment meetings will be maintained. The payment will reflect all resolved change orders, payments only for material on-hand, and mobilization.

1.6.8 Claims and Disputes Management

Claims typically occur either because a Request for Change is denied or unilateral Change Order is issued. In the latter case, there usually is no dispute as to whether the Contractor is entitled to compensation – the disagreement is over the amount. However, the denial of a Request for Change is usually based on a lack of demonstrated entitlement contractually and/or factually.

McMillen considers that it is the RPR's role to respond in a timely manner to Requests for Change, with input from the City and Design Engineer, as appropriate. McMillen's extensive practical experience in hydroelectric projects allows us to offer a frank appraisal of a Contractor's Request for Change while still serving the best interest of the City.

While the contract language will serve as the basis for justification of any action taken, McMillen's extensive involvement in the settlement of disputes in the hydroelectric and underground construction industry provides us with an understanding of the enforceability of certain clauses routinely included in construction contracts. This, in conjunction with detailed factual information collected during the prosecution of the work, will allow the RPR to provide a well founded, concise, and timely response to any Request for Change Order. In addition, the RPR will provide a demonstrated commitment to foster dialogue toward the resolution of dispute(s) with the goal to eliminate and/or minimize the number of claims generated.

1.6.9 Construction Progress Meetings

The weekly construction progress and planning meeting will review what has been accomplished in the previous period and the work planned for the next two to three weeks. There will be notification of future needs and deadlines. The focus will be on managing the project with proactive assignments that stay ahead of the work. The weekly meetings will be chaired by the RPR.

There will be a monthly meeting open to all interested parties to review the construction to date and the work planned for the next three months. The purpose of the meeting will be similar to the weekly meetings, but focus on major issues.

There will be a quarterly meeting with senior city management staff to bring them up-to-date on the progress, cost, and schedule. Work planned for the next six months will be reviewed including the identified risk areas. The areas of identified risk will also include the action plan to mitigate and contain the risk.

Special meetings will be convened as required to manage special activities, which could include meetings to review work plans for new major activities, shutdowns and tie-ins to the existing plant, etc. The RPR will invite attendees, prepare the agenda, and distribute minutes following these meetings. Their focus will be to inform, identify risk, and develop programs and procedures to reduce the risk.

1.7 Approach to Project Controls

1.7.1 Construction Schedules

McMillen will review the Contractor's initial baseline schedule to check its conformance with the Specifications. Schedule conflicts will be identified and resolved. During the monthly schedule updates, McMillen will check that the contractor's schedule complies with the Specification revision requirements and verify that the written narrative describes the progress accurately. It is important to identify all changes in logic, activity duration, and resources as well as any deletion or addition of activities, and evaluate the acceptability of each.

McMillen will also verify that the progress of activities and any other as-built information is accurate. It is McMillen's job to point out any loss of float and alert the project team of all actual or potential delays and disruptions to the schedule. McMillen will also make recommendations to the City on how to regain any lost time in the schedule. Finally, short-term look-a-head schedules will be reviewed and used as a tool for planning.

1.7.2 Document Control

The key to successful construction management is to expedite processing and responses to construction submittals, shop drawings, RFIs, change orders and any other items for which the City, Design Engineer, and/or CM team are responsible.

The construction documents will be logged, indexed, and stored electronically in Microsoft Sharepoint, the City's document control system. The use of Sharepoint will ensure that all construction documents will be indexed with relevant metadata and retained on secure, backed up servers as a permanent record of construction process. Maintaining a permanent, complete record of all construction decisions will aid the City with future facility maintenance and upgrades.

All paper documents will be scanned and imported into Sharepoint. Electronic documents will be directly imported in their original format (PDF, Word, Excel, AutoCAD, etc.). Scanned documents will be processed using Optical Character Recognition (OCR) so that all scanned documents will be text searchable for later identification and retrieval.

A conventional hard-copy filing system will exist in parallel to be used as a system backup when, for use where a paper original is required, or during computer system outages. The paper files and electronic document systems will be cross-referenced, so that corresponding records can be quickly located in either system.

1.7.3 Correspondence

The RPR will oversee all correspondence with the Contractor. Correspondence will be generated for important issues involving the work that are not handled by normal transmittals. Examples include notifications of potential claims, differing site conditions, and changes in personnel. All the letters will be tracked, actions assigned, and response dates noted. The correspondence file will be continuously updated and will be reviewed at the weekly progress meeting. The RPR will be responsible for maintaining this file.

1.8 Approach to Environmental Compliance Monitoring

Based on discussions with the City, it is McMillen's understanding the City intends to use a local resource for the environmental compliance monitoring aspects of the Blue Lake project. McMillen will include the Environmental Compliance Monitor (ECM) in thier staff and work with the City to ensure a comprehensive approach to the environmental compliance monitoring program is developed to document compliance with all regulated / specified parameters and project specifications. Test results, supplied by the contractor's testing firm, will be spot-checked by an independent test laboratory periodically, and especially if non-compliance is suspected.

