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# Georgia Power and Gas Infrastructure Project (PGIP)

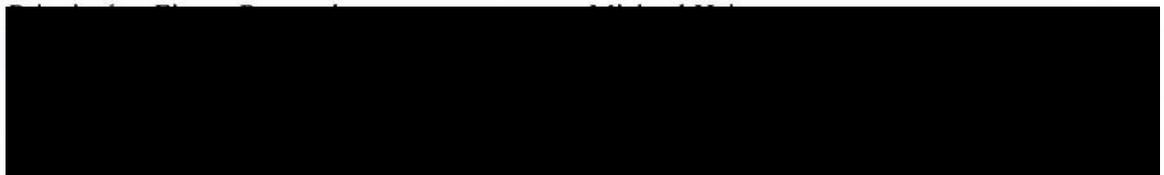
QUARTERLY REPORT  
Q2 FY 2011



July 27, 2011

This publication was produced for review by the United States Agency for International Development. It was prepared by Tetra Tech, Inc.

**This report was prepared for the United States Agency for International Development, Contract No. *AID-EDH-00-08-00027* - *AID-114-TO-10-00003*. USAID/Caucasus - Georgia Power and Gas Infrastructure Project, Infrastructure Oversight and Capacity Building**



Implemented by:

Tetra Tech, Inc



In association with:





July 27, 2011

██████████  
Contracting Officer's Technical Representative  
Office of Energy and Environment  
U.S. Agency for International Development  
11 George Balanchine Street  
Tbilisi, 0131 Georgia

**Re: Contract No. AID-EDH-I-00-08-00027-00–AID-114-TO-10-00003  
USAID/Caucasus - Georgia Power and Gas Infrastructure Project  
Quarterly Report for Second Quarter FY 2011 (April, May, and June)**

Dear Mr. ██████████

In accordance with the requirements of EDH-I-00-08-00027-00, and on behalf of the Tetra Tech team, please find our Quarterly Progress Report for the Second Quarter Fiscal Year 2011. The report covers the period of April 1, 2011 through June 30, 2011.

We look forward to your review and welcome your comments and suggestions.

Very truly yours,

A large black rectangular redaction box covering the signature of the Acting Chief of Party.

Acting Chief of Party

# GEORGIA POWER AND GAS INFRASTRUCTURE PROJECT QUARTERLY REPORT FY 2011

July 27, 2011

## **DISCLAIMER**

The author's views expressed in this publication do not necessarily reflect the views of the United States Agency for International Development or the United States Government.

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## 1.0 Executive Summary

This is the Fourth Quarterly Report submitted under Task Order **AID-EDH-00-08-00027 – AID-114-TO-10-00003**; Georgia Power and Gas Infrastructure Project. The reporting period is for April 1, 2011 through June 30, 2011.

**Table 1 Active Q2 Work Orders**

Table 1 Active Q2 Work Orders										
Work Order Type	Sector									
Administrative Work Orders	Power Infrastructure	Gas Infrastructure	Tender Documents	Construction Oversight	Capacity Building	Public Relations and Branding	Quality Assurance and Quality Control	Environmental Assessment	Design Activities	Procurement Plan

For the power component of the project the significant progress in the second quarter was start and the finish of the geotechnical survey by Basiani-93. The results of this survey enable Power Engineers to confidently proceed with the design of the line and substations. The environmental investigation by Gergili Ltd started this quarter. There were no significant problems this quarter with the power component.

For the gas component of the project the significant progress was completion of the Georgian language design work by GOGC for Phase II. The significant problem for the gas component in the second quarter was (a) the slow construction progress and (b) the gas regulation station issue. The construction progress has picked, and the gas regulating regulation station issue was resolved in July.



### **3.0 Contract/Task Order Activities**

#### **3.1 Gas Infrastructure Development and Rehabilitation**

##### **3.1.1 Performed Studies and Reviews**

During the second quarter of 2011 the PGIP team's main focus was concentrated on support and oversight of the Senaki – Poti – FIZ (free industrial zone) project implementation. The project was moving to its final stage and was supposed to be completed by June 30, 2011. Therefore, it required special focus and attention in order to resolve all pending issues from previous quarter, to ensure the quality and timeliness of all planning and construction related operations.

Significant time was dedicated and progress achieved on development of a plan for the Abasha Kutaisi pipeline project. As it was decided in the Q2, the latter will replace the Saguramo – Khashuri pipeline rehabilitation project.

In the Q2 the team was actively involved in all major operations related to the Senaki – Poti pipeline construction monitoring. These activities included studies and reviews of the documents submitted by the GOGC, the project contractors and providing relevant feedbacks and recommendations.

During this period the team had:

- Reviewed the health, safety and environmental (HSE) control implementation documents. The results of the reviews were positive and the team did not recommend any significant changes to the documents.
- Reviewed the project implementation procedures and plans and made appropriate comments and recommendations. The subject of permanent concern was and remains the construction speed. All comments and recommendations were shared with the GOGC and contractor teams during the meetings, as well provided in a written form.
- Reviewed the QA/QC Inspection procedures, made relevant recommendations, which were envisaged by the construction company.
- Reviewed the amended pipeline project details: engineering surveys, calculations, drawings, environmental issues, technological issues and organizational part. All these changes were evaluated positively by the team except for two cases:
  1. The construction progress is behind of the revised schedule, which had significantly extended the initial completion deadline. Based on the last plan, it was supposed to be completed in June 2011, but GOGC provided a revised schedule, which envisages completion to take place in July 2011.
  2. The construction will not include the Gas Regulating Station (GRS), which is an integral component of the pipeline system. Since the contractor was not able to import the GRS, it was decided in mid July 2011 to exclude this component from the current construction contract and to announce separate tender for its supply and installation.
- Studied the project implementation methods, speed and solutions for its acceleration. In all relevant cases the team had provided recommendations and feedback.

- Developed and studied environmental assessment documents for the Poti - Senaki pipeline rehabilitation activities.

With respect to the Kutaisi - Abasha pipeline GOGC developed Scoping Statement which was approved by the Bureau Environmental Officer (BEO) on June 15. Currently GOGC in coordination with Tetra Tech is in the process of development of the Project's Environmental Assessment (EA). The initial EA report was submitted to the BEO for approval and currently the PGIP team, in cooperation with the GOGC specialists, is working on incorporation of the comments received from the BEO. It is expected to be completed and resubmitted for approval in the first half of July.

In the second half of the Q2, GOGC started to develop a project for Senaki - Abasha portion of the pipeline. After completion it will be submitted to the Tetra Tech team for its comments.

### 3.1.2 Field Operations

In The Q2 the PGIP team continued a very close monitoring of the Senaki - Poti pipeline construction.

The team had performed number of visits to the construction sites. The visits afforded number of observations, based on which the team proposed changes and amendments for construction speed improvement. All recommendations were accepted by GOGC and the contractor, but the latter was not able to accelerate the operations.

In relation to indicated shortfalls, its concerns and recommendations, the PGIP team was providing a weekly status reports to USAID.

### 3.1.3 Meetings

For accomplishing the project tasks, the PGIP team had held number of formal and informal meetings with the involved parties. This allowed a close participation in the development processes and ensured issuance of relevant recommendations for GOGC and the construction companies.

The PGIP team recorded and reported following formal meetings:

On April 14, 2011 during the meeting with USAID, the parties have discussed:

- Status of the No Objection Letter (NOL) for the Rioni River Aerial Crossing. The PGIP team indicated the NO decision and documentation would be provided following receipt and review of the pertinent documentation from GOGC.
- Concerns related to contractor for the Lots I, II and III (Sakhydro), and alternatives for construction completion
- Status of the Saguramo – Khashuri project completion plans, and the impact of potential changes could have on the work activities of PGIP.

On April 15, 2011, the project and USAID team had a meeting with GOGC and contractor (Sakhydro). The following discussions took place in relation to the Lots I, II and III:

- The contractor took a commitment to add two crews on Field Joint Coating, for the construction speed increase.

- The contractor indicated that there were six excavators on the project, and six more excavators would be added.
- Both GOGC and Sakhydro assured participants, that the work would be completed within two months period.
- The contractor indicated that project financing from GOGC was a significant problem, causing delays.
- The contractor justified delays partially by poor weather conditions as well (USAID and PGIP indicated that even though the weather conditions recently have been improved, the work progress was still behind the schedule).

**On April 20, 2011**, following the USAID Partners meeting at the US Embassy in Tbilisi, a meeting was held, in which it was indicated that the Saguramo – Khashuri project was likely to be abandoned, and an alternative project would be implemented (Senaki - Abasha – Kutaisi).

