

**CONTRACTING PLAN**

**Portage Mountain Quarry Development and Operation**

**RFx No.: N/A – Direct Award**

**CR No. 595755**

**Date: July 5, 2016**

**1. PURPOSE**

The purpose of this Contracting Plan is to obtain early internal stakeholder support and approval (at a summary level) for Infrastructure Projects Supply Chain to commence direct award negotiations with [REDACTED], for the [REDACTED]. The contract value will count towards the aggregate award amount of directed procurement under the IBA agreement between BC Hydro and [REDACTED].

**2. PROJECT DESCRIPTION**

BC Hydro (Site C) requires an economical source of riprap material for construction of the Highway 29 realignment sections and Hudson's Hope Shoreline Protection Berm.

The Portage Mountain Quarry Development and Operation contract would include development of the quarry, a trial blast program and production and loading of riprap materials.

BC Hydro intends to structure the contract as a design-build-operate. The contractor will be responsible for engineering, design, construction, environmental protection, quality control, quality assurance, and other functions as required, to deliver the works identified in the contract. The contract will not include closure of the quarry at the of quarry operations, as MoTI has expressed an interest in assuming responsibility for the quarry once operations for Site C are complete. The term of the contract would be from 2016 to 2021.

**3. CONTRACT REQUIREMENTS**

**3.1 Scope of Work**

The Scope of Work will include:

- o Quarry development including design and construction of internal haul roads
- o Design and implementation of a trial blast program, which will consist of at least 3 blasts to determine yield; it will take approximately 1 month for the test blast report to be completed
- o Blasting is only permitted from May 15 – September 15, due to environmental requirements (bat hibernacula).
- o Production of approximately 200,000 m<sup>3</sup> of riprap material for construction on Highway 29 and Hudson's Hope Berm
- o Loading of riprap material
- o Supply of all equipment necessary for quarry development, testing, production, sorting, stockpiling and loading of riprap material
- o Design of internal haul roads to meet BC Energy and Mines' standards
- o Trial blast and production blast plans by a registered professional
- o Submission of EPP, SSSMP prior to commencement of in quarry activities
- o Submission of a quarry development plan including site remediation

BC Hydro has obtained a Crown Land licence of occupation permit, as well as an occupant licence to cut which provides permission to undertake the trial blast program. BC Hydro will apply for a permit to continue the operation of the site as a quarry.

**3.2 Financial**

|                              |               |
|------------------------------|---------------|
| EAR Value (Expected Amount): | \$8.335B      |
| Approved on:                 | December 2014 |

This contract package is being funded from the following work packages:

| Component            | Charge Code       | % of Total Aggregate from Portage | Re-allocation \$ Value to Portage |
|----------------------|-------------------|-----------------------------------|-----------------------------------|
| Hwy 29 Cache Creek   | YM80004-5578-N002 | 10.0                              | [REDACTED]                        |
| Hwy 29 Halfway River | YM80004-5175-N003 | 22.5                              |                                   |
| Hwy 29 Farrell Creek | YM80004-8624-N006 | 5.0                               |                                   |
| Hwy 29 Dry Creek     | YM80004-8604-N005 | 1.1                               |                                   |
| Hwy 29 Lynx Creek    | YM80004-8200-N004 | 32.6                              |                                   |
| Hudson's Hope Berm   | YM80004-3318-A009 | 28.8                              |                                   |
| Totals               |                   |                                   |                                   |

Sufficient funds were not available within the project to cover this contract package. A draw of [REDACTED] from Project Contingency has been made to fund this work, per Change Notice #35. An allocation has been approved by the Board for February 2016, but had not been delegated to the Project team.

|                    |            |
|--------------------|------------|
| Contract Estimate: | [REDACTED] |
| Contingency:       |            |
| Total CR amount:   |            |

The Contract Estimate was provided by [REDACTED] and is based on the following:

- A yield of 35% (although there are three options for the yield 35% was used to determine the estimate) – if the yield was less the bottom line cost would go up.
- The construction of internal roads; the plan would be to include the design and construction of the haul road as a lump sum item.
- Scope includes mobilization, construction of haul road and stockpile area, trial blast, production, sort and stockpile, and loading of riprap for other contractors.
- Production quantities reflect definition design volumes for Highway 29 and Hudson's Hope berm which may vary as design for each segment advances.

The Contract Requisition (CR) will be raised in PassPort, based on the recent engineering cost estimate.

The 20% contingency is to address the fact that the yield for the quarry is unknown. Upon acceptance, this Contracting Plan will be attached to the CR and the CR will require approval in accordance with BC Hydro's Financial Authority Approval Policy ("FAAP").

#### 4. MARKET SOUNDING

- This contract is intended as a direct award to [REDACTED] No market sounding has been conducted.
- [REDACTED] has experience working in coal operations and in hard rock mineral extraction, and has a Memorandum of Understanding with [REDACTED]
- [REDACTED]

#### 5. CONTRACT PLAN

##### 5.1 Sourcing Mechanism

- This contract is intended to be unit price, because the quantities will be developed as part of the design for Hudson's Hope Berm and the Highway 29 segments (i.e. certain

quantities will remain unknown until the design is completed).

