

## KCB RESPONSES TO MIPUG INFORMATION REQUESTS

**MIPUG (MGF) -1** No KCB response needed

### MIPUG (MGF) – 2

e) KCB has been involved in drafting many contracts for hydro projects, including three design build contracts for Columbia Power Projects and multiple contracts for the Site C project currently in construction. KCB has worked for Owners and Contractors on hydro projects.

f) KCB was surprised to see that the GCC contractor was not paid based on progress as measured on a regular basis (typically monthly).

g) KCB's comments on the GCC contract are in its report included as Appendix B.

h) KCB has no knowledge of what Manitoba Hydro and its Board of Directors knew or did not know with respect to the contract risk. We can only assume all parties, including the engineer, MH (including their legal advisors) and the GCC discussed and negotiated the contract with reasonable understanding of the risks.

i) KCB did not find any indication that MH acted imprudently in execution and supervision. The question is "having signed the contract..." and it appears, from the information provided to us and within the scope of our review, that MH executed the contract they had. KCB's scope of review did not include supervision of the Contractor.

j) Refer to answers in the IR replies to MH and the Coalition/IEC IR's.

### MIPUG (MGF) – 3

b) Page 34 of the KCB report discusses the disconnect between measurement of quantities with respect to target price determination and actual cost which is the payment basis. As noted on page 34, the actual cost definition does not refer to construction progress measurement.

c) KCB was the design engineer for a contract of \$150M order of magnitude for the rehabilitation of a hydro project in Washington State. That contract had a guaranteed maximum price (essentially the target price) with payment based on measured quantities achieved, incentives and other adjustment clauses. KCB did not provide the construction management, only some technical support. KCB was also the Owner's Engineer on three Design-Build contracts for Columbia Power Corporation. Those contracts were essentially fixed price contracts with incentives and other adjustments.

d) Primary payment for the GCC is not based on measurement of work done in a specific period.

e) Productivity may not have changed but costs would have been significantly different. Presumably if the contractor was losing money he would have incentive to increase productivity as the first action.

**MIPUG (MGF) – 4** No KCB response needed.