

KAISER ENGINEERS
INTER-OFFICE MEMORANDUM



TO J. E. Hughes
AT Oakland

DATE November 14, 1969

FROM J. G. Nelson

COPIES TO R. J. Wolf
H. J. Hunsaker

AT Oakland

JOB NO. 6471-00

SUBJECT Armco Agreement - Amendment No. 8 (Formerly Amendment No. 9)

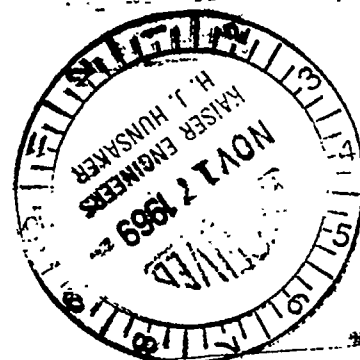
Attached for your approval and signature are four copies of proposed Amendment No. 8 to the Armco Agreement.

As indicated in Mr. Wolf's memo of November 11, 1969 (copy attached), this amendment is identical to the proposed Amendment No. 9 signed by Mr. Oppenheim and transmitted to Mr. Browning by Mr. Wolf's letter dated October 24, 1969, except that it has been retitled No. 8 and the words "with respect to which Owner desires to obtain Contractor's services and" have been inserted immediately following the word "Works" in the third line from the bottom.

Armco had initially requested that the words "the construction of which Owner contemplates on a continuing basis" be stricken but John Griffin in conversation with Hal Hunsaker indicated that they would have no problem with these words being retained.

Also attached is a suggested letter of transmittal to Mr. Browning.

JGN:ks



KEN 007664

Amendment No. 8 to Agreement dated May 21, 1964

THIS AGREEMENT, made and entered into as of September 29, 1969, by and between ARMCO STEEL CORPORATION (hereinafter referred to as "Owner") and KAISER ENGINEERS, INC. (hereinafter referred to as "Contractor"),

WITNESSETH:

WHEREAS, Owner and Contractor on May 21, 1964, entered into an Agreement for engineering, construction, and other services to be performed by Contractor relating to Owner's proposed expansion and modernization programs at its Middletown Works and its Butler Works (hereinafter referred to as "Agreement"), the Agreement having been heretofore amended; and

WHEREAS, Owner desires Contractor to perform certain engineering, construction and other services relating to Owner's proposed Electrical Steel Program at its Butler Works and the parties desire to amend said Agreement to include such services,

NOW, THEREFORE, IT IS AGREED:

1. Section A-1 of the Agreement is hereby revised to include a second sentence so that Section A-1 in its entirety shall read as follows:

"Section A-1. Contractor's services are to be applicable on an integrated basis to such facilities as Owner may decide to include in the expansion and modernization programs at its Middletown Works and its Butler Works, the construction of which Owner contemplates completing on a continuing basis within seven years from the date of this Agreement. Contractor's services are also to be applicable on an integrated basis to such facilities as Owner may decide to include in the Electrical Steel Program at its Butler Works with respect to which Owner desires to obtain Contractor's services and the construction of which Owner contemplates completing on a continuing basis irrespective of the seven year limitation."

Except as herein expressly amended, the provisions of the Agreement and prior amendments shall remain in full force and effect.

IN WITNESS WHEREOF, the parties hereto have caused this instrument to be executed as of the day and year first hereinabove written.

ARMCO STEEL CORPORATION
(Owner)

By _____
Vice President

KAISER ENGINEERS, INC.
(Contractor)

By _____
Vice President

KEN 007666

KAISER ENGINEERS
INTER-OFFICE MEMORANDUM

TO R. J. Wolf
AT Oakland

DATE March 5, 1969

FROM J. G. Nelson

COPIES TO P. C. Meyer
H. J. Hunsaker ✓

AT Oakland

JOB NO. 6471-00

ORIGINAL SIGNED BY
J. G. Nelson

SUBJECT

Attached for your further handling are five copies of the proposed Revision No. 1 of Amendment No. 7 to the Armco Agreement which provides for the fees for additional projects and changes of scope pursuant to your memo of January 8, 1969. This Revision No. 1 has been reviewed for legal by Hal Hunsaker.