- The term of the contract will be from 2016 to 2021
- If the contract is not done as a direct award to [REDACTED], the alternative plan is to go to market with a RFP. This will require time to post on BC Bid, evaluate bids, negotiate the contract and make the award. BC Hydro could consider prescribing set asides to Aboriginal businesses affiliated with Treaty 8 First Nations as part of the RFP. This approach may provide some directed procurement that could count towards the IBA, but BC Hydro has less control over the nature and dollar value of that work.

## 5.2 Supplementary General Conditions

The following Supplemental General Conditions are anticipated:

- Liquidated damages / bonus: Liquidated damages would result from a failure to supply volumes of material at milestone dates. Liquidated damages would take the form of additional cost to obtain riprap material from other sources. Bonus would result from maximizing yield based on production technique.
- Site C specific labour, aboriginal, safety and environment appendices will be added as a requirement of the contract.

## 5.3 Aboriginal Involvement

This contract is intended as a direct award to [REDACTED]. Aboriginal inclusion reporting (subcontracting, employment and training) will be a component of the contract.

## 5.4 Evaluation

The following "High-Level Evaluation Criteria" will be considered as part of the direct award negotiations:

- Cost competitive
- Qualified personnel to conduct quarry development and operation (esp. blasting)
- Ability and capacity to supply volumes of material at milestone dates

## 5.5 Evaluation Committee (EC)

The negotiations will be conducted by the following individuals:

- Project Manager – [REDACTED]
- Engineering, Project Estimating, Project Scheduling – [REDACTED]
- Contract and Construction Management – [REDACTED]

The EC may be provided with advice from Subject Matter Experts from the following areas:

- Quality Assurance – [REDACTED]
- Safety – [REDACTED]
- Aboriginal Procurement – [REDACTED]
- Environmental – [REDACTED]

## 5.6 Procurement Schedule

The procurement schedule is anticipated to be as follows:

- Approve CR June 2016
- Negotiate Direct Award July – September 2016
- Approve Recommendation to Award September 2016
- Award contract September 2016

## **6. KEY RISKS AND MITIGATION**

### **6.1 Key Risks and Mitigation**

#### **6.1.1 Procurement Risk –**

- Direct award negotiations must proceed quickly in order to award the contract by September 2016. BC Hydro has met with [REDACTED], and is comfortable that they have the interest, capacity and qualifications to do this work.

#### **6.1.2 Schedule Risk –**

- The procurement schedule is based on completion of the trial blast program by June 2017, in order to have material ready for the Cache Creek road construction contractor by September 2017. Concurrent with conducting the trial blast program, the quarry contractor will have to design and build the access road to the quarry, which is on a very steep grade on rock, so probably difficult to do after October 2016 (too icy). On this schedule, the Highway 29 Cache Creek Bear Flat road contractor may have to use rip rap resulting from the trial blast program. The mitigation plan is to obtain material from an alternate source at extra distance and extra cost to BC Hydro.

#### **6.1.3 Financial (Cost) Risk –**

- Inefficient production technique could result in increased costs. The mitigation plan is a bonus for effective production technique.
- Finance has queried whether BC Hydro may have to pay royalties on material leaving the site to the Province, which could have an impact on budget. This issue is being addressed as part of a broader question that has been raised relating to the payment of royalties by BC Hydro to the Province respecting all the quarries operated for the construction of Site C.

#### **6.1.4 Scope Creep Risk –**

- Additional material may be required due to increases in design volumes for segments of highway design. The mitigation plan is to ensure that any additional volumes have sources of funding to compensate for increased requirements.

#### **6.1.5 Safety Risk –**

- Operating a rock quarry is a high risk activity. The mitigation plan is to ensure a qualified blasting contractor is put forward during negotiation and to monitor compliance with the site specific safety management plan for blasting, hauling, sorting, stockpiling and loading operations.

#### **6.1.6 Environmental Risk –**

- Impact to identified environmental features. The mitigation is to monitor compliance with the EPP.

#### **6.1.7 Performance Security Risk**

- Mitigation is to obtain performance bonds and insurance.

## **7. NEGOTIATION AND EXIT STRATEGIES**

The process being followed is defined in the IBA where the contractor is given 3 opportunities to come to an agreed negotiated price for this contract.

## **8. SUMMARY**

Based on the assessment of the project requirements, market conditions and risks pertinent to

this contract package, it is recommended that the subject Contracting Plan be approved.

**APPROVAL**

|             |  |                              |
|-------------|--|------------------------------|
| APPROVAL    |  |                              |
| Prepared by |  | <i>July 6, 2016.</i><br>Date |
| Reviewed by |  | <i>July 6, 2016</i><br>Date  |
| Reviewed by |  | <i>July 6/2016</i><br>Date   |
| Reviewed by |  | <i>July 6, 2016</i><br>Date  |
| Approved by |  | <i>12 July 2016</i><br>Date  |
| Approved by |  | <i>12 July 2016</i><br>Date  |