



USAID | AFGHANISTAN

FROM THE AMERICAN PEOPLE

SHEBERGHAN GAS GENERATION ACTIVITY (SGGA)

Contract No. EPP-I-00-03-00004-00, Task Order No. AID-306-TO-12-00002

Monthly Report

Period: March 1 – March 31, 2013

Prepared by:

Advanced Engineering Associates International, Inc. (AEAI)/SGGA Project Team
1707 L Street, NW, Suite 1030, Washington, DC (USA) 20036
Telephone: 1-202-263-0601

This Monthly Report is made possible by support from the American People jointly sponsored by the United States Agency for International Development (USAID) and the Government of the Islamic Republic of Afghanistan. The contents of this Monthly Report were prepared by Advanced Engineering Associates International, Inc. and are the sole responsibility of Advanced Engineering Associates International, Inc. and do not necessarily reflect the views of USAID or the United States Government.

Table of Contents

1	GAS WORKSTREAM (MOM LIAISON, DRILLING, ENVIRONMENTAL).....	1
1.1	Achievements / Activities.....	1
1.2	Meetings.....	1
1.3	Challenges.....	2
1.4	Plans for Next Month.....	2
2	ENERGY AND POWER WORKSTREAM (DABS and MEW).....	2
2.1	Achievements / Activities.....	2
2.2	Meetings.....	2
2.3	Challenges.....	3
2.4	Plans for Next Month.....	3
3	CAPACITY BUILDING (DABS & MOM, ECONOMICS, TRAINING).....	3
3.1	Achievements / Activities.....	3
3.2	Meetings.....	3
3.3	Challenges.....	3
3.4	Plans for Next Month.....	4
4	RISK MANAGEMENT AND TRANSACTION ADVISOR WORKSTREAM.....	4
4.1	Achievements / Activities.....	4
4.2	Meetings.....	4
4.3	Challenges.....	4
4.4	Plans for Next Month.....	4
5	PROCUREMENT WORKSTREAM.....	4
5.1	Achievements / Activities.....	4
5.2	Meetings.....	5
5.3	Challenges.....	6
5.4	Plans for Next Month.....	6
6	GAS MARKET WORKSTREAM.....	6
6.1	Achievements / Activities.....	6
6.2	Meetings.....	6
6.3	Challenges.....	6
6.4	Plans for Next Month.....	6
7	SECURITY.....	6
8	PROJECT SCHEDULE AS OF MARCH 28, 2013.....	7

Acronyms and Abbreviations

ADB	Asian Development Bank
AEAI	Advanced Engineering Associates International Inc.
AGE	Afghan Gas Enterprise
AISA	Afghan Investment Support Agency
APPF	Afghan Public Protection Force
ARDS	Afghanistan Reconstruction and Development Services
COC	Chief of Commercial
COO	Chief Operating Officer
DABS	Da Afghanistan Breshna Sherkat
DG	Director General
E&P	Exploration and Production
HR	Human Resource
kV	Kilovolt
MEW	Ministry of Energy and Water
MoM	Ministry of Mines
NEPA	National Environmental Protection Agency
NHU	North Hydrocarbon Unit
NW	North West
PSD	Personnel Security Detail
SGDP	Sheberghan Gas Development Project
SGGA	Sheberghan Gas Generation Activity
SWG	Sheberghan Working Group
TFBSO	Task Force for Business and Stability Operations
TOR	Term of Reference
TPAO	Türkiye Petrolleri Anonim Ortaklığı (Turkish Petroleum)
USAID	United States Agency for International Development

1 GAS WORKSTREAM (MOM LIAISON, DRILLING, ENVIRONMENTAL)

1.1 Achievements / Activities

- Completed application to Afghan National Environmental Protection Agency for environmental Certificate of Compliance for Bashikurd/Juma drilling and re-entry operations.
- Wrote advertisements and press release for petroleum engineering services.
- Commenced preparation of conceptual engineering studies for Bashikurd/Juma gas gathering system, gas treatment plant potential commercial capacity.
- Prepared report on preliminary study for gas gathering and gas processing plant and other related project aspects.
- Provided advice to Ministry of Mines regarding bids submitted for Bashikurd/Juma drilling and re-entry tender.
- At request of Ministry of Mines, reviewed bid security submitted by drilling/re-entry tender bidders and conducted due diligence research on some bidder.
- Continued preparation of conceptual engineering studies for Bashikurd/Juma gas gathering system, gas treatment plant potential commercial capacity, and completed plans for field inspections for study.
- Sent market research letters requesting performance specifications and costs for gas processing plant to South Tex Treaters, Inc.; Dickson Process Systems; Valerus; William Brothers Engineering; Fluor; Propak Systems; Newport Gas.
- Provided memorandum to Ministry of Mines summarizing publicly available corporate and joint venture information available on apparent low bidder in Bashikurd-Juma drilling and re-entry tender, and analyzing deficiencies in the bank guarantee submitted by this bidder as its bid security.
- Completed first draft of the conceptual engineering study of the planned gas gathering system and gas treatment plant capacity design and commercial options following field inspection of proposed locations at Sheberghan 24-26 March 13. This study will be the basis for the TOR for the tender for engineering design services for the gas gathering system and gas treatment plant.

1.2 Meetings

- 2 Mar 13, Bid opening for re-entry/drilling contract.
- 3 Mar 13, Met with Zamir, Ali Reza of Ministry of Mines regarding tender results and bid review process.
- 9 Mar 13, Met with G. Murray, J. McDonough of TFBSO to arrange coordination of efforts regarding corporatization and business structure of ministry of mines commercial units and capacity building.
- 11 Mar 13, Met with USAID, weekly team meeting.
- 16 Mar 13, Weekly meeting with USAID, primarily focused on latest bid evaluation status, advertisement of petroleum engineering services, and status of updating the overall project schedule.
- 17 Mar 13, Monthly three-party meeting with MoM and USAID on staffing of gas development section, gas pricing; also met with Eng. Zamir to review bid of apparently non-responsive bidder.
- 19 Mar 13, Met with Jalil Jumriany at MoM to discuss bid evaluation completion.
- 23 Mar 13, Met with USAID for weekly meeting; discussed latest tender evaluation report status and overall project schedule.

1.3 Challenges

- Conducted market research to collect data about gas processing plant's cost and performance specification firms; South Tex Treators, Inc; Dickson Process Systems; Valerus; William Brothers Engineering; Fluor; Propak Systems; Newport Gas. No response from industry.
- When SGGA staff visited the Afghan Investment Support Agency (AISA) to obtain basic registration information about bidders in the Bashikurd/Juma re-entry/drilling tender, AISA staff refused even to provide information on whether the companies were registered, telling SGGA staff that a letter from the Ministry of Mines requesting the information was required. The visit to AISA was required because a search of AISA's online, publicly available database showed 'no match' for a bidding company under the name and license number provided to the Ministry by the bidder. We believe that requiring such a letter violates AISA policy and possibly Afghan open records requirements.

1.4 Plans for Next Month

- Coordinate with NEPA for approval of environmental requirements.
- Assist MoM with next steps on tender evaluation.

2 ENERGY AND POWER WORKSTREAM (DABS and MEW)

2.1 Achievements / Activities

- Formulated and analyzed historical data, commercially of value for loss calculation in Mazar Breshna; compiled the stock list of distribution transformers to estimate the potential growth; assessment reports largely complete.
- Verified the geographical coordinates of important locations including electricity distribution stations (Substations & Junction Stations) and large consumers in Mazar-e-Sharif.
- Continued working on mapping (via Google-earth imageries) the location of existing substations, 220/110/20kV and 110/35/6kV and large consumers in Mazar-e-Sharif.
- Analyzed the energy actual consumption to prepare the load forecast for the Northern Provinces.
- Solidified the scope of work for power system studies to define transmission system improvements necessary for the Northern Provinces.
- After analyzing DABS load consumption in the Northern Provinces, best case scenarios have been developed based upon the load forecasts. The team is now considering various assumptions to discuss with DABS.
- The Sheberghan Project Manager Team agreement was again discussed with DABS; besides their request for complementary salaries which was rejected, DABS does not have further comments.
- Various meetings were held with DABS Project Implementation Unit, Eng. Walli Oria and his team, to discuss the content of the training program for DABS. It appears that Eng. Oria would be named our counterpart for Sheberghan Project Management Team.
- A SGGA delegation traveled to Sheberghan City for a coordination meeting with Breshna there took place to start, with DABS participation, collecting information about the distribution network: transformer stations location, capacity, and status. This is part of on the job training.

2.2 Meetings

- 2 Mar 13, Attended weekly SGGA meeting with USAID; explained the purpose of visiting Mazar Breshna and the accomplishments, the SGGA Power Team had therein.

- 5 Mar 13, Held Power Team weekly meeting, to finalize Mazar Breshna assessment reports, maps and single line diagrams.
- Met with DABS Corporate Planning Director Khwaja Masood to discuss assumptions for the Northern Provinces load forecast.
- Met with Project Manager Wali Oria to go through Sheberghan Manager Team Agreement.
- Met with DABS Project Implementation Unit, Eng. Wali Oria and his team which objective was explained above.

2.3 Challenges

- SGGA is making an assessment with DABS Kabul and NW District management to define the Project Management Team composition from DABS. After definition, DABS will be better able to understand the level of their personnel to support to the Sheberghan Project Management Team. Subsequently DABS can determine level of commitment until program completion.

2.4 Plans for Next Month

- An initial Capacity Building Program is being discussed with DABS middle management, during this coming month, goals are to: present it to DABS COO and COC for their approval, assign prioritization of the courses and selection of the attendees, and to prepare and translate material at least for two of the courses.
- In parallel to the above, this Capacity Building Program will be discussed with MEW – Policy Department.
- Another activity is to continue collecting the data from Northern Provinces (Faryab and Jowzjan and Sar-e-Pul).

3 CAPACITY BUILDING (DABS & MOM, ECONOMICS, TRAINING)

3.1 Achievements / Activities

- Developed training materials and executed Gender training for 16 MoM students.
- Responded to the Commerce Department attorneys regarding potential cooperation in legal capacity building courses for MoM.
- Developed more detailed plans for near and long term capacity building for MoM and DABS.
- Worked to organize and plan for upstream training for MoM staff in Sheberghan in coordination with the ADB funded well rehabilitation program.

3.2 Meetings

- Met with MoM HR Director Wali Faizi to discuss and coordinate each of the capacity building programs.

3.3 Challenges

- Obtaining firm commitments for training session's times with MoM staff to plan the next trainings.
- Arranging a time on Engineer Zamir's busy schedule to present the economic modeling of the integrated gas to power projects.
- The Ministry is in the process of reorganizing and dedicating a new organization answering directly to the Minister, a Petroleum Directorate, so it is difficult to identify the staff and continue the capacity building.
- Need to obtain TPAO written permission for work site access before proceeding with Sheberghan upstream training.

3.4 Plans for Next Month

- Finalize and deliver upstream training.
- Deliver E&P investment analysis capacity building courses to AGE and NHU in Sheberghan.
- Deliver Gender Awareness capacity building courses to AGE and NHU in Mazar & Sheberghan.

4 RISK MANAGEMENT AND TRANSACTION ADVISOR WORKSTREAM

4.1 Achievements / Activities

- Reviewed two proposals for local legal assistance.
- Continued revisions to the economic model to reflect MoM requested modifications.
- Presented an updated Gantt chart on the SGGA work plan.

4.2 Meetings

- Met with attorneys from Satchu & Zhouand to solicit a proposal for local legal support.

4.3 Challenges

- None.

4.4 Plans for Next Month

- Review prevalent gas fiscal regimes and complete revisions to the economic model.
- Prepare analysis and recommendations for selection of local legal assistance.
- Implement further refinements to the Gantt chart of the SGGA work plan.
- Prepare capacity building presentations - project finance.
- Enhance and begin capacity building program for ABSD and MEW.

5 PROCUREMENT WORKSTREAM

5.1 Achievements / Activities

- Attended bid opening and ensured meeting minutes were prepared, and announcement of results were distributed widely.
- Conducted research on tender apparent low bidders: Process Manufacturing Corporation and Jaguar Oil and Gas.
- Met with Eng. Zamir and Ali Reza to calm them down due to their worries of the implications of Turkish Petroleum being late with their bid bond and now out of contention as a backup lower priced bidder.
- Continued with a second round of market research of petroleum engineering services with the industry, primarily focused upon Gulf Coast Countries.
- Executed and advertisement in Khaleej Times in an attempt to expand advertising for the Petroleum Engineering Services requirement.
- Researched and located more companies capable of supporting MoM's petroleum engineering services requirement, enough to provide to Eng. Zamir to begin shortlisting again.
- Conducted Bid Evaluation Committee training for MoM; 8 people attended and were prepared to begin bid evaluation.
- Issued request for draft proposal to Siemens.
- Attended SWG and completed SWG meeting minutes.
- Researched questions from MoM Bid Evaluation Committee and provided answers to assist them with their bid evaluation.

