NOR CAL CARPENTERS UNION

Sent via Electronic Mail

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On behalf of 36,000 union carpenters throughout Northern California, the Nor Cal Carpenters Union (NCCU) writes to bring attention to serious concerns regarding Barnard Construction Company ("Barnard"). Sites Authority staff have recommended award of the Construction Manager at Risk ("CMAR") contract for the Sites Project Reservoir Package, which will encompass 50% of the larger Sites Project ("Sites Project"), to Barnard Construction Company ("Barnard"). As detailed below, Barnard's reference projects in its Statement of Qualifications ("SOQ") warrant further scrutiny. In particular, the Nor Cal Carpenters Union calls for further investigation of Barnard's role in significant escalation of the cost of the General Civil Contract ("GCC") for the Keeyask Generating Station ("KGS") project in Manitoba, Canada.

The KGS project is owned by Manitoba Hydo, and the GCC portion of the work was awarded to BBE Hydro Constructors L.P. ("BBE"), a joint venture in which Barnard was part. Barnard listed the KGS project in their SOQ[1] as their largest comparable project, without sharing documented evidence that the project was delivered behind schedule and over budget. ***We urge the Authority to delay the vote to award the CMAR Reservoir Package contract until all due diligence, including discussions with all key stakeholders in the KGS project, have been completed.***

Significant Contract Price Increases on Barnard Reference Project

Barnard's SOQ lists the KGS project with a valuation of CAD$2.9 billion, by far the largest project Barnard disclosed. Barnard's SOQ-listed Project Director for the Sites Reservoir Package, Mike Fuller, oversaw all KGS project civil construction.[2] What Barnard did not share in its SOQ is that the KSG GCC value at the time of award was only CAD$1.4 billion.[3]

[1] "Statement of Qualifications" Barnard Construction Company, Inc. March 13, 2025
[2] Ibid, page 2.7
[3] https://keeyask.com/wp-content/uploads/Keeyask_GCC_Award.pdf

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Barnard provides no explanation as to why the initial contract price more than doubled. However, the KGS project was the subject of review by independent expert consultants and public hearings held by the Manitoba Public Utilities Board ("PUB").

In a 2017 report from MGF Project Services ("MGF")[4], an independent expert retained by Manitoba PUB, MGF states that "the cost increases are due to the performance of the General Civil Contract (GCC) contractor. The GCC contractor is behind schedule which causes delays and cost increases on other services and scopes of work related to the project, therefore raising the total project cost."

In 2018, four years prior to project completion, the conclusion of the Manitoba PUB was that the primary reason the KGS project's cost increase was due to:

> ... unachievable productivity levels in the general civil contractor's bid, slow start up in the 2016 construction season when the first permanent concrete was poured, and geotechnical issues with the river bed. The [PUB] finds the root cause for the cost overrun relates to the nature of the cost reimbursable payment structure in the ... [GCC], which was not sufficient to drive the general civil contractor to achieve the productivity levels contained in its original bid for the Keeyask work. ... Once the [GCC's] profit eroded to zero, with no chance of re-establishing profit, the contractor had little or zero motivation to progress the project expediently... Underpinning the reason for the profit eroding to zero so early in the project was the fact that the general civil contractor bid unachievable productivity levels. Those unachievable productivity levels formed the basis for an unrealistic target price and an unrealistic original cost estimate."[5]

By 2017 the total project "control" budget, including the GCC, to CAD$8.7 billion, CAD$2.2 billion or approximately 33% over the initial approved budget of CAD$6.5 billion.[6]

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[4] https://www.pubmanitoba.ca/v1/proceedings-decisions/appl-current/pubs/2017%20mh%20gra/mgf%20exhibits/mgf-2-1%20-%20mgf%20report%20revised%20v2%20-%20public%20redacted%20-%20jan%2019.pdf

[5] https://www.pubmanitoba.ca/v1/proceedings-decisions/orders/pubs/2018%20orders/59-18.pdf

[6] https://www.hydro.mb.ca/articles/2017/03/control_budget_for_keeyask_generating_station_revised/

Barnard Reference Project Also Delivered Years Past Original Completion Date

Additionally, Barnard stated on its SOQ that the KGS project was delivered 2.5 years past the original expected completion date. Barnard, on its SOQ, attributed the delay only to "unexpected field changes" and the "impacts of COVID-19."

Barnard failed to disclose that independent experts noted that other serious issues within Barnard's control led to these delays. For example, the Manitoba PUB states that:

> BBE's schedule has over one thousand activities with 'negative float' (i.e., activities that have not or will not meet a scheduled or specifically identified date) while the GCC requires the schedule to have no negative float.[7]

Additionally, a review by outside consultant Klohn Crippen Berger[8] concluded:

1. The design is reasonable
2. The drawings and specifications have very few revisions
3. The geotechnical investigations were reasonable
4. The technical EWO's have not been excessive
5. The quantity estimates are, in total, reasonably close
6. The original unit prices were optimistically low, thus the original Target Price was optimistically low
7. The contractor would probably not have been able to do the work for the original Target Price.
8. The Actual Costs are not based on the quantities and unit prices

We urge the Sites Authority and staff to follow up with these independent experts for full and accurate accounting of the KGS project, the largest Barnard project comparable to the Authority's Reservoir Package project according to Barnard's SOQ.

Barnard Reference Project Raised Labor and Safety Practices Concerns

The report from independent expert MGF noted concerning labor and supervisorial practices by Barnard and the GCC team on the KGS project:

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[7] ibid

[8] https://www.pubmanitoba.ca/v1/proceedings-decisions/appl-current/pubs/2017%20mh%20gra/mgf%20exhibits/mgf-6%20-%20kcb%20presentation%20(public%20redacted).pdf

> MGF reviewed BBE's Progress Payments for May and June 2017 and noted that some personnel were working greater than 16 hours per day. There were 73 instances of personnel working greater than 16 hours per day. In some instances, there are personnel working up to 21 hours per day and, in some cases, working 16 hours per day for three consecutive days. These extended hours will not be as productive as straight time hours and will result in diminishing output for every hour worked. This raises concerns about personnel safety. Note: In May and June 2017, the total hours worked were 726,354, of which 326,000 were overtime.

In addition, the MGF report noted that Barnard and the GCC team had a high ratio of supervisory employees compared to the industry, leading to higher labor costs.

> On reviewing BBE's October 2017 Construction Monthly Report, the ratio of Craft to Foreman is 3.97:1. This appears to be high... Typical ratios for similar construction projects have higher craft to supervision ratios. MGF has allowed for a craft to foreman ratio of 6:1. This ratio is applied to the total project direct hours to determine the variance in supervision hours. An average blended labour rate for foreman is used to determine the extra cost.
>
> Ratio of 6:1 versus actual Ratio of 3.97:1
>
> Applying these ratios to the total 7,078,000 direct labour hours will result in a 603,205 hours' variance at a rate of$ 76.32, which will result in: Order of Magnitude Estimate $91,600,000." [9]

Excessive overtime and high supervisor ratios can result when an out-of-area contractor has little or no connection to the local workforce and to area hiring halls and training centers. As we have shared with the Sites Authority, on the Reservoir Package contract, Barnard would be an out-of-area contractor that lacks connection to all area hiring halls and training centers.

[9] https://www.pubmanitoba.ca/v1/proceedings-decisions/appl-current/pubs/2017%20mh%20gra/mgf%20exhibits/mgf-2-1%20-%20mgf%20report%20revised%20v2%20-%20public%20redacted%20-%20jan%2019.pdf

Comparable Barnard Project Led to Higher Rates for Users

According to Manitoba Hydro's 74th Annual Report[10] which provides an overview of its performance for the year ending March 31, 2025, Manitoba Hydro had higher electricity revenues than the prior year. One of the factors cited for the increase was: "an electric rate increase effective September 1, 2023, along with a subsequent electric rate increase effective April 1, 2024."

Written comments submitted to the Manitoba PUB during the rate setting process for FY 26-27 from the "General Service Small and General Service Medium Customer Classes" state:

> Morrison Park Advisors Report, page 11 states: The Keeyask Generating Station is a case in point: the facility was constructed not because it was immediately necessary to serve domestic load (it was forecast to be eventually necessary to serve domestic load, but not for the first number of years after its planned in-service), but because it was believed that the energy produced could be sold at a profit in export markets, therefore delivering benefits to Manitobans. **Instead, the project was late, over-budget, and has not been profitable. The result was significant upward pressure on domestic rates, as compared to what would have been the case had the project not been undertaken.**[11]

We again urge the Authority to reach out to all key stakeholders in the KGS project, including ratepayers and large users, and to investigate what affects the delays and increased costs had on subsequent increases.

Conclusion

The Keeyask Generating Station project is the first and largest highlighted project in Barnard's SOQ and therefore deserves significant scrutiny. While Barnard admits delays, the Authority should not allow Barnard to handwave away concerned questions by pointing to "field changes" and "Covid," especially given that the former was addressed in January 2018 by

[10] https://www.hydro.mb.ca/docs/corporate/annual_report_2024_25.pdf
[11] https://www.pubmanitoba.ca/v1/proceedings-decisions/appl-current/pubs/2025-mh-gra/gss-gsm-coalition-1-16.pdf

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independent expert consultants and the latter post-dated productivity issues uncovered in 2016 and 2017.

It is well documented that the KGS project was delivered late and well over the original budget. The Sites Authority should do all due diligence before executing the CMAR contract with Barnard. We respectfully request that the Sites Authority Board delay the scheduled January 16 vote and conduct a thorough investigation of the delays and cost overruns on the KGS project. We ask that your investigation include speaking with all relevant stakeholders of the KGS project, including the Manitoba PUB, and the independent experts quoted above who reviewed the project at the time.

The NCCU also urges the Authority to carefully review implicit or explicit productivity assumptions used in Barnard's proposal for the Sites Project Reservoir Package and compare those assumptions against other similar projects. If such a review already has occurred, we call upon the Authority to disclose documents related to that review.

Manitoba Hydro, according to an official review of the KSG project, saw BBE's productivity assumptions at the time of bid as a "red flag." Given what transpired with the KGS project, the Sites Authority should not ignore "red flags."

The Sites Authority has a great responsibility to the local community, local workforce, water users, and to the people of California. We urge the Authority to take all efforts to ensure that it properly vets its selected CMAR contractor for the Reservoir Package project and that the contractor has the required experience and capacity necessary for a project of this significance.

We look forward to working with you as the project continues. If you have any questions, please do not hesitate to call.

Sincerely,

Jay Bradshaw