



Section:	Various	Page No.:	
Topic:	MGF Report - General		
Subtopic:			
Issue:			

PREAMBLE TO IR (IF ANY):

The evidence of MGF indicates, in the “Disclaimer” that the report “...has been completed in accordance with generally accepted professional practice using information solely and exclusively provided by The Manitoba Public Utilities Board, their independent consultants, Manitoba Hydro and information in the public domain.”

QUESTION:

- (a) Please describe “generally accepted professional practice” as it relates to the scope of work. Is “capital expenditure review” a standard product in accordance with MGF’s professional practice? Please provide a detailed description of that professional practice of “capital expenditure review”, and how this report is produced in accordance with that standard? Please provide separate and complete answers for each of MGF, KCB, Amplitude and Stanley.

- (b) The report does not provide a section related to any statement of limitations that would normally be understood to provide necessary contextual background and information as to the circumstances as to which it should be read, nor information about the standard of care applied. Please provide the consultants position on the limitations related to reviewing the report, related to any incomplete, constrained or inferred information including sufficiency of time and resources to complete the scope of work, incomplete document disclosure and/or sufficiency of materials provided, availability of Manitoba Hydro or other personnel for required interviews or fact checking, cooperation of the parties contacted, IT issues experienced (e.g., such as those referenced by Amplitude Consultants at page 4 of Appendix B) or any other factor influencing the completeness and accuracy of the report. Please provide separate and complete answers for each of MGF, KCB, Amplitude and Stanley.
- (c) Can MGF indicate what standard of precision or accuracy can be expected to apply to project cost estimates and projections of cost or schedule in the report provided?
- (d) Please provide a description of what is meant by the Board’s “independent consultants” and what information MGF sought to obtain and/or actually obtained from these consultants. Please also indicate the degree to which this information was verified by Manitoba Hydro and/or the PUB’s staff.
- (e) Did MGF receive information directly or indirectly from the project contractors, third party project engineers, Boston Consulting, or others engaged on the project? If so, please describe the scope and scale of the information received.
- (f) Please indicate the process for engagement with Manitoba Hydro with respect to review, comment and fact-checking of the final report. Were all sections shared in draft form with Hydro for review? Was Hydro given time to provide comments and fact-checking on each section? Were the comments and fact-checking received from Hydro reviewed by MGF on all sections before finalizing? If not please indicate the sections where complete comments and fact-checking opportunities were not provided.

RESPONSE:

- (a) The scope has been performed in accordance with recognized industry standards.
- (b) The report is based on information provided by Manitoba Hydro, the Manitoba Public Utilities Board and that available in the public domain.
- (c) Projections are order of magnitude.
- (d) The intent of this question is unclear.
- (e) Information was provided either from the MPUB or Manitoba Hydro and meetings with BBE and Hatch Engineering.
- (f) The process followed is similar to most project review or assurance processes involving review of documents, meeting with project personnel, visiting the work site, etc.

RATIONALE FOR REFUSAL TO FULLY ANSWER THE QUESTION:



Section:	General	Page No.:	
Topic:	Prudence		
Subtopic:			
Issue:			

PREAMBLE TO IR (IF ANY):

The MGF Report notes that the General Civil Contract (GCC) and its performance is the largest single contributor to planned cost and schedule not being met.

Klohn Crippen also raises concerns regarding the contracting approach and its “one-sided” nature.

QUESTION:

- (a) Please provide MGF’s view as to whether the GCC contracting approach followed by Manitoba Hydro was prudent.
- (b) Please provide MGF’s view as to the actual GCC contract, as negotiated by Hydro, was prudent.
- (c) Please provide MGF’s view as to whether Hydro, and its Board of Directors, were fully and properly aware and apprised of the risks and one-sided nature of the GCC contract.
- (d) Please provide MGF’s view as to whether, having signed the GCC contract as structured, Hydro acted prudently in the execution of the contract and supervision of the contractor. If available, please provide specific references to the report where this view is supported by facts uncovered during the review.