There are some notable environmental compliance issues for the Blue Lake project. Testing of tunnel muck before disposal will be a critical function of the environmental monitoring. Because of the time required for some of these tests, muck stockpiling and tracking will be crucial to ensuring that the project does not become "muck bound", which can impact the construction schedule. Discharge requirements will center around the permits for tunnel dewatering and site surface water.

The Contractor's treatment plant of tunnel inflows as well as the compliance with and monitoring of the SWPPP, will be a major focus of the ECM. McMillen will work with the ECM to ensure the contractor is in compliance with the project permit conditions. McMillen also has professional staff available to assist the City and independent compliance inspector as requested.

1.9 Provide Testing, Start-Up, Work Close-Out Services

McMillen's team has the unique expertise of Jack Snyder, Don Jarrett, and Seung Kim who have conducted field startup and commissioning of a wide range of hydroelectric plants over the past 30 years. McMillen senior staff, through their direct field experience, understand the requirements of a successful startup and commissioning plan. They will assist the RPR, City, and Design Engineer in preparing a detailed plan which reflects the various operation scenarios required to test the new facility for compliance with the contract specifications. The McMillen team will be available on site during startup and commissioning to support the RPR's startup work efforts.

Project closeout is an important part of the construction management process that is often not completed due to budget constraints at the end of construction. It is important in that closeout documentation provides a defendable record of the project in the event the City is subject to litigation by the Contractor or other third parties after construction. Because of our approach to continually record project data into electronic forms and databases, we can generate a Project History and Lessons Learned Report without a large level of effort, which ensures that this final and important part of the project documentation is not overlooked.

1.10 Managing the CM Contract to Control Costs

Effective project management serves as the "road map" for completing a project on time and within budget, and Project Controls and the tools used by project management to track schedule and budget. McMillen will provide Project Controls including scheduling, cost and budget control, estimating, and sub-consultant contract administration as needed to support the CM Services. McMillen will work with the City to establish reasonable resource schedules, budgets, and standardized procedures so that the CM services are planned and monitored during construction.

McMillen will provide a Management Work Plan (MWP) which will form the foundation for managing this project and will be developed prior to initiating any work within two weeks following McMillen's Notice to Proceed. The MWP establishes the method and sequence for completing the work-specific project procedures, and represents a key aspect of assuring close coordination, clear lines of communication, and clear decision protocol. The detailed resource loaded CM schedule will be revised to incorporate City input, which will be updated on a regular basis. The CM schedule will be tracked, updated, and presented in the Monthly Progress Reports, which will also include the status of issues and problems with methods of resolution.

CM labor hours will be tracked with Spectrum software, project managers are able to monitor costs at any time from their computer. Because electronic timesheets are submitted weekly, project managers have careful control over CM costs and can supply the city with up-to-date reporting at any time.

1.11 FERC Oversight

As a new facility at an existing jurisdictional dam, FERC's dam safety criteria and QA/QC oversight requirements will be given the highest priority during construction. Our construction management and technical approach will place a high priority on QA/QC monitoring and reporting, and anticipating and addressing FERC's technical and operational concerns during construction. Our approach to successful FERC coordination will include:

- Monitoring FERC requirements related to construction quality control and inspection plan (QCIP) requirements and technical concerns;
- Providing QA/QC inspection and engineering support services to address dam safety and powerhouse operation issues;
- Preparing technical presentations and leading site construction in support or FERC and Board of Consultants (BOC) oversight duties; and
- Providing FERC with periodic construction progress reports and updates to critical construction activities.

2.0 Scope of Work

2.1 General

The scope of work is summarized in basic work tasks:

- Task 1.0 Bid Period Services
- Task 2.0 Field Construction Services
- Task 3.0 Office Engineering Support

A more detailed breakdown of each individual work task will be prepared as part of our MWP discussed under paragraph 2.10 which will be prepared within two weeks of Notice of Proceed.

2.2 Task 1.0 - Bid Period Services

McMillen will assist the City during the bid period work phase of the project. Assistance will start with a full review of the Agreement, Supplementary Conditions, Bid Form, and Division 1 Specifications. The primary focus of this review is to identify modifications which could result in efficiency gains in the field construction management, reduce the City's overall risk, or improve the overall construction schedule. McMillen's review will be completed by the Resident Engineer and Senior Engineer. Table 3 summarizes the primary McMillen work activities anticipated during the bid phase. In addition McMillen will:

1. Attend a kickoff meeting in Sitka to walk through the project site and discuss the project elements in detail with Mr. Orbison and Mr. Carson. This will be a two day meeting intended to review the project design documents, scope, schedule, and overall project plan. The purpose of the meeting is to bring the CM team up to speed on the Blue Lake Hydroelectric project elements and outline the approach to the anticipated work effort. Following the meeting, McMillen will prepare the meeting minutes.

