

From: [Bill Lugo](#)
To: [Jeff Canon](#); [David Whisenhunt](#); [Joaquin Mavares](#)
Cc: [Brett Bettinger](#)
Subject: Negotiation Meeting with Consorcio Megavatio - Notes - Power Station CVG A & B
Date: Thursday, April 15, 2010 11:14:38 PM
Attachments: [CASM SIDOR 24 horas 2 turnos.xlsx](#)
[Consortio Proposal - CVG A.pdf](#)
[Site A Unit Foundations Comparison \(2\).xls](#)

All,

Here are my notes for the negotiation meeting that we had with members of the Consorcio Megavatio (CM):

Consorcio Megavatio

Franco Biocchi (Dell'Acqua, C.A.), Pascual Perazzo (Dell'Acqua), Mauricio Bellizzi (Ediperca), and an Epiderca support staff.

ProEnergy Services

Brett Bettinger, and Bill Lugo

Purpose:

The main purpose of the meeting was to review the latest CM's Quote of \$7,083,222.00 (original quote \$4,673,059.00) for two LM6000 and one 7EA foundation.

Notes:

1. ProEnergy Services started indicating that the overall intent of the meeting was to negotiate CM's quote that in ProEnergy's opinion was high.
2. CM stated that they were not interested neither on the electrical nor the mechanical work, and that they were only interested in the civil work.
3. Other various items were discussed, the first one was the 44% in administration and profits (20% each) included in CM's quote. ProEnergy suggested a lower percentage, more along the line of 10% plus 10% (or percentages more reasonable than 20% plus 20%). CM indicated that among other things, they had various good and well paid superintendents assigned to the sites and that they could provide a complete break-down of these costs for us to review. We did not see any signs of CM wanting to negotiate these costs (or to lower their 44% Administration and Profits Costs).
4. We discussed the burden social factor (or Factor Carga Social Local – FCSL) of 1,111% included in CM's quote. We indicated that we have been checking with other contractors that have worked for SIDOR (within SIDOR facilities just like CM was doing) and that we have found FCLS costs from 380% to 563% (for two 12 hour shifts), and that 1,111% was considered too high. These FCSL percentages (380% and 563%) were from recent quotes requested from Electrical and Mechanical contractors that typically do work for SIDOR (under very similar terms). CM was not willing to negotiate this either; CM insisted that we review their supported documentation, line by line. We told them that their table supporting the 1,111% had too many factors and variables and that could not be easily

reviewed. They kept saying that the 1,111% was based on actual costs for two 12 hour shifts. They informed that they will present the support for the 1,111% to us tomorrow with a different and simpler format, so it could be easier understood (CM did not offer any reduction of this cost).

5. We also discussed efficiency on the labor for the concrete, CM had an efficiency of 18 m3/day that for us seemed low, this implies that the foundation work would last about 46 days and we know that the LM 6000 were completed in less time.. we suggested increasing this efficiency. CM was not interested in negotiating this parameter either.
6. When we felt that the negotiation had stall, we went ahead and shared with CM our budget for these foundations, see "site A Unit Foundation Comparison" file attached. CM's first reaction was that they understood what our budget was, but that they should be paid for what they had spent so far (they kept the copy of our comparison though).
7. ProEnergy handed CM a check for 4 million Bolivars as part of the payment for the work that they had done so far as previously promised.
8. ProEnergy also stated that we were happy with the work that CM was doing, but that we could not effort these high prices. And that if we were to accept the proposed costs, we would go over our budget for more than 100% reason for which we needed to negotiate these prices. CM informed us that if we were not willing to pay their price they would walk from the job. They also said that they would give us few days to look for a civil contractor to replace them before leaving.

This was a very stressful meeting and I can say we tried our best. We would have liked to keep CM as our civil contractor, but the fact of the matter is that CM prices are too high and we are in this business to make money. In the event that CM leaves the site, this, without a doubt, would add a delay to the project. We'll try our best to get a civil, electrical and mechanical under contract by next week.

Also, this weekend is a long weekend in Venezuela, since next Monday is a holiday. We have not talked to CM yet, but we suspect that they would not want to work this weekend.

If any questions, please let me know.

Brett,

Please feel free to add any comments as you see it fits.

Regards,
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