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## **SHEBERGHAN GAS GENERATION ACTIVITY (SGGA)**

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

### **SGGA Quarterly Report**

(Section F, Paragraph B (3))

**April 1 - June 30, 2013**

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This Quarterly Report is made possible by support from the American People jointly sponsored by United States Agency for International Development (USAID) and the Government of the Islamic Republic of Afghanistan. The contents of this IL Advice and Support Action Plan 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.

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## Acronyms and Abbreviations

AGE	Afghan Gas Enterprise
APA	Afghanistan Petroleum Authority
ARDS	Afghanistan Reconstruction and Development Service
DABS	Da Breshna Afghanistan Sherkat
EOI	Expression of Interest
LTA	Legal Transaction Adviser
MEW	Ministry of Energy and Water
MoF	Ministry of Finance
MoMP	Ministry of Mines
NEPA	National Environmental Protection Agency
NEPS	North East Power System
OPIC	Overseas Private Investment Corporation
RFP	Request for Proposal
SGGA	Sheberghan Gas Generation Activity
SGDP	Sheberghan Gas Development Project
TPAO	Turkish Petroleum Corporation
TFBSO	Task Force for Business and Stability Operations
USAID	United States Agency for International Development

## 1. MoMP Procurement Technical Assistance (Objective 2)

Progress of Major Activity	Problems Encountered	Remedial Steps Taken/Recommended
<p><b>Drilling Tender Progress.</b>                      (1) MoMP Bid Evaluation Committee rejected all bids from the first tender effort (16 Apr 13) for failing the preliminary examination.                      (2) Following rejection of all bids from the first tender, USAID approved and MoMP and SGGA prepared an immediate re-bid for 29 May.                      (3) SGGA updated and provided MoMP a list of action items necessary to meet legal and donor requirements for executing the contract.</p>	<p>(1) Bid rejection stemmed from two main problems – inability of bidders to comply with the tender specifications such as bid security and documentation requirements, and bids submitted out of competitive range.                      (2) A losing bidder submitted a “letter of discontent” to MoMP inquiring about reasons for rejection.                      (3) The first bid evaluation was not conducted promptly or with a sufficient understanding of bid procedures and requirements.</p>	<p>(1) Bidder non-compliance with bid requirements was addressed by clarifying some instructions and attempting to inform bidders on specific requirements, especially bid security requirements.                      (2) SGGA assisted MoMP to prepare a response to the “letter of discontent.” The response specifically referenced the requirements that bidder failed to meet. No further question or objection was received.                      (3) After Weis Sherdel was named MoMP SGDP manager, SGGA moved immediately to improve MoMP’s understanding of bidding requirements and procedures by meeting with Mr. Sherdel fifteen times in May about bidding procedures and requirements, and conducting three trainings for the bid evaluation committee</p>
<p><b>Drilling Tender - Second Bid Opening &amp; Evaluations.</b> The bid opening was conducted at 2pm on 29 May 13. Four bids were received. Technical clarifications were requested from one bidder and received on 22 June. The final bid evaluation report is expected to be submitted by MoMP to ARDS in the first week of July.</p>	<p>(1) Ministry staff and the bid evaluation committee did not have adequate experience and training to promptly evaluate bids in compliance with procurement requirements and standards.                      (2) MoMP remains overly dependent on SGGA for staff support in such areas as preparing and revising reports. This appears come from the familiar situation of having capable senior managers without similarly capable mid- and junior-level staff or clerical support.</p>	<p>(1) SGGA prepared a comprehensive 58 item checklist for bid evaluation members, held bid evaluation training, answered questions from committee members, coordinated processing of clarifications from bidders, and assisted in preparation of the final bid evaluation report. The first round of review completed within ten days of bid opening with minimal SGGA assistance.                      (2) SGGA plans to discuss staff support and development issues with Weis Sherdel and explore appropriate capacity building options.</p>
<p><b>Petroleum Engineering Services Tender Progress.</b> MoMP completed shortlisting of interested firms, selecting the six most qualified to compete via a request for proposals tender.</p>	<p>Substantial time completing the shortlisting process was lost because the former MoMP project manager was unexpectedly out of the country and did not timely obtain the required committee signatures and Minister’s approval.</p>	<p>SGGA and MoMP are examining additional options in the event that the EO/RFP process does not produce an acceptable contract.</p>

## 2. DABS Technical Assistance (Objective 1)

Progress of Major Activity	Problems Encountered	Remedial Steps Taken/Recommended
<b>Dispatch Technical Assistance.</b> Prepared a scope of work to subcontract an analysis of DABS' technical performance data and provide capacity building.	Research to determine the best firm to assist SGGA's load analysis made it clear that only one firm, has the background qualifications and capability to analyze DABS' load, flow, and stability data.	SGGA is preparing a request for consent to subcontract package for USAID review that will be transmitted once the prospective contractor provides its final proposal for power analysis and capacity building.
<b>DABS Mazar-e-Sherif Assessment for Operations Department.</b> Completed a field evaluation of DABS Mazar's Operations Department 9-12 June.	Assessment identified technical challenges faced by DABS Mazar Operation Department as: 1) In order to continue replacing the old 6kV distribution system, DABS must redefine the feeder routes along the city and the conductor size depending on the load. 2) DABS needs to improve its resource shipping to reduce interruption times from maintenance and feeder failures.	SGGA is completing the assessment process and determining future steps to ensure that challenges are clearly defined and addressed