2. Under the review bid documents budget line item, McMillen will review and provide detailed comments to the City on the Contract 9 Division 1 work effort. Close attention to the project schedule, bid schedule, general and special conditions will be required. The hydraulics and hydrology section will also be closely reviewed. Under the bid schedule, the bid schedule breakdown and approach to unit price elements should be closely reviewed. Consideration of a separate schedule of values for each major work element such as the intake, dam, powerhouse, tunnels, etc. should also be considered. The measurement and payment specification should be reviewed and modified to reflect the final bid schedule. McMillen staff will provide a detailed list of comments to City for incorporation where appropriate.
3. Also as part of the review bid documents item, McMillen will review the bid documents from Contracts 1 through 8 to become familiar with the work elements and assume responsibility for managing these contracts including submittal preparation and review, scheduling, and installation oversight.
4. McMillen will attend the pre-bid site visit, respond to bidder's questions, issue bid addenda, and assist the City in bid evaluation. McMillen will also prepare a pre-bid presentation summarizing the anticipated geotechnical and geological conditions and critical design elements for the project. McMillen has increased their anticipated level of effort to take the lead in responding to bidder's questions and minimize the level of effort required by the design engineer.

Task 1.0 Bid Period Services Milestones

Advertise Contract 9	May 1, 2012
Conduct Pre-Bid Conference	May 22-23, 2012
Address Contractor Questions and Issue Addenda	July 5, 2012
Open Contract 9 Bids	July 17, 2012
Evaluate Bids and Recommend Award	August 22, 2012

2.3 Task 2.0 - Field Construction Services

McMillen's construction team was developed to provide the senior construction management expertise required to oversee the various technical work elements associated with the Blue Lake Hydroelectric Project. McMillen's team is led by Dick Linden who has spent his entire career constructing hydropower and dam facilities all over the world. Dick will be supported by our lead concrete inspector, Steve Kruse, and lead tunnel inspector, Phillip Chandler. Omar Fulton will provide geotechnical support on both the tunnel work and powerhouse foundation. McMillen remaining team members will be comprised of local talent as indicated on our proposed organization chart. These local team members will be guided by our senior staff in the day-to-day execution of the work effort. McMillen office engineering team will be under the direction of Mr. Linden to support RFI's, design changes, shop drawing review, specialized inspection, and related engineering support activities as outlined in the next section. The typical construction

activities which will be performed by our field CM team are summarized in Table 4. In addition:

1. McMillen has assumed that Mr. Fulton will be able to support the concrete inspection work effort on a day to day basis. We do not believe any additional concrete inspection staff support will be required.
2. McMillen field staff will participate in partnering meetings scheduled during the project execution. The budget associated with these meetings is included within the overall field construction services budget.
3. McMillen will include the local environmental compliance staff member, Mr. Dennison, to the McMillen team.
4. The City will provide the trucks and gators for the CM team.
5. We have assumed that the concrete and materials lab testing will be contracted directly to the City. McMillen can assume responsibility for this contract upon request by the City.
6. McMillen will provide oversight and management to the City employee's who will be serving as part of the overall CM team. McMillen has removed these staff members from our budget worksheet including civil construction inspector and electrical inspector.
7. In reviewing the construction schedule, we believe that our original assumption of full time inspection over a 24 month period may overestimate the required effort for Kruse, Chandler, and Fulton. The majority of the concrete work effort will be complete by August 2014 which means the majority of the concrete and site geotechnical work will be complete as well. We have assumed both Fulton and Kruse services will no longer be required after October 1, 2014. Kruse's work efforts would be completed by November 1, 2014. We have reduced their total hours to reflect this reduced onsite site inspection period.

Task 2.0 Field Construction Services Milestones

Field construction services must be provided as a continuous process to ensure continuity of the construction process. Milestones are based on McMillen's response time to respond to a required subtask. Generally, the milestone for completion of each subtask is 7 days following the event or posting of the RFI or Submittal. For example meeting minutes and weekly reports must be issued within 7 days of the meeting or end of the week. Submittals and RFIs must be responded to within 7 days of the posting date.

2.4 Task 3.0 - Office Engineering Support

The McMillen team has the depth and breadth of engineering talent to support the construction of the Blue Lake Expansion project. McMillen in-house staff of mechanical, structural, civil, and hydraulic engineers will be supplemented with the geotechnical and tunnel expertise of Jacobs Associates and the electrical/instrumentation support of EESC. Don Jarrett will serve as the senior engineer responsible for coordinating the office engineering support services. In this role, Mr. Jarrett will be responsible for document management within the office, work assignments to the appropriate staff, and ensuring the engineering support efforts are completed in a timely and efficient manger.

McMillen will assume the lead in providing the engineering support throughout the project. McMillen will take the approach of addressing all RFI's, submittals, and engineering support to the contractor as the initial step. McMillen will utilize the design engineer's only when determined necessary to maintain the design continuity or design responsibility. The office engineering scope is difficult to define at this stage. McMillen proposes to perform office engineering support services on a time and materials basis. Considering this revised approach, McMillen incorporated the following modifications into our budget proposal:

1. Increased the level of effort of our senior engineer, Don Jarrett, and assistant office engineer, Joe Carson to manage and respond to RFI's, review shop drawings, provide engineering design support, and provide overall office support to the CM team. We also increased the level of effort required to complete the shop drawings review for the entire project contracts No. 1 through 9.
2. Added engineering design support for the geotechnical work elements of the project including rock slopes, abutment grouting program, intake tunnel portal stability, tunnel lining evaluation, powerhouse foundation stability, and value engineering for the penstock and portals. Specifically, we increased the level of effort for Mark Havekost who will serve as the leader of the geotechnical work effort for design support on these issues as well as additional Jacob's design staff. The intent is that the McMillen team will assume responsibility for completing the design of the drainage tunnel work element as well as inspect and direct modifications to the other geotechnical work elements, such as rock anchors in the intake tunnel. We have also included the efforts of David Crouthamel who will assist with refinement and optimization of the dam abutment grouting program.
3. Increased the level of effort for specialized inspections to include the geotechnical work elements including each of the work elements identified in the previous paragraph.
4. Added a value engineering work element to provide engineering analysis and design to update various aspects of the project design which could result in cost savings by refining the design approach and details.

5. Increased the level of effort for our electrical engineering office engineer, Seung Kim, to support the efforts of the City's electrical engineer, Bob Dryden, in completing the City provided electrical design elements.
6. Increased the level of involvement of Mort McMillen and Jack Snyder. Over the course of the project construction, these senior staff members will be available as needed to support or address technical or management issues on the project.

Task 3.0 Office Engineering Support Milestones

Office engineering support milestones will depend on the subtask. Responding to RFIs and Submittals generally must be done in 7 days similar to the field construction services. Added engineering for the geotechnical work elements design support milestones will be defined prior to performing the added engineering.

Summary

McMillen is committed to working closely with the City to provide an efficient CM team balancing the required field staffing members with the selected Contractor's anticipated work schedule. **McMillen is also committed to proactively managing the office engineering efforts on the project to quickly respond to design needs, ensure timely delivery of designs, and to control cost.**

The anticipated work tasks associated with the office engineering support are presented in Table 3 provided on the following page.

Table 3. Bid Period Services

Task #	Description	Approach
1.1	Review the Bid Documents	As a first task, McMillen will review the Contract Agreement, Supplementary Conditions, Bid Form, and Division 1 specifications to identify potential modifications which would result in a more efficient contract execution, reduce risk to the City, and ensure an efficient field execution and management.
1.2	Attend a Pre-Bid Site Visit	McMillen's Resident Engineer will attend the pre-bid site visit to provide assistance to the City in addressing questions raised by the prospective bidders and identify potential issues raised by the bidders which should be addressed within a bid addendum.
1.3	Respond to Bidder Questions	McMillen will coordinate the efforts required to respond to bidder questions between the City, the Design Engineer, and McMillen CM staff. McMillen will distribute and respond to the bidder's questions as required to ensure a timely response, issue the responses, and track bidders questions along with responses.
1.4	Prepare Bid Addenda	McMillen will assemble bid addenda(s) which clearly outline modifications required to the contract documents required to

		resolve bidder's questions and address potential issues with the design documents. We anticipate a minimum of two bid addendums will be required for the Blue Lake project.
1.5	Evaluate Bid Packages	McMillen will assist the City in reviewing the bid packages including review of the bid forms, schedule, and qualifications.

Table 4. Field Construction Services		
Task #	Description	Approach
2.1	File Organization and Management	As a first step, McMillen will provide the City with a recommended file management system which clearly outlines the individual directories required for the various forms of communication required to execute the project. The management system will include the recommended communication protocol, distribution, and approval process. FERC reporting requirements will be clearly indicated. The file directory will then be incorporated into the City's Sharepoint system.
2.2	Shop Drawing and Submittal Distribution and Review	McMillen will review the initial submittal register and provide the City with the suggested reviewer's required for each submittal including the Design Engineer, McMillen staff, and City. Upon approval from the City, McMillen will work with the Contractor to schedule the submittal's schedule and outline the reviewer's requirements.
2.3	Review Pay Requests	In a monthly basis, McMillen will review and approve the monthly pay request which includes verifying materials on site, work activities completed, and checking against the cost loaded Contractor's schedule.
2.4	Review Change Order Requests	McMillen will review Contractor's change order requests to determine justification and backup. If determined justified and complete with backup, McMillen will review the change order with the City and provide a recommended course of action.
2.5	Management of Design Firm	Maintain communication and coordination of the construction work activities with the design firm to ensure effective and timely review of shop drawings, RFI's, and related design issues raised in the field.
2.6	Management and Interface with 3rd Party Inspection and Site Testing Services	Manage the scheduling and interface of the 3rd party inspection and site testing services to ensure the inspection and testing requirements are fully scheduled in advance, executed in accordance with the contract documents and standards, and documented.
2.7	Site Inspection	The McMillen site inspection team comprised of McMillen team members and local resources will be managed by the McMillen team to ensure daily inspection requirements are met, documentation is fully developed and submitted, and corrective actions are identified and implemented.
2.8	Management and provision for vendor shop inspection services	McMillen will identify and coordinate the required shop inspections with the City, office engineering team, the Design Team, and vendors to schedule and execute shop inspections including initial scheduling, selection of appropriate inspection personnel, setting up travel arrangements, and coordinating specific inspection elements to be reviewed, tested, and

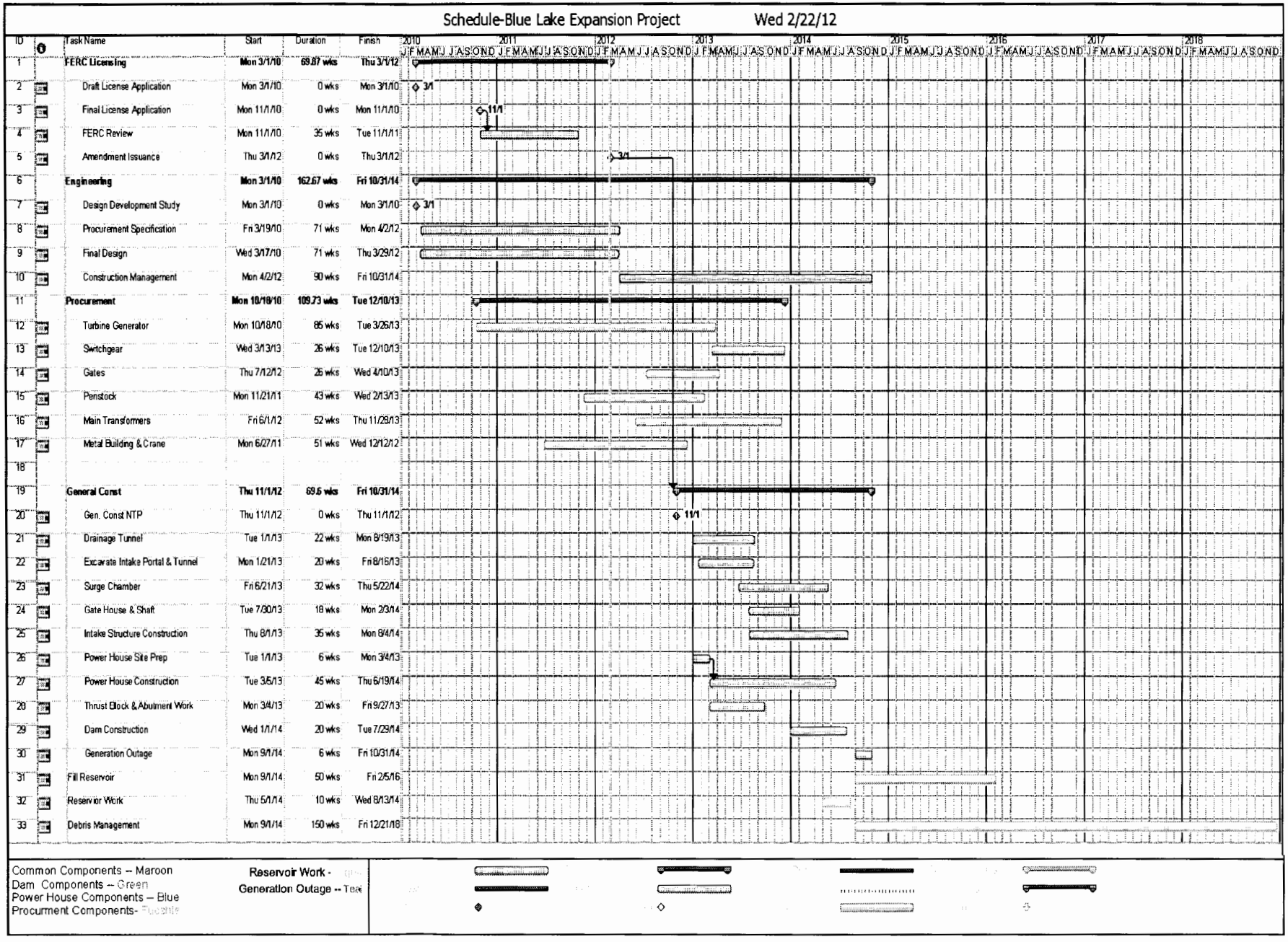
Table 4. Field Construction Services		
Task #	Description	Approach
		documented.
2.9	Respond to Request for Information (RFI's)	McMillen will coordinate the receipt and distribution of RFI's from the contractor to the appropriate personnel at the City, McMillen office engineering support, or the Design Team. The CM team will ensure all RFI's are addressed in a timely manner to maintain the overall project schedule.
2.10	Assistance with City-performed work and coordination with construction contractor(s)	We understand that the City will be self-performing some of the electrical work. McMillen will assist the City with scheduling their self-performed work with the general construction contract ensuring effective execution is achieved without impacting the Contractor's work efforts.
2.11	Coordination of Startup and Commissioning Activities	McMillen will coordinate the startup and commissioning activities between the Contractor, City, the Design Team, and McMillen support staff. The coordination will start with preparation of a detailed startup and commissioning plan prepared by the Contractor with support by McMillen staff. The plan will be closely coordinated with the City and the design engineer.

Schedule

A tentative schedule is attached as a general guideline indicating the sequence and expected time of completion of the project.