C
O
P
Y

JGN:ks
Attach.

KEN 007667

KAISER ENGINEERS
INTER-OFFICE MEMORANDUM

TO **R. J. Wolf**
AT **Oakland**

DATE **December 11, 1968**

FROM **J. G. Nelson**

COPIES TO **Hank Adams**
Hal Hunsaker ✓

AT **Oakland**

ORIGINAL SIGNED BY
JACK G. NELSON

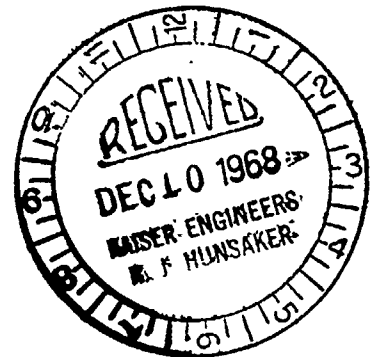
JOB NO. **6471-00**

SUBJECT **Amendment No. 6**
Araco Contract

Further to my memo of December 9, 1968 attached is a revised draft (dated 12/11/68) which incorporates Hal Hunsaker's suggested modifications to my previous draft.

I believe we are now prepared to discuss this amendment with you at your convenience.

JGN:ks
Attach.



KEN 007668

Amendment No. 6 to Agreement dated May 21, 1964

THIS AGREEMENT, made and entered into as of _____
by and between ARMCO STEEL CORPORATION (hereinafter referred to as "Owner") and
KAISER ENGINEERS, INC. (hereinafter referred to as "Contractor"),

WITNESSETH THAT:

WHEREAS, Owner and Contractor on May 21, 1964, entered into an Agreement
for engineering, construction, and other services to be performed by Contractor
relating to Owner's proposed expansion and modernization programs at its Middletown
Works and its Butler Works (hereinafter referred to as "Agreement"), the Agreement
having been heretofore amended; and

WHEREAS, the parties desire to amend certain provisions of the Agreement
as hereinafter set forth:

NOW, THEREFORE, IT IS AGREED:

1. Section E-1 of the Agreement is hereby revised in its entirety to read
as follows:

"Section E-1. Owner may at any time by written order issue
instructions making changes, additions or deletions within the
general scope of The Work. Contractor shall proceed to comply
with each such instruction immediately upon receipt thereof.
As soon as practicable after receipt of each such instruction
(generally within thirty (30) days) Contractor shall cause the
then current estimate of cost at completion of the project affected
by such instruction to be adjusted to reflect the estimated increase
or decrease in project cost resulting from such instruction.

In the event any such instruction

- (a) concerns a project for which Owner and Contractor have ~~theretofore~~
agreed upon a fee base as provided for in Section C-1, ^{which} ~~and~~
does not take such instruction into account, and

KEN 007669

- (b) Routing of electrical power system must be revised to permit access.
- (c) Height of roof changed to assure proper clearance.
- (d) Increase width of passageways to comply with standard Armco specifications which were in effect at the time the Engineering Report was approved.

KAISER ENGINEERS
INTER-OFFICE MEMORANDUM.TO D.A. Daly
AT Middletown

DATE October 22, 1968

COPIES TO

H.J. Hunsaker
J.G. Nelson

FROM R.J. Wolf

AT Oakland

JOB NO. 6471 & 6474

SUBJECT Amendment No. 6 to Armco Contract

I have received your memo of September 24 in reply to my memo of September 17. I would like you to prepare a list of scope changes for each of the projects at Middletown and Butler. In order to assist you in the definition of a scope change, the answers to your questions 1 thru 10 in your memo of September 24 are as follows:

1. Labor Escalation - Management has approved Amendment No. 5, therefore we cannot collect fee on labor costs other than the labor costs at the time of the preparation of the estimate. Labor escalation beyond this is excluded from the fee base.
2. Equipment Escalation - Amendment No. 3 has been superseded by Amendment No. 5, Section C-6. We are of the opinion that the sub-contracts where the escalation is clearly identifiable from invoice documentation fall under the definition of Section C-6 and the fixed fee should be adjusted taking into account this escalation.
3. Material Escalation - Your assumption that we will make no attempt to collect fee on the increased cost for materials is correct only where the increased cost due to escalation is not documented. If the escalation has been documented and can be identified it falls within meaning of Section C-6.
4. Delays by Owner - The type of delay identified in your paragraph 4; that is, delays due to contractor negotiations with the union, does not in our opinion fall within the provisions of Section C-1.
5. Overtime - While we have not had a thorough discussion with our management regarding premium time, for the purpose of this analysis you are requested to exclude it. This also includes documented change orders for premium time for sub-contractors.
6. Abandoned Engineering - I do not believe that abandoned engineering should be considered a "scope change", nor should it be included in the fee base under any other definition. There are, of course, those programs which we started and did not complete because the program was abandoned, and on these we are collecting 20% of the engineering cost. This also applies to Job 7185-1, Fume Abatement for Open Hearth No. 2 where we are preparing the engineering report only, McGraw is doing the construction, and the precipitator vendor will complete the detail design.

KEN 007671

D.A. Daly
Page 2
October 22, 1968

7. Revised Engineering Reports - I agree with your opinion that these revised reports constitute a new Scope of Work and that the difference between the original report and the revised report should be a scope change. Please reflect this approach in your analysis.
8. Added Appropriations - While not all supplemental appropriations necessarily qualify as "scope changes", the four supplemental appropriations for project 7128 are in my opinion scope changes. A supplemental appropriation to cover a pure over-run in cost would, of course, not be a "scope change".
9. Scope Changes To Date - I would like you to prepare for each project a list of the "authorized changes". I would also like you to identify and discuss any of these "authorized changes" which in your opinion would not qualify as scope changes. In doing this, please disregard Ammendment No. 6 as now written.
10. Field Changes - In order for us to form any judgements on how to handle AWO's, I would like you to advise for each project the number of AWO's that fall into the following categories:
 - a. Less than \$1,000
 - b. \$1,000 - \$10,000
 - c. \$10,000 - \$50,000
 - d. Above \$50,000

In addition, I would like you to identify the total value for each of the above four categories.

For the present time, because our own thoughts are not clarified, I would prefer that you do not discuss Ammendment No. 6 or the definition of scope and supplemental appropriations procedures with Armco.

RJW/mps

KEN 007672

Amendment No. 7 to Agreement dated May 21, 1964

THIS AGREEMENT, made and entered into as of _____, by and between ARMC0 STEEL CORPORATION (hereinafter referred to as "Owner") and KAISER ENGINEERS, INC. (hereinafter referred to as "Contractor"),

WITNESSETH:

WHEREAS, Owner and Contractor on May 21, 1964, entered into an Agreement for engineering, construction, and other services to be performed by Contractor relating to Owner's proposed expansion and modernization programs at its Middletown Works and its Butler Works (hereinafter referred to as "Agreement"), the Agreement having been heretofore amended; and

WHEREAS, Article C of said Agreement as amended by Amendment No. 5 effective June 1, 1967 provides that upon completion of the general arrangement drawings and a definitive scope of work for each project and definitive estimates of cost for such projects will be agreed upon for purposes of determining the Contractor's fixed fee; and

WHEREAS, a definitive scope of work and a definitive estimate of cost have been established for certain projects at the Middletown Works and the Butler Works as herein described; and Owner and Contractor desire to amend the Agreement as hereinafter provided, to make a matter of record for each such project the definitive scope of work, the definitive estimate of cost, the amount of definitive estimate of cost excluded from the fee base, the allowance for total indirect cost included in the fee base, the fee base and the amount of the fixed fee allocable to such project; and

WHEREAS, in the future as the definitive scope of work and definitive estimate of cost are established for additional projects for which Contractor's services have been authorized this Amendment No. 7 shall be appropriately revised.