**On April 28, 2011**, the project team met GOGC representatives and agreed that GOGC will prepare and provide a report about lessons learned during the project. The participants also agreed:

- GOGC to revise the quarterly report to address questions provided by PGIP.
- GOGC to prepare a report which will provide information about all concerning issues related to the project implementation.
- GOGC to provide to the PGIP team for further review a detailed analysis for the aerial crossings - GOGC to provide for the PGIP team's further review an analysis of the routing of the Abasha - Senaki pipeline (north or south of the Rioni River).
- GOGC to provide wall thickness calculations for the design of the Abasha – Senaki pipeline and the Kutaisi – Abasha pipeline.

During the meeting on **May 5, 2011**, PGIP and GOGC representatives discussed various issues related to completion of the construction on Lots I, II and III.

**On May 19, 2011**, USAID, PGIP and GOGC representatives met in Poti and discussed construction works on Lot I, II, and III. Progress on Lot II was expected to be improved, as additional equipment was brought to the work area. The work for Lot III was almost completed, except for hydrotesting. It was reported that the process of signing acceptance certificates with landowners was under way. The completion schedule was revised, with expected completion by July 31, 2011.

**On June 23, 2011**, during the meeting PGIP and GOGC have had discussions in relation to completion of the constructions on Lots I, II and III, installation of cathodic protection, the gas regulating station (GRS) and the operating pressure of Senaki - Poti pipeline without the completed GRS.

### **3.1.4 Letters of No Objection**

On April 19, 2011, the Letter on No Objection was issued in response to GOGC letter from March 9, 2011. The letter was concerning the design changes in the Senaki - Poti gas pipeline construction (including the Rioni River crossing design change).

### **3.1.5 Site Visits**

On April 27, 2011, the project team performed a site visit to the Senaki – Poti - FIZ project area and the proposed Abasha - Kutaisi Pipeline route to conduct site reconnaissance of the proposed Abasha

- Senaki and the proposed Kutaisi - Abasha Project, to provide engineering review of river crossings, and to review the alternative routing (north or south of the River Rioni River) of the proposed and Kutaisi - Abasha Pipeline. The Tsivi River, Tekhura River, and Negola River crossings areas (Abasha – Senaki section) were visited and crossing alternatives were discussed. The pipeline routing alternatives of the Kutaisi - Abasha section were discussed, as were the crossing alternatives of the Rioni River crossing.

On May 19 and 20, 2011, a PGIP engineer made a site visit to the Senaki – Poti - FIZ project area to review the status of construction, visiting Lots I, II and III and reviewing the status of the negotiations with landowners.

#### 4.0 Power Infrastructure (Electricity Transmission Upgrade, Reconstruction and Operation)

During the Q2 significant progress was made on the electrical part of the Georgia Power and Gas Infrastructure Project (PGIP). The following summarizes the pertinent activities during this period.

- LTD Basiani-93 began a ground survey and geotechnical investigation for the Senaki 220 kV transmission line, the Menji and Tskaltubo substations, and the proposed Mukhuri substation. Preliminary ground survey work products were provided to the PGIP team (POWER) for review on June 13, 2011. The final ground survey was completed by LTD Basiani 93 in June, 2011.

The team member [REDACTED] visited Georgia from April 26, 2011 to May 5, 2011. He had inspected transmission line route and substations. [REDACTED] held meetings with the GSE representatives, local equipment suppliers and several briefings with USAID staff.

- The PGIP team members [REDACTED] visited Georgia from May 14, 2011 to May 27, 2011. The purpose of this visit was to determine various design parameters for the transmission line and substations. In addition, they inspected the ongoing ground survey and geotechnical investigations performed by LTD Basiani 93. They also met with GSE engineers and the local equipment suppliers. This visit provided vital engineering design and contract tender document information.
- The “Sources Sought” document was prepared to solicit interest from a potential engineering – procurement – construction (EPC) contractors for the construction of the Senaki 220 kV transmission line, the Menji and Tskaltubo substations which was submitted for USAID’s further review.
- USAID subsequently advertised the “Sources Sought” document through appropriate government channels. Responses from interested contractors were due by June 30, 2011. Studies of expressed interest documentation will take place in July 2011. During this period the project staff (POWER) was actively contacting qualified U.S. EPC contractors for ensuring their awareness about the upcoming project.
- An EPC contractor “Pre-Qualification” document is in the development process and will be submitted to USAID by July 1, 2011.
- The project design criteria” is in the finalizing stage. It will be completed based on the results of recent field visits by [REDACTED]. The document will be submitted to USAID by July 1, 2011.
- The overall project schedule was completed and submitted to USAID. It is consistent with objectives, discussions and meetings with USAID.
- The project team continues to hold internal technical meetings for the design and preparation of the project tender documents.

## **5.0 Capacity Building**

The SOW for the PGIP does not have a component for capacity building at GSE and GOGC in terms of policies, strategies, O&M protocols, etc.

Project team has and will provide on-the-job and informal mentoring to both GSE and GOGC personnel.

## **6.0 Public Relations and Branding**

In the Q2 the PGIP team continued its efforts for increasing a public awareness and transparency in relation to the project development, its achievements, status and upcoming events.

Revised version of the project's official website was submitted to USAID for review and final approval. USAID requested PGIP to make several changes that were taken into account by the Design Company. The final version of the PGIP website became operational from June 8, 2011. The link to the website is: <http://pgip.ge/>

## **7.0 Environmental Assessment**

### **7.1 Electricity Component**

As reported in the previous quarterly reports, in December 2010, the PGIP had announced invitation for expression of interest in tender participation for the environmental survey and assessment. By March 31, 2011 (the proposal submission deadline), the following companies had submitted their expressions of interest:

- LTD WEG
- LTD Gergili
- LTD Geographic
- LTD GAMMA
- Asia Caucasus Environmental Consultants LLC – Georgia in association with Asian Consulting Engineers Pvt. Ltd. India (ACEC)

On April 11, 2011 the Tender Evaluation Commission (TEC) completed the bid studies and clarified that none of the companies had provided a detailed cost breakdowns. The TEC then requested that the companies provide the requested information by April 13.

On April 15, 2011, the TEC completed the evaluation process. The commission decided to award the bid to LTD Gergili which provided technically feasible documentation and had the most competitive contracted price [REDACTED].

After the contract was signed, the project team with Gergili had developed an Environmental Scoping Statement, which was shared with public representatives during series of public consultation meetings. The document was submitted to USAID BEO for comments and comments were received by Tetra Tech back from BEO on June 20. Currently Tetra Tech is working on integration of the comments and addressing relevant issues and in the beginning of the Q3 the document will be resubmitted to BEO for final review and approval. In parallel the baseline survey was completed for the Environmental Assessment.

### **7.2 Gas Component**

Tetra Tech in coordination with GOGC participated in a public meeting for the Abasha - Senaki pipeline rehabilitation project.

The Scoping Report was prepared and approved by the BEO. Currently GOGC is in the process of development of the EA report.

## **8.0 Procurement Plan (CAPE Software)**

In Q1, several meetings with GSE and the Ministry of Energy were held for addressing issues related to the CAPE Software procurement. It was clarified that since the GSE is a state owned enterprise, for signing the license agreement with the overseas company that owns the software, the relevant documents were required to be submitted to the Ministry of Justice of Georgia for its approval.

On March 28, 2011 the revised draft License Agreement was submitted to the Ministry of Justice and the License Agreement on the software procurement was signed by GSE in May. It was submitted to USAID for the final approval and the decision is anticipated to be issued in the Q3, 2011.

## 9.0 Abbreviations

BEO	Bureau Environmental Officer
EA	Environmental Assessment
EPC	Engineering, procurement and construction
<b>exp</b>	<b>exp</b> (Trow Construction Company)
FIZ	Free industrial zone
GOGC	Georgia Oil and Gas Company
GRS	Gas regulating station
GSE	Georgia State Electrosystem
HSE	Health, safety and environmental
LLC	Limited liability Company (Corporation)
LTD, Ltd	Limited (corporation or company)
NO	No Objection
NOL	No Objection Letter
O&M	Operations and maintenance
PGIP	Power and Gas Infrastructure Project
POWER	Power Engineers, Inc.
Pvt	Private
Q1	First Quarter (January, February and March)
Q2	Second Quarter (April, May and June)
QA/QC	Quality Assurance / Quality Control
SOW	Scope of Work
TEC	Tender Evaluation Committee
USAID	United States Agency for International Development
USD	Unites States Dollars

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