Table 5. Office Engineering Support Services		
Task #	Description	Approach
3.1	Shop Drawing and Submittal Review	On an as needed basis, review and respond to shop drawings and submittals. Coordinate with the Design Team to resolve any issues with contractor's submittals to ensure conformance with the contract documents and timely return of submittals. Post submittal replies to SharePoint and aid in managing the timeliness and completeness of submittals and submittal replies on the web site.
3.2	Respond to RFI's	Respond to RFI's as required. Coordinate with the Design Team to resolve design issues and respond in a timely manner to maintain the overall project schedule. Post RFI replies to SharePoint and manage the timeliness and completeness of RFIs on the web site.
3.3	Engineering Design Support	On an as needed basis, McMillen's engineering team will provide design support to the CM team and City. In general, we anticipate the engineering support will consist of assistance in resolving design issues associated with the changing site conditions, such as foundation conditions, resolution of design issues raised by the Contractor, or development of design details in a short time period to maintain the construction schedule. McMillen's office engineers will also work with the CM team to close out any questions or issues raised by the Contractor or City.
3.4	Vendor Shop Inspections	Attend shop inspections as requested for specialized equipment including gates, turbines, generators, etc.
3.5	Specialized Site Inspections	Travel to the site and conduct specialized inspections of the completed work effort to support the City and CM team as required.
3.6	Operation and Maintenance Manuals	Review and provide comments on the O&M manuals as required to ensure the completed manuals provide full documentation of the wide range of operation scenarios.
3.7	Startup and Commissioning	Key individuals including Jack Synder, Don Jarrett and Seung Kim will assist the City, Design Team, and CM team as required during the startup and commissioning of the new facility. This work effort will start with review of the proposed startup and commissioning plan followed by onsite assistance in executing the approved plan.

Appendix A1- Schedule



Appendix A2 – Budget Estimate

	Jack Snyder	Mort McMillen	Dick Linden	Don Jarrett	Boyd (civil)	Belan (struct)	Carson (mech)	Hevelcost (tunnel)	Crouthamel (tunnel)	Miller (tunnel)	Kim (elect)	Scott M (civil/estr)	Dutton (cost est)	Stickney (cost est)	Office Cad	Office Admin	Chandler (tunnel)	Fulton (geotech)	Kruse (concrete)	Dennison (ECM)	LAB	Robb (doc control)				
	$ 197	$ 160	$ 135	$ 194	$ 115	$ 115	$ 115	$ 225	$ 215	$ 250	$ 190	$ 160	$ 140	$ 120	$ 90	$ 65	$ 140	$ 110	$ 135	$ 90	$ 80	$ 80	Hours	Housing (5)	Phone	Office Exp	Travel	TOTAL
Review Bid Documents	16.00	16.00	40.00	40.00			40.00	24.00	24.00					24.00		4.00												
Attend Pre-Bid Site Visit			20.00	20.00			20.00	40.00								4.00											5000	
Respond to Bidders Questions			60.00	40.00	30.00	30.00	40.00	24.00				8.00				16.00												
Prepare Bid Addenda			8.00	12.00			24.00	24.00								16.00												
Evaluate Bid Packages			16.00	16.00				16.00					8.00	8.00		4.00												
Kickoff Meeting / Site Visit (4/11-4/13)	20.00	20.00	20.00	20.00				20.00	20.00																		8000	
On-Site Field Construction (Reference SOW)			5,000.00										80.00	80.00		120.00	4,800.00	4,800.00	4,800.00	3,649.00		4,222.00		108,000	24000	25000	20000	
Shop Drawing (300) and Submittal Review				150.00	100.00	100.00	150.00	80.00	24.00		140.00	60.00																
Respond to RFIs				120.00	100.00	100.00	160.00	40.00	24.00		120.00	40.00																
Engineering Design Support (Intake, Dam, PH)	80.00	80.00		240.00	80.00	100.00	240.00			40.00	120.00	80.00	24.00	40.00	120.00											15000		
Geotechnical Design Support																												
CCIP								32.00		8.00																		
Rock Slopes								80.00																				
Abutment Grouting Program								16.00	60.00																			
Intake Tunnel Portal Stability								32.00		16.00																		
Tunnel Lining Evaluation								16.00																				
PH Foundation Stability								24.00		16.00																		
Value Engineering	32.00	32.00			40.00	40.00	40.00	60.00				40.00		40.00														
Vendor Shop Inspections				96.00							96.00																5000	
Specialized Site Inspections (Intake, Dam, PH)				128.00							128.00																20000	
Geotechnical Specialized Inspections																												
Initial Job Site Tour								32.00																				
Drainage Tunnel								80.00																				
Grouting									40.00																			
Abutment Rock Support								32.00																				
Power Tunnel								32.00																				
Portal/Shaft								32.00																				
O&M Manuals				40.00			40.00				40.00																	
Startup and Commissioning	80.00			80.00							80.00																20000	

1) Assumes Dick full time 24 months
2) Addtl time added Jack / Mort

1) 200 general / construction shop drwgs and 100 specialized expt at average of 3 hrs avg / submittal
2) 500 RFIs at an average of 1 hr / RFI
3) Design support assumed based on each discipline. Assumed level of effort.
4) Vendor shop inspections 4 per mechanical equipment and 2 for electrical. Each visit assumed to require 24 hours.
5) Specialized site inspections assumed at 4 for mechanical, 4 electrical, and 4 for tunnel. Each inspection 32 hours each. Geotech as indicated.
6) Hours to review the O&M Manuals were assumed at 40 hours for each discipline.
7) Startup / Commissioning assumed 80 hours for Jack and Don and Seung.
The hours reflect support only and not executing. McMillen staff can provide additional effort if requested.
8) Assumed specialized inspection for coatings, welding, blasting, and similar items would be provided through independent testing contractor.

