

KEENE

INSULATION & CONTRACTING DIVISION

#2

INSULATION & CONTRACTING DIVISION

P.O. BOX 145 · PRINCETON, NEW JERSEY 08540 · PHONE (609) 452-8090

December 28, 1973

Bechtel Corporation
Fifty Beale Street
San Francisco, California 94119

Attention Mr. H. Yost

Gentlemen:

Enclosed are the following submissions of items scheduled for invoicing in accordance with our agreement letter:

1. Added costs of emergency material substitution
2. Additional support labor costs on EWO's
3. Costs of aluminum gauge change from .016 to .025

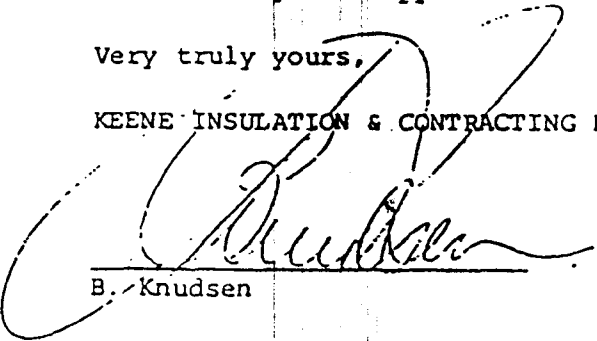
Before submitting actual invoices with backup documentation, I felt it would be advisable to submit these preliminary copies for your review.

I would like to call you about mid week to discuss any questions or suggestions in connection with these submissions.

Your attention to the above is very much appreciated.

Very truly yours,

KEENE INSULATION & CONTRACTING DIVISION


B. Knudsen

BK/rkj
Enc.

PLAINTIFF'S
EXHIBIT

05659.00

PLAINTIFF'S
EXHIBIT

WV-010117

KEENE INSULATION & CONTRACTING DIVISION

MEMO INVOICE

. Added material cost for securing calcium silicate from substitute sources	\$ 6,493.
. Added labor cost for application of double vs single layer calcium silicate	14,358.
. Added material cost for .016 aluminum jacketing	7,412.
. Added labor cost for application of .016 vs factory applied	11,408.
. Loss on emergency Unibestos materials	<u>20,200.</u>
Sub Total	59,871.
20% OII/Profit	<u>11,974.</u>
TOTAL	<u>\$71,845.</u>

ADDED COSTS OF EMERGENCY MATERIAL SUBSTITUTIONS

After contract award, orders for calcium silicate were placed with Owens-Corning. With respect to Labadie, that vendor constituted our primary source for such materials.

Labor problems encountered in late 1971, forced a shutdown of Owens-Corning plant at Berlin for an extended period of time. We waited for a period of approximately two months in anticipation that the strike would be settled and permit shipment of our orders. Pressure to proceed with insulation work mounted. Demand for materials became critical. It finally reached a point where alternate sources for materials had to be located and substitute methods utilized to accomplish emergency insulation work.

In order to meet scheduled dates and demands Keene incurred a series of additional labor and material costs as a result of such substitutions which costs were neither anticipated nor included in the job estimate.

The attached invoice covers such costs and the accompanying narrative explains the basis for their incurrence.

\$6,493. - Increased purchase price of calcium silicate.

Because of the strike at the Berlin plant, we had to cancel our calcium silicate orders with Owens-Corning on December 27, 1971 and secure same from other sources. Our purchase price was \$64,929. Our cost from Owens-Corning for the same materials would have been \$58,436. since we were price-protected in connection with Labadie requirements.

\$14,358. - Additional labor costs incurred on Unit #3 as a result of expediting insulation of the auxiliary steam piping and heating system to avoid freezing.

During the period of the O-C strike, we were notified in the last week of October 1971 that the auxiliary steam was to be turned on in Unit #3 for temporary heating during the winter months and instructed to proceed immediately to secure whatever materials were necessary from all available substitute sources in order to accomplish insulation of these systems. We advised Bechtel that the only available material was double layer without factory applied aluminum jacketing. We were then instructed to install at least one layer of insulation on the auxiliary steam system.

We had provided \$12,687. in our estimated basic use of single layer factory applied aluminum jacketing in accordance with specifications. Our cost for installing double layer insulation amounted to \$27,045.

\$7,412. - Material costs to provide .016 aluminum jacketing for the foregoing insulation of the auxiliary steam system.

It was necessary to place our order for .016 aluminum jacketing with Childers and specify that same be fabricated to match the factory applied jacketing. The material costs for the special fabricated jacketing was \$14,825. and this represented a 50% premium over our regular factory applied jacketing.

\$11,408. - Labor costs for field applying .016 jacketing.

Specifications called for .025 aluminum on field applied jacketing and restricted .016 to off-site application. We were advised that specifications would have to be followed.

Since we had already purchased the .016 jacketing, it became necessary to ship same to our Fabricating Shop for application and re-shipment to the job.

We expended \$9,126. in fabrication labor at the shop and \$2,252. in re-handling and re-shipping.

\$14,500. - Material costs for disposing of substitute materials not approved for use under the Bechtel-Labadie contract.

In order to supply the materials necessary to comply with Bechtel directed emergency requirements, we checked for sources capable of furnishing materials in sizes and thicknesses required. Pittsburgh Corning was ceasing manufacturing of Unibestos and offered inventory for sale at each of their plants. After reviewing their inventory and checking against sizes and thicknesses necessary for the job, we purchased the inventory of their Tyler, Texas plant for \$15,000. We felt this material was satisfactory because it was in the Combustion Engineering Specs. and was being shipped by their supplier for use on Unit #3. However, we were informed that we could use it only on the C. E. portion of the work and not on the Bechtel portion. We did use as much of the material as possible in areas that C. E. supplier had shipped short or had not shipped at all, but the balance of the material was discarded with the exception of two (2) trailer loads sold as distressed material at \$250. per trailer load. This resulted in a cost to Keene of \$14,500. for material loss.

We also expended \$2,700. for warehousing and \$3,000 for trucking and handling.

The foregoing does not include added labor costs that were incurred on the auxiliary steam system due to the release sequence of such work.