NOW, THEREFORE, IT IS AGREED:

1. The definitive scope of work for each of the projects being covered by this Amendment are as described by the applicable Engineering Report

BUTLER WORKSEngineering
Report No.TitleDate

7406-1	Project 7406, Services and Supporting Facilities, Slab Track and Piping Relocation at Building 47-D	September 22, 1966
7406-2	Project 7406, Services and Supporting Facilities Central Maintenance Shop Utilities	March 1, 1967
7414-01	Melting Facilities, Project 7414, Site Preparation, Relocation - B&O Railroad and Connoquenessing Creek	December 15, 1964
7414-2	Melting Facilities, Project 7414, Site Preparation, Underpass, Parking Lot and Bridge	January 14, 1965
7414-3	Melting Facilities, Project 7414 Site Preparation, Melt Shop and Maintenance Shop Facilities Earthwork	March 24, 1965
7418-1	Melt Shop, Project 7418, Melting Facilities	Revised December 30, 1966
7440-1	Project 7440, Relocation of the No. 41 Sendzimir Mill	Revised June 1, 1965
7442-1	No. 44 Scrub, Weld, and Trim Line Project 7442	October 15, 1965
7446-1	CRNO Decarburization and Annealing Facilities, Project 7446, Cold Rolled Non-Oriented Processing, Relocation of Stainless Steel Slab Grinders	January 15, 1965
7446-2	Project 7446, CRNO Decarburization and Annealing Facilities, No. 1 CRNO Line, CRNO Building 36-C, and Services	September 15, 1965
7454-1	No. 49 Coil Preparation Line, Project 7454	October 29, 1965
7464-1	Project 7464, Central Maintenance, Spares Storage, Labor and Transportation Shop	Revised August 15, 1966
7476-1	Project 7476, Bright Annealing Facilities 1966 Building 1-M Extension	July 12, 1965
7476-2	Bright Annealing Facilities, No. 25 Bright Annealing Line, Project 7476	March 14, 1966
7484	Project 7484, Electric Box Annealing Furnaces, Batteries No. 11 and No. 12	July 6, 1966

KAISER ENGINEERS

INTER OFFICE MEMORANDUM

TO J. E. Hughes
AT Oakland

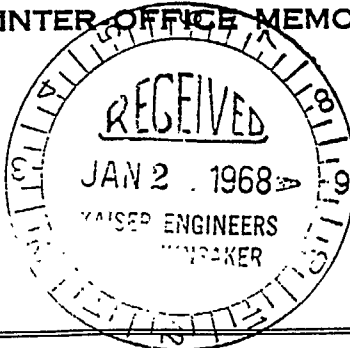
DATE January 22, 1968

COPIES TO L. H. Oppenheim
P. C. Meyer
J. G. Nelson
H. J. Hunsaker ✓

FROM R. J. Wolf

AT Oakland

JOB NO. 6471-00



SUBJECT Amendment No. 5 to the Armaco Contract
My Memorandum of January 2, 1968

As requested, we have now explored the following areas of the Butler Project as we did for Middletown to see whether or not there would be a difference in fee calculations, with the following results:

1. Engineering reports for Butler jobs to date do not exceed Armaco's appropriated amounts so differences will not exist in this area.
2. "Authorized changes by Armaco" to date total \$1,842,652. As for Middletown whether or not all of these will be considered changes in scope for fee purposes is open to question but in any event the agreed upon amount would be covered by the changes clause and not Amendment No. 5.
3. "Escalation". We have evaluated the escalation by categories for the Butler project as follows:

a. Equipment and Subcontracts	\$ 100,000
b. Labor above that included in the Engineering Reports	599,800
c. Construction Material	<u>360,000</u>
Total	\$1,059,800

Equipment and Subcontracts (a). As for the Middletown evaluation we feel that escalation on equipment and subcontracts is properly covered by Amendment No. 5 and we will recover fee.

Labor (b). The amount of potential fee difference at Butler for labor escalation above that included in Engineering Reports is $\$599,800 \times .02 = \$12,000$.