1)
2)
3)

1) Dick Linden and Don Jarrett Travel

Field Office:
1) Housing - ~$1000 mth per person 3 @ 20 mth; 2 @ 24 mth)
2) Office Phone / Cell Phone $200 mth per person (24 months)
3) Truck (4) Provided by City
4) Gator (4) Provided by City
5) 10 Trips Per Year (5 people - 20 total trips)

Home Office:
1) Vendor Shop inspections (4 trips at 24 hours trip for mechanical / electrical)
2) Specialized Inspections (16 trips at 32 hours trip for mechanical / electrical)
3) Startup (1 trip for 4 people - rental car, airfare, lodging, meals)

A Appendix B - Compensation

Compensation

Compensation will be based on actual hours worked, expenses and the cost of third party services.

1) Hourly rates will be in accordance with Contractor's standard classifications, which include all overhead and profit, as set out in Table 1. Table 1 shows the rate structure for 2012, which is expressed in US dollars. Rates will be adjusted upward 3% in 2013 and 2014.
2) Overtime will be billed at straight time rate.
3) External expenses (travel, meals, etc.) billed at cost.
4) Per Diem for staff billed without markup.
5) Rental Housing billed at cost.
6) Rental Vehicles Billed at cost.
7) Subconsultants' and subcontractors' invoices will be marked up 5%.
8) Compensation shall not be paid for developing Proposals and negotiating Change Orders.

Contractor's Project Team

The following Contractor's Project Team and billing rates will be assigned to the Blue Lake Hydroelectric Expansion Project. Any variation in this team must be approved in writing by the CBS prior to making the change.

1.3.4 Billing Rates & Per Diem Rates (2012 rates)

Key Personnel Billing Rates		
Key Personnel Billing Rates	**Role**	**Billing Rate**
Technical Oversight/Resident Engineer/Senior Engineer		
Jack Snyder, PE (MCM)	Senior Technical Oversight	$197.00
Mort McMillen, PE (MCM)	Senior Technical Oversight	$160.00
Richard Linden, PE (MCM)	Resident Engineer (RPR)	$135.00
Don Jarret, PE (MCM)	Senior Engineer	$184.00
Home Office Engineering		
Chris Boyd, PE (MCM)	Structural /Civil Engineer	$115.00
Scott Mahnken (EES)	Structural/Civil Engineer	$180.00
Murali Balan, PE (MCM)	Structural Engineer	$115.00
Joe Carson, PE (MCM)	Mechanical Engineer	$115.00
Mark Havekost, PE (JA)	Geotechnical Engineer/Tunnels	$225.00
Gerry Millar, LEG (JA)	Geotechnical Engineer/Geologist	$250.00
Seung Kim, PE (EESC)	Senior Electrical Engineer	$180.00

John Bakken, PE (EESC)	Electrical Engineer	$180.00
Dan Stickney (MCM)	Cost Estimator (Structural/Civil)	$120.00
Paul Dutton (JA)	Cost Estimator (Underground)	$140.00
Office Drafting	Sr. CADD	$90.00
Office Administration	Word Processor / Accounting	$65.00
Field Office/Inspection Staff		
Phillip Chandler, PE (JA)	Lead Tunnel Engineer	$140.00
Omar Fulton, PE (MCM)	Tunnel/Geotechnical Inspector	$110.00
Steve Kruse, PE (MCM)	Lead Concrete Inspector	$135.00
Tucker Robb (MCM)	Document Control	$90.00
Brad Dennison (Local/MCM)	Environmental Compliance	TBD

Per Diem

Per Diem for meals and incidental expenses will be paid at a rate of $61 per day for non local field office personnel assigned to the project intermittently. Per Diem will not be paid for non-local field office/inspection staff and the RPR assigned to the project for more than 1 month.

Housing

Non local full time Field Office/ Inspection Staff and the RPR will stay in rented apartments or housing.

Appendix C - Communication

Designated Contacts

All communication regarding technical issues must include Project Manager Dean Orbison for CBS and Morton McMillen for the Contractor.

Communication Organization

Communications between the Contractor and the CBS shall follow a formal communications plan, developed by the Contractor and approved by the CBS.

All communications regarding scope, schedule or budget shall be directed to the CBS's Project Manager. All communications requesting agreement or confirmation of technical decisions or conclusions shall be directed to the CBS's Project Manager.

Communications directly between the Contractor and CBS staff or the CBS's individual consultants may take place, provided that all such communications are copied to by e-mail or memorialized in written documents to the CBS's Project Manager.