- Met with ARDS to research bid re-open / re-bidding options to follow-up bid evaluation in the eventuality that the apparent low bid isn't acceptable.
- Assisted ministry with Bid Evaluation Report to ensure it was strongly justified and backed up with references to tender requirements.
- Assisted MoM with last minute additions to bid evaluation report; developed a bid rejection summary at the request of ARDS.
- Visited AISA to investigate registration/license status of apparent low bidder.
- Completed first half of contract deliverable 2-3, Report on Receipt and Evaluation of Bids and Award of Drilling Contract.
- Completed Weekly Report.
- Completed Monthly Report.
- Completed Quarterly Report.

5.2 Meetings

- 2 Mar 13, Attended weekly meeting at USAID with discussions primarily on the pending bid opening and preparation of a quick announcement of the results.
- 2 Mar 13, Attended drilling tender bid opening at ARDS; developed notes of bid opening results and distributed widely.
- 3 Mar 13, Met with Eng. Zamir and Ali Reza to answer their questions about how to deal TPAO back into the running for the contract after being late with a bid bond; we explained that there was no legal way to do it under Afghan rules or international.
- 5 Mar 13, Attended and briefed at monthly Sheberghan Working Group, Afghan Geological Survey.
- 10 Mar 13, Provided Bid Evaluation Committee training to Eng. Zamir and 7 people, including the committee.
- 10 Mar 13, Met with DG Jumriany and gave him an update on the bid opening and other operational SGGA issues.
- 11 Mar 13, Met with USAID on latest MoM bid opening issues, environmental issues, and TFBSO coordination.
- 13 Mar 13, Obtained DG Jumriany's signature accepting IL 45-06, USAID approval of tender amendment.
- 16 Mar 13, Weekly meeting with USAID, primarily focused on latest bid evaluation status, advertisement of petroleum engineering services, and status of updating the overall project schedule.
- 17 Mar 13, Monthly three-party meeting with MoM and USAID. Discussed drilling tender rebidding, SGGA technical assistance to MoM and a few other issues.
- 18 Mar 13, Met with ARDS to research bid re-open / re-bid alternatives.
- 18 Mar 13, Met with AISA to research apparent low bidder Afghan business registration.
- 19 Mar 13, Met with DG Jumriany at MoM to discuss status of bid evaluation completion and obtain signature of letter requesting AISA registration verifications.
- 19 Mar 13, Met with Eng. Zamir and provided assistance with bid evaluation report.
- 23 Mar 13, Met with USAID for weekly meeting; discussed latest tender evaluation report status and overall project schedule.
- 23 Mar 13, Met with ARDS to review and received feedback about bid evaluation report.
- 25 Mar 13, Met with ARDS to review bid evaluation report; resulted in minor revisions to some report forms.
- 26 Mar 13, Met with DG Jumriany of MoM to discuss the progress with ARDS and the Special Procurement Commission on further tendering.
- 26 Mar 13, Met with ARDS to review revisions to bid evaluation report prior to resubmitting.

- 30 Mar 13, Met with USAID for weekly meeting and discussed bid evaluation status and alternatives for re-tendering.

5.3 Challenges

- Assist MoM as required in closing out bid evaluation and reopening a new strategy.

5.4 Plans for Next Month

- Continue to assist MoM recover from bid evaluation and advice on next steps.
- Analyze Siemen's proposal and prepare Request for Consent to subcontract.
- Develop tender for Petroleum Engineering Services requirements.

6 GAS MARKET WORKSTREAM

6.1 Achievements / Activities

- Completed two week trip for economic data gathering in the Northern Provinces.
- Began analyzing the economic data gathering work in the Northern Provinces.

6.2 Meetings

- Numerous meetings with government, economic, industrial and commercial leaders for data gathering and work facilitation in the Northern Provinces.

6.3 Challenges

- Collecting accurate and complete data for the energy market in Afghanistan.

6.4 Plans for Next Month

- Prepare drafts of the Feasibility Study report sections and follow-up on any missing or ambiguous data.

7 SECURITY

- Security contract with APPF will be renewed within the next week following negotiations and relevant site surveys. Additional APPF personnel are included to provide mobile security to AEAI personnel in Mazar-e-Sharif and Sheberghan during the next phase of the project.
- Movement restrictions were imposed on AEAI international personnel on 9 Mar 13 following an attack on an Afghan National Army facility 500m East of the AEAI compound.
- A PSD team deployed to Sheberghan to provide security to one international staff member from March 24-26, 2013. Cooperation with Sheberghan Chief of Police is very good and he provides all the assistance required to enter into the gas field areas.

8 PROJECT SCHEDULE AS OF MARCH 28, 2013

Note: Revised on March 20, 2013