- (e) Please provide a description of MGF's specific expertise in drafting, negotiating, or being responsible for delivering upon GCC contracts for major hydro or other major utility projects. Please ensure to provide references relevant to the project team members engaged on this assignment.
- (f) Please provide KCB's view as to whether the GCC contracting approach followed by Manitoba Hydro was prudent.
- (g) Please provide KCB's view as to the actual GCC contract, as negotiated by Hydro, was prudent.
- (h) Please provide KCB's view as to whether Hydro, and its Board of Directors, were fully and properly aware and apprised of the risks and one-sided nature of the GCC contract.
- (i) Please provide KCB's view as to whether, having signed the GCC contract as structured, Hydro acted prudently in the execution of the contract and supervision of the contractor. If available, please provide specific references to the report where this view is supported by facts uncovered during the review.
- (j) Please provide a description of KCB's specific expertise in drafting, negotiating, or being responsible for delivering upon GCC contracts for major hydro or other major utility projects. Please ensure to provide references relevant to the project team members engaged on this assignment.

RESPONSE:

- (a) MGF does not favour a cost reimbursable approach to this type of project.
- (b) The GCC is based on a FIDIC form of contract and is typical of a cost reimbursable pricing mechanism with a target price.
- (c) MGF is unable to provide an opinion on this.
- (d) MH is not the cause of BBE's performance but it can do more in relation to its style of project management and contract management to assist BBE to improve.
- (e) Please refer to Manitoba's Hydro's information request, reference MH/MGF I-1, sub-section c.



- (f) Please review KCB's Responses.
- (g) Please review KCB's Responses.
- (h) Please review KCB's Responses.
- (i) Please review KCB's Responses.
- (j) Please review KCB's Responses.

RATIONALE FOR REFUSAL TO FULLY ANSWER THE QUESTION:



Section:	Executive Summary	Page No.:	
Topic:	GCC		
Subtopic:			
Issue:			

PREAMBLE TO IR (IF ANY):

The Executive Summary notes that “The General Civil Contract (GCC) and its performance is the largest single contributor to planned cost and schedule not being met.”

QUESTION:

- (a) Please clarify if the above statement is in reference to the GCC contract itself and its performance (e.g., the document, the resulting contractual relationships between the parties, etc.) or the GCC contractor (e.g., the competence and professionalism of the firms and/or individuals performing the work).
- (b) KCB notes at page 35 – “in summary, we have never seen a large construction contract where payment was not related to actual performance of the construction work as measured in some manner”. Please elaborate on the “...as measured in some manner” – in what way does this GCC contract compensate without measurement?
- (c) Please describe KCB’s experience with negotiating or participating on projects with target-price contracts. Please specifically indicate the size of the projects utilizing these contracts.
- (d) In reference to (c) above, in what specific way is the Keeyask GCC contract different than a typical target price contract, which shares risks between the contractor and the client.

- (e) Is it KCB's contention that if the GCC contract were structured as a unit rate contract, that the contractor would have had higher performance on productivity and/or schedule than has been experienced? Or would the low productivity experienced simply have led to significant losses for the GCC contractor?

RESPONSE:

- (a) It is a function of the risk allocation in the contract, the cost reimbursable pricing mechanism and the performance of BBE.
- (b) Please review KCB's Responses.
- (c) Please review KCB's Responses.
- (d) Please review KCB's Responses.
- (e) Please review KCB's Responses.

RATIONALE FOR REFUSAL TO FULLY ANSWER THE QUESTION:

Section:		Page No.:	
Topic:	Cost estimate		
Subtopic:			
Issue:			

PREAMBLE TO IR (IF ANY):

QUESTION:

- (a) Per page 64, please confirm that MGF’s contention is that the \$9.5 billion to \$10.5 billion range encompasses 2 scenarios – one where Manitoba Hydro “addresses the current issues” which will lead to a cost estimate of \$9.5 billion, and one where Hydro is “keeping the status quo” in which case the cost estimate is \$10.5 billion?
- (b) If the answer to the previous question is no, please provide 2 cost estimates, one for the scenario where Hydro addresses the “current issues” and one where it does not, along with appropriate cost ranges.
- (c) Does the MGF response to addressing the “current issues” mean negotiating a change to the target price model of contract with the GCC, or simply enforcing the GCC to perform their actions in a different manner?

RESPONSE:

- (a) Refer to page 64 paragraph 1 of our report.
- (b) Please refer to (a) above.



(c) Please refer to MGF Responses to PUB Information Requests, dated 5th January 2018, section PUB/MGF – 14, subsection c)

RATIONALE FOR REFUSAL TO FULLY ANSWER THE QUESTION: