



CALIFORNIA
AMERICAN WATER

PROPOSAL EVALUATION REPORT

Monterey Peninsula Water Supply Project
Request for Proposals
for the
Construction of Source Water Slant Wells

November 16, 2015

I. Executive Summary

This report summarizes the evaluation of Proposals received by California American Water in response to the Monterey Peninsula Water Supply Project Request for Proposals for the Construction of Source Water Slant Wells dated September 24, 2015 as amended ("RFP") and the resulting selection of the most advantageous/preferred Proposer. Proposals were submitted in response to the RFP on November 6, 2015 by the following firms (listed alphabetically):

Company Name
Boart Longyear Company ("Boart")
Holt Services, Inc. ("Holt")
Layne Christensen Company ("Layne")

While all three Proposers are qualified and submitted responsive Proposals, the Proposal submitted by Boart was determined to be the most advantageous Proposal submitted. This determination was based upon several factors as described in more detail in this report; however, the primary factors favoring Boart are its significant cost effectiveness, exceptional acceptance of the terms and conditions of the draft Contract, and a strong overall technical Proposal.

II. Evaluation Process

A Selection Committee was established by California American Water to evaluate the Proposals and select the most advantageous Proposer(s) based upon the criteria detailed in Section 5 of the RFP. The Selection Committee consists of the following California American Water employees:

- *Deana Donohue, Vice President, Engineering*
- *Jeff Dana, Vice President, Finance & Treasurer*
- *Lori Girard, Corporate Counsel*
- *Ian Crooks, Engineering Manager*
- *Chris Cook, Assistant Engineering Manager*

The Selection Committee has individually reviewed the Proposals; identified and discussed advantageous and non-advantageous elements of each Proposal; identified areas where clarification was needed; and reviewed, discussed, and evaluated the clarified Proposals, based upon the criteria and weighting included in the RFP. The evaluation categories are described in Attachment 1, and a breakdown of the overall weighting for each criterion and subcriterion is listed below.

CATEGORY	WEIGHTING
TECHNICAL CRITERIA	40 points
Project Delivery (including WMDVBE and Local Resources Utilization), Construction Management, Experience, and Schedule	35
Safety	5
BUSINESS AND FINANCIAL CRITERIA	60 points
Cost Effectiveness of Proposal	40
Business Terms and Conditions	10
Proposer Financial Qualifications	10

The Selection Committee scored each category based on the points allocated to that category as set forth in the RFP. The highest possible points were assigned to the best Proposal in each category. The remaining Proposals in each category were then scored based upon the relative value of each Proposal as compared to the best Proposal (e.g. the difference between the best and second best may be minimal while the difference between the second best and the third best may be substantial. The Selection Committee has applied this rationale to the scoring of the quantifiable evaluation categories (i.e. cost effectiveness of Proposals) as well as the other not-so-readily quantifiable evaluation categories. Applying the same scoring methodology for each evaluation category ensures that the relative value of a point in each category is the same and that each category actually receives the weighting intended.

The Selection Committee then ranked the total points for each category on a scale of 1 to 3, with 1 being the highest total points and 3 being the lowest total points among all Proposers. If more than one Proposer received the same score, for example, 2 Proposers received the same highest total points for Project Delivery, each of those Proposers received a 1 and the remaining Proposer received a 3.

III. Proposal Evaluation and Scoring

As summarized below, the final total scores for each Proposer are as follows:

1. Boart	97
2. Holt	79
3. Layne	55

The rankings for each category are set forth in Attachment 2.

1. Technical Criteria (40 Points)

Technical Criteria counted for 40 points of the total Proposer Score. As summarized below and after careful consideration, Boart received the highest score in this category, followed by Holt and then Layne.

A. Project Delivery, Construction Management, Experience and Schedule (35 Points)

Boart scored highest in this category based on its overall Project approach and experience but all Proposers are qualified to construct the Project. Each Proposer demonstrated a good understanding of the Project, constraints and schedule. Each proposed a slightly different approach to the Project.

Holt indicated it is a federally registered women owned business which will help California American Water meet its WMDVBE goals. Boart's Proposal included two WMDVBE subcontractors and Boart expects to be able to achieve 20% to 30% local resource utilization. Layne indicated it elected not to pursue the WMDVBE or local resources utilization goals.

