

**From:** [Bill Lugo](#)  
**To:** [Brett Bettinger](#); [Jeff Canon](#); [David Whisenhunt](#); [Craig Dewees](#); [Joaquin Mavares](#)  
**Subject:** RE: Status of Consorcio Megavatio Contract Negotiation - Power Station CVG A  
**Date:** Monday, April 26, 2010 7:43:29 AM  
**Attachments:** [Summary Contract Bids - CVG PRELIMINARY.pdf](#)

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All,

Here is a “preliminary” copy of the summary table that we are working on (one for each 12 hour shift - weekdays, weekend days & holidays), see attached file. We are in the process of meeting with the contractors to clarify, request and/or review information to be able to compare (“apples to apples”) and to negotiate better rates; some of the contractors did not clearly indicate social costs as well as other costs needed to effectively negotiate labor rates. We plan on including additional parameters to the tables for comparison.

Coinserma, the civil contractor, provided labor rates, but they are missing info such as social costs, etc.

We have the mechanical contractor, ISI, working this week with a “one week PO” to keep the project moving while we complete final negotiations on pricing. We need to have the electrical contractor start next week. CM is doing the duct bank work now (Site A), and will be working on the conduits associated with foundation 7EA (Site B).

Again, the attached electronic file is preliminary and it is for info only. It will change as negotiations and clarifications progresses. We'll keep you posted..

Please let me know, if any questions, suggestions or concerns,

Regards,  
Bill Lugo  
*Project Manager*  
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**From:** Bill Lugo  
**Sent:** Monday, April 26, 2010 5:51 AM  
**To:** Brett Bettinger; Jeff Canon; David Whisenhunt; Craig Dewees; Joaquin Mavares  
**Subject:** RE: Status of Consorcio Megavatio Contract Negotiation - Power Station CVG A

Brett,

Yes .. we got one quote from Coinserma; however, the other civil contractor (Consorcio Convica Jacuvenca) called and advised that they would provide one today. I'm planning on issuing a comparison Coinserma and Consorcio Megavatio within two – three hours.. I am working on it, but the comparison will be on labor rates (social factor, etc.). An alternative could be to use CM only for the main and critical foundations and let the other (Coinserma and/or Consorcio Convica Jacuvenca) do the rest. The Consorcio Megavatio is asking for a final answer on their pricing by tomorrow.

We need to resolve this they (CM) have not been as aggressive the last couple of weeks. They have definitely slowed down, especially with the 7EA – Site A.

Any additional comments are more than welcome..

Regards,  
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**From:** Brett Bettinger  
**Sent:** Monday, April 26, 2010 5:08 AM  
**To:** Bill Lugo; Jeff Canon; David Whisenhunt; Craig Dewees; Joaquin Mavares  
**Subject:** RE: Status of Consorcio Megavatio Contract Negotiation - Power Station CVG A

Bill, this is a great review of CM's cost. Were we able to obtain pricing from the other two potential contractors that we discussed this past week?

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**From:** Bill Lugo  
**Sent:** Monday, April 26, 2010 12:23 AM  
**To:** Jeff Canon; Brett Bettinger; David Whisenhunt; Craig Dewees; Joaquin Mavares  
**Subject:** Status of Consorcio Megavatio Contract Negotiation - Power Station CVG A  
**Importance:** High

All,

Last Wednesday April 21, 2010, we had a short meeting with the Consorcio Megavatio (CM) (Pascual Perazzo - Dell'Acqua, and Mauricio Bellizzi -Ediperca). Iker Candina happened to walk in during the meeting.

CM revised their previous quote for the 2xLM6000 and 1x7EA foundations, quote dated April 21, 2010. The new quote, second revision, was for Bs 5,234,897.62 (their original quote was Bs 4,673,059.00 and their first revision was Bs 7,083,222.00). Below is a summary table that shows where we are at this point. Note that the costs for rebar and concrete have been included for comparison purposes (information that we did not have previously). According to SIDOR the cost of concrete and rebar was approximately Bs 1,014,266.00 for the referenced foundations.

Exchange Rate 6.75 Bs/\$

Description	Budget in US Dollars	CM Quote	CM Quote plus concrete and rebar costs	Diff w/ Budget
Budget	\$ 716,829	Bs 4,838,595.75	Bs 4,838,595.75	0%
Original CM Quote	\$ -	Bs 4,673,059.00	Bs 5,687,325.00	17.54%
CM Quote – First Revision	\$ -	Bs 7,083,222.56	Bs 8,097,488.56	67.35%
CM Quote – Second Revision	\$ -	Bs 5,234,897.62	Bs 6,249,163.62	29.15%

CM lowered their 44% in administration and profits (20% each) to 32 % (or 10% and 20 %). CM also lowered the burden social factor (or Factor Carga Social Local – FC SL) from 1,111% to 843% for two 12 hour shift. It is still high, but we don't think they will lower it any more. CM did not want to change the efficiency on the labor for the concrete. CM had an efficiency of 18 m3/day that we consider too low.

We think that the revised quote is still high, but we don't think we can lower it much more, if any. This quote includes a cost per cubic meter of Bs 6,129.56 (or \$908 per cubic meter at 6.75 Bs/\$ - labor only). We'll try pushing some more this next Tuesday when we meet with CM again.

With an exchange rate of 6.5 B/\$ the budget differential is 34%, for 6.75 Bs/\$ is 29% and for 7.00 Bs/\$ is 24%.

The main reason why we have been strongly negotiating this CM quote is because CM wants to use the prices negotiated in this quote as the bases for all the other work that they are doing for ProEnergy in Site A and Site B; for example they want to use the unit price for cubic meter of Bs 6,129 per M3 (or \$832 per cu-yard including rebar and concrete – at 6.75 Bs/\$, 30% over our budge). Please see the attached XLS file for a more detailed comparison of this quote vs. our budget (the file has three spread sheets with details).

If we were to keep CM as a civil contractor only, and I think that is what we want, since CM's been doing an excellent job with the civil work, here is a table that provides an estimated impact on the costs for the two CVG sites A & B with the latest CM quote.

Description	Estimated yd3	Estimated price per yd3 if we use the price proposed by CM and costs from SIDOR	Estimated cost if CM unit price is used	Current Budget Price includes concrete and re-bar (Bs)	Current Budget Price includes concrete and re-bar (US Dollars)	Budget Diff 30%
<b>Total Estimated cost foundations Site A and Site B</b>	10,317	-----	Bs 57,988,451	Bs 45,272,250	\$ 6,707,000	\$ 2,012,100

I was not involved during the budgeting process for these two projects, so I don't have all the insights on contingencies, etc. ; we may also be able to lower our costs in some other areas, so please let me know your comments and suggestions.

Also we are in the process of negotiating with electrical and mechanical contractors for Site A & B, we'll provide the tabulated tables once the negotiations are complete, hopefully by next Tuesday. We had our first negotiation meeting with ISI (mechanical contractor) today; and we have scheduled a meeting with Servicios Industriales Alvarez (electrical contractor) for tomorrow. We have their quotes but we are negotiating % of profits and administrations, social factors for labor costs, etc.

Thanks  
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