Construction Material (c). We estimate that we have a potential fee difference for construction material escalation at Butler (to the extent it is buried in a purchase price and we have not included it in our estimate) of $\$360,000 \times .02 = \$7,200$.

KEN 007675

COPY

January 22, 1968

4. Premium portion of overtime. Our estimate of the premium portion of overtime for the Butler Project from the start to job end is \$193,688 and we believe that we have a potential difference in fee of $193,688 \times .02 = \$3,870$.
5. Since the application of the fee formula estimate in Amendment No. 5 is such that we do not apply the management indirect cost percentage (1% at Butler) to escalation or the premium portion of overtime this amounts to $\$1,253,488 \times 1\% - \$188,000 \times .02 = \$3,760$.

In summary, the fee difference at both Middletown and Butler could then amount to:

Escalation on labor

Middletown	\$ 32,500
Butler	12,000

Escalation on Construction Material

Middletown	22,000
Butler	7,200

Premium Portion of Overtime

Middletown	36,900
Butler	3,870

Non application of indirect percentage to escalation or premium portion of overtime

Middletown	15,300
Butler	3,760

Revised Indirect Management Percentages

Total for Middletown and Butler	<u>74,000</u>
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Total	\$207,530
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Difference per year for six year job life \$34,000/year.

After you have had a chance to review this additional information I would like to discuss with you the position we should take with Armaco regarding their proposed Amendment No. 5.

RJW:fc

KEN 007676

January 2, 1968

5. Revised Indirect Management Percentages	<u>74,000</u>
Total	\$180,700
Difference per year for 6 year job life	\$ 30,000/year

After you have had a chance to review the words of the amendment and to consider items I have discussed above I would appreciate it if we could have a meeting and arrive at some management decisions as to the position we wish to take with Armac.

RJW:fc
Atts.

KEN 007677

Amendment No. 5 to Agreement Dated May 21, 1964

THIS AGREEMENT, made and entered into as of June 1, 1967, by and between ARMCO STEEL CORPORATION (hereinafter referred to as "Owner") and KAISER ENGINEERS, INC. (hereinafter referred to as "Contractor"),

WITNESSETH THAT:

WHEREAS, Owner and Contractor on May 21, 1964, entered into an Agreement for engineering, construction, and other services to be performed by Contractor relating to Owner's proposed expansion and modernization programs at its Middletown Works and its Butler Works (hereinafter referred to as "Agreement"), the Agreement having been heretofore amended; and

WHEREAS, the parties desire to amend certain provisions of that Agreement as hereinafter set forth:

NOW, THEREFORE, IT IS AGREED:

1. ARTICLE C of the Agreement, as amended by Amendment No. 1 and No. 3, is hereby revised in its entirety to read as follows:

ARTICLE C - FEE

Section C-1. In addition to reimbursement of costs and expenses as provided in ARTICLE B, Owner shall pay to Contractor a fixed fee as provided below.

- (a) Upon completion of the general arrangement drawings and a definitive scope of work for each project comprising Owner's proposed expansion and modernization programs at its Middletown works and its Butler works, an engineering report which will describe the scope of work for such project including a definitive estimate of the cost of the project, will be prepared and agreed upon by Contractor and Owner. Each such definitive estimate of cost shall include the total cost of all labor, employee benefits (burden), rental and operation of construction equipment, material, supplies, subcontracts, machinery

Owner is ready to proceed with the construction of such portion. The fixed fee payable hereunder shall then be adjusted on the basis of such revised fee base.
/ estimate.

Section C-6. Contractor's fixed fee will be subsequently adjusted to take into account the actual escalation, if any, in the cost of material, machinery, and equipment which occurs after agreement on the definitive estimates ^{as cost} of each project. In the event the purchase documents provide for the possible application of escalation and the invoice documentation appropriately includes escalation, such escalation will be determined and the applicable fee adjustment ^{computed} ~~ascertained~~ upon completion of each ^{facility} ~~facility~~. The amount of escalation will be determined from invoice documentation in accordance with the purchase order applicable to the material, machinery and equipment, purchased for such construction.