B. Safety (5 Points)

Boart had the highest scores for safety based on workers compensation rating (EMR) and number of OSHA recordable incidents (ORIR). For the previous three

years period, Boart's ratings for EMR were 0.60, 0.64 and 0.49 and for ORIR were 2.19, 1.97 and 2.68. Holt's ratings for EMR were 0.82, 0.85 and 0.81, and for ORIR were 3.2, 3.9 and 0. Layne did not provide the requested information.

2. Business and Financial Criteria (60 Points)

The Business and Financial Criteria counted for 60 points of the Proposer's total score. As summarized below and after careful consideration, Boart received the highest score in two out of the three subcriterion.

A. Cost Effectiveness of Proposal (40 Points)

Boart scored the highest in this category for having the lowest cost followed by Holt and Layne who submitted the highest cost proposal. Boart's Proposal also had the most favorable cost structure in terms of pre-construction costs because it reduced expenditures prior to issuance of the Notice to Proceed. Further, Boart's Proposal offered opportunities to explore further reductions in overall costs.

Holt's Proposal would require California American Water to incur significantly higher pre-construction costs than Boart's Proposal. Layne's Proposal was significantly higher than both Boart's and Holt's. A comparison of the cost effectiveness of the Proposals is set forth in Attachment 3.

B. Business Terms and Conditions (10 Points)

This criterion addresses the material advantages and disadvantages of each Proposer's markup to the draft Contract, including the extent to which the Proposer accepted the terms and conditions set forth in the draft Contract or proposed less favorable terms and conditions. It should be noted that the pricing of Proposals is based on the draft Contract as modified by the Proposer. Therefore, it is reasonable to anticipate that if California American Water were to require a Proposer to accept a material risk that it has taken exception to in its markup, the Proposer could require an increase in its pricing to accept such risk.

Boart took limited exceptions to the draft Contract (the draft Contract includes the draft Agreement and the draft General Conditions). Boart took no exceptions to the draft Agreement and took few exceptions to the draft General Conditions. In response to a request for clarification, Boart confirmed that it proposes to revise the draft General Conditions using the modifications agreed upon for the test well contract, with the exception of the limitation of liability as described below.

In summary, the modifications proposed by Boart include:

- Neither party will be liable to the other for any consequential, punitive, or similar damages.
- As between California American Water and Boart, Boart's aggregate liability under the Contract for performance or unexcused non-performance of the Work will be limited to 100% of the Contract Price instead of 125%.

- Boart will be authorized to suspend the Work if an unsafe condition exists at the Site, and may seek a corresponding extension of the Contract Times under certain circumstances.

Holt similarly took limited exceptions to the draft Contract. Specifically, Holt took the following material exceptions to the draft Agreement and the draft General Conditions:

- Limited its liability for liquidated damages for delay to \$1 million.
- Deleted the limit of \$500,000 for payment of Bid Item 101 prior to issuance of Notice to Proceed.

In contrast, Layne took multiple exceptions to the draft Contract. It should be noted that Layne's exceptions were to the draft Agreement and draft General Conditions issued with the RFP and not to the draft Agreement and draft General Conditions issued with Addendum No. 1 to the RFP. Layne's material exceptions include:

- Reducing liquidated damages for delay from \$10,000/day to \$2,500/day and limiting its liability for liquidated damages to 15% of the value of the contract.
- Limiting retainage to 5% and requiring payment of withheld retainage for wells that are "satisfactorily completed."
- Qualifying its ability to include California American Water as an additional insured on Layne's pollution liability policy.
- Requiring California American Water to pay the deductible for a builder's risk claim by Layne under American Water's builder's risk policy.
- Limiting California American Water's remedies for Layne's breach of contract.
- Excluding Layne's liability for any consequential, punitive, or similar damages.
- Disclaiming warranties, including implied warranties of merchantability and fitness for a particular purpose.
- Limiting its liability to California American Water for performance or nonperformance under the Agreement to the Contract Price.

Although both Boart and Holt took few exceptions to the draft Contract, Boart scored slightly higher on this criterion. Most significantly, Boart proposed limiting its liability to California American Water for certain damages to 100% of the Contract Price. On the other hand, Holt proposed limiting its liability for liquidated damages for delay to \$1 million (i.e., after 100 days Boart would no longer incur any liability for delay). In addition, Holt proposed that California American Water assume \$866,250 of risk by deleting the limit on payment for Bid Item 101 (drilling rig modifications) prior to issuance of the Notice to Proceed. In contrast,

Boart proposed \$183,500 for Bid Item 101, effectively lowering the risk to California American Water.