Work Product Review

All submittals by construction contractors and material suppliers for the Project, submitted as Shop Drawings, RFIs, pay requests, claims and other submittals shall be reviewed by Contractor and a response issued within ten (10) days of receipt of the submittal.

All work product of the Contractor shall be reviewed by Contractor's project manager or senior staff for accuracy and consistency with good engineering practice and consistency with the Project requirements.

Submittals and Work Products shall be posted on the Share Point web site. Contractor shall strictly adhere to the web site naming, posting and organizational requirements.

CBS may require three (3) paper copies of specified submittals in additional to the required electronic documents.

Reporting

The Contractor shall prepare a monthly report on McMillen's activities. The report shall be sent to the CBS before or within 5 days of the end of each month. The report must:

1) Be less than 30 pages.
2) Summarize the progress and status of each facet of the tasks in progress, including a short summary of work by each task team.
3) Summarize the percent complete of each facet of the tasks in progress.
4) Summarize staff-hours expended in comparisons to milestones.
5) Summarize major decisions made by the CBS that will bear on the project outcome.
6) Summarize major decisions made by the Contractor that will bear on the project outcome.
7) Summarize the issues that require a resolution by others.
8) Summarize progress anticipated during the following month.
9) Define critical discrepancies or issues that may impact overall project, if any.
10) Define alternative processes or methodologies to improve the overall project, if any
11) Summarize progress anticipated during the following month.

Invoicing

A monthly invoice shall accompany each monthly report. The monthly invoice shall contain a labor billing table listing the following:

Name (employee)
Role
Hours worked
Billing Rate
Task and project feature where work was performed
Total billing for each employee

Total Labor bill by Task

Total Labor bill

Detailed summary of expenses

Supporting documentation of expenses

Communication Environment

Document Control will be done using Share Point. Contractor shall maintain electronic files of all work products in the native format (autoCAD, MS Word, MS Excel, etc) for all documents posted or delivered in pdf format.

Appendix D - Work Product

Work Product/Deliverables

Work Product or deliverables and milestones are defined in the scope of work

Work Product or Deliverables will take the following forms:

Construction Management

Task 1 Bid Period Services (Table 3)
Task 2 Field Construction Services (Table 4)
Task 3 Office Engineering Support Services (Table 5)

Engineering of Geotechnical Features

Drawings

1. Each drawing must be submitted in a standard format containing the following:
   a. Consistent Title block
   b. Dated with appropriate drawing & revision no.
   c. Sized 22"x 34" to be half scale at 11"x17"
   d. Scale Bar
   e. Scale in feet or feet and inches
   f. pdf, color
   g. ACAD 2008 in model and layout space, with appropriate ctb files on disk.
2. Final drawings must be stamped by a Professional Engineer registered in the State of Alaska in pdf format.
3. Review drawings must be submitted in ACAD and pdf format ready to print
4. Additional requirements for CAD drawing format and archiving may be provided by the CBS as the work progresses.

Drawings and contract documents issued for construction shall be stamped by the appropriate professional engineers, licensed in Alaska.

Added Value Engineering

CBS may request the Contractor to perform Added Value Engineering. Added Value Engineering will be defined during the progress of work and performed under this contract as a change order.

Use of Work Products or Deliverables

CBS retains the right to use all Work Products or Deliverables paid for by the CBS to continue the development and construction of the Blue Lake Expansion Project. The Work Products or Deliverables may be released to third parties to continue the work if necessary.

Appendix E - Responsibilities of the CBS

Responsibilities of the CBS

CBS may augment municipal staff with the assistance of Paul Carson of Currents Consulting, Tal Honadel of TS&H Automation Services, Bob Dryden of Dryden Engineering, Matt Bezanson and Mike Frantz of MF Solutions. CBS will retain the services of Mike Prewitt to amend the FERC license. CBS will retain Hatch to perform engineering services as required by the Contractor or Owner. Other consultants including a Board of Consultants will be employed as needed. The Contractor shall coordinate with the work of the CBS and all the CBS's contractors/consultants, including those mentioned here.

CBS will be responsible for acquiring financing for the Project, paying contractors and suppliers, modifying the public water system, integrating the SCADA system and interface with the existing electric system, and paying the Contractor promptly upon acceptance of each request for payment in accordance with the Agreement at Section 9.

It should be emphasized that this Project is dependent upon grant monies and other funding, and approvals that need to be secured from federal, state and local officials, including the CBS Assembly. Therefore, CBS may need to terminate or suspend this Agreement at any time due to problems with financing or governmental approvals.

Appendix F – CBS' Blue Lake Hydroelectric Project Expansion Request for Proposal Construction Management Services issued January 18, 2012 (RFP)

Appendix G – Contractor's response to CBS' RFP dated February 9, 2012

Appendix H – Subsequent correspondence between CBS and Contractor

1. CBS request for clarification dated February 24, 2012
2. Contractor's response to request for clarifications dated March 1, 2012
3. Meeting minutes from meeting conducted in Seattle March 1, 2012
4. Contractor's revised proposal dated March 16, 2012
5. Contractor's revised proposal dated March 22, 2012
6. Contractor's revised estimate dated April 2, 2012