Except as expressly amended, the provisions of the agreement shall remain in full force and effect and shall apply to all work heretofore performed thereunder, as well as that hereafter to be performed.

IN WITNESS WHEREOF, the parties have executed this Agreement effective as of the day and year first hereinabove written.

ARMCO STEEL CORPORATION
(Owner)

Vice President

KAISER ENGINEERS, INC.
(Contractor)

By _____
Vice President

KEN 007679

Amendment No. 1 to Agreement Dated May 21, 1964

THIS AGREEMENT, made and entered into as of January 13, 1966, by and between ARMCO STEEL CORPORATION (hereinafter referred to as "Owner") and KAISER ENGINEERS, INC. (hereinafter referred to as "Contractor"),

WITNESSETH THAT:

WHEREAS, Owner and Contractor on May 21, 1964, entered into an Agreement for engineering, construction, and other services to be performed by Contractor relating to Owner's proposed expansion and modernization programs at its Middletown Works and its Butler Works (hereinafter referred to as "Agreement"); and

WHEREAS, ARTICLE C of said Agreement provides that definitive estimates of cost of facilities at each location will be agreed upon for purposes of determining Contractor's fixed fee and that until such fixed fee is established, Contractor shall be paid a tentative fee in an amount equal to twenty percent (20%) of certain specified reimbursable costs; and

WHEREAS, pending establishment of Contractor's fixed fee and in lieu of the tentative fee provided for in Section C-3 of the Agreement, the parties desire, for fee progress payment purposes, to provide for an interim fee based upon preliminary estimates of cost of facilities at the Middletown Works and the Butler Works and desire to amend the Agreement to set forth provision for such interim fee.

NOW, THEREFORE, IT IS AGREED:

1. ARTICLE C, Section C-3, of the Agreement is hereby revised in its entirety to read as follows:

APPENDIX "C"

CLASSIFICATIONS OF ESTIMATED COST OF THE WORK

A. ITEMS TO BE INCLUDED

1. The cost of all materials, machinery, equipment, labor, design, and other services in connection with the planning, design, and the construction of the initial facility, including vendors' erection supervision and technicians during construction and until completion of initial testing.
2. The cost of all materials, machinery, equipment, labor, design and other services used in (1) the relocation of facilities from one location to another, (2) the removal of facilities in the case of retirement or storage, and (3) the modification of existing equipment. (Retirement includes only the cost to retire and not loss on assets.)
3. The cost of all materials, machinery, labor, and other services associated with the act of placing the completed initial facility into operation, including, but not limited to, acceptance tests, lubrication, cleaning and flushing of pipe lines, changes or modifications to initial facility, stand-by services, temporary installations, etc.

B. ITEMS TO BE EXCLUDED

1. The cost of training operating and maintenance forces, raw and semifinished material to be processed, and the services of vendors' technicians and supervision after completion of initial testing.
2. The cost of acquiring non-installed motors, rolls, and subcomponents of equipment to provide insurance against failure of such identical pieces installed in the initial facility, i.e. replacement parts.
3. Sales and use tax for any material supplied under a purchase order which will be incorporated into and become a part of the completed facility for which Owner will provide a Direct Payment Permit.



March 15, 1965

Industrial Commission of Ohio
Columbus,
Ohio

Re: Kaiser Engineers, Inc.

Gentlemen:

Kaiser Engineers, Inc. has been selected as the general contractor for our "Project 600", a major construction project over the next six years.

In the completion of this project, Kaiser Engineers will use the existing medical and hospital facilities of Armco Steel Corporation and will be reimbursed for all other workmen's compensation expense by our company.

Upon the completion of this project, Armco Steel Corporation desires to assume any continuing payments to claimants where injuries were sustained as a result of the construction of "Project 600".

Very truly yours,

Corporate Insurance Manager

R. E. Moore
clh

bcc: R. A. Davies
A. R. Walker
D. J. Young ✓

KEN 007682