Ultimately, Layne scored lowest in this criterion due to the extent and nature of its exceptions. Layne's modifications to the delay liquidated damages, limitation of remedies for breach of contract, insurance-related exceptions, and disclaimer of warranties negatively distinguish Layne's markup.

C. Proposer Financial Qualifications (10 Points)

Layne received the highest score in this category based on liquidity measures, net assets, recent performance, and relative size. Boart was rated second-best overall based on the above metrics. Holt had the lowest score based on its relative size as compared to the other two Proposers.

IV. Conclusion

After careful evaluation of the Proposals based upon the evaluation criteria and weighting set forth in the RFP, the Selection Committee has determined that Boart has submitted the most advantageous Proposal. As such, California American Water will commence negotiations with Boart as the most advantageous/preferred Proposer.

ATTACHMENTS

Attachment 1 - Description of Evaluation Categories

Attachment 2 - General Rankings

Attachment 3 – Cost Effectiveness of Proposals

Attachment 1 - Description of Evaluation Categories

Technical Criteria Evaluation Categories:

Project Delivery, Construction Management, Experience and Schedule – This category was evaluated based on the following:

- Proposer Project Team
- Project Delivery Approach
- Construction Experience
- Experience with similar projects
- Local Project Experience
- WMDVBE Utilization & Local Resources Utilization Plans
- Prevailing Wage and Other Labor Performance Requirements
- Proposed Schedule Meets Requirements
- Procurement and Supply Chain Plan
- Level of Analysis for Schedules
- Development and Commissioning Approach

This category was evaluated based on evidence that the firm has completed (or demonstrated that the firm has the capability to complete) projects of similar size, scope and complexity to the proposed project. This category also includes the organizational chart, demonstrating the proposed participants in the Proposer's team. The organizational chart was reviewed for its clarity in identifying the key teams and key personnel, and in describing the roles and relationships between the team members during construction and commissioning. This category reviews the portfolios of past project profiles for that show the Proposer's experience with similar projects in scope, budget, and schedule. Review of the firms due diligence and preparation of their proposed project schedule and detailed understanding and ability to execute this project on schedule. In addition, this category included WMDVBE & Local Resources Utilization Plans, prevailing water and other labor performance requirements, and local firm hire experience.

Safety Record – This category was evaluated based on the following:

- Safety Rating and History

This category includes the Proposer's past safety record, recognition and demonstration of the Proposer's safety program, identification of key personnel who will be assigned to this project and who will contribute a significant effort in ensuring the safety of the workers and job site(s).

Business and Financial Criteria Evaluation Categories:

Cost Effectiveness – This category evaluates the proposal costs for each of the project bid schedules.

Business Terms and Conditions – This category evaluates the extent to which the Proposer accepts the terms and conditions set forth in the draft Contract included with this RFP or otherwise proposes terms and conditions that are more favorable to California American Water than the terms and conditions set forth in the draft Contract.

Proposer Financial Qualifications - This category includes the evaluation of the Proposer's submitted financial information that establishes that the Proposer has the financial strength to perform the work under the Project. Financial items considered, but not limited to, are revenues, income, balance sheet, credit ratings, bonding capacity, and line of credit. This category includes the evaluation of the Proposer's submitted financial security information showing that Proposer has ability to obtain all required payment and performance bonding as required in the RFP.

Attachment 2 - General Rankings

CATEGORY	Boart	Holt	Layne
TECHNICAL CRITERIA (40 pts)	1	2	3
Project Delivery (including WMDVBE and Local Resources Utilization), Construction Management, Experience, and Schedule (35 pts)	1	2	3
Schedule (5 pts)	1	2	3
BUSINESS AND FINANCIAL CRITERIA (60 pts)	1	2	2
Cost Effectiveness of Proposal (40 pts)	1	2	3
Business Terms and Conditions (10 pts)	1	2	3
Proposer Financial Qualifications (10 pts)	2	3	1
OVERALL RANKING	1	2	3

Attachment 3 – Cost Effectiveness of Proposals

Proposal Costs

	Boart	Holt	Layne
7 Slant Wells	19,424,352	24,056,406*	34,614,832
9 Slant Wells	24,746,427	29,213,148*	42,117,562

* includes Holt's submitted costs for SS material which was not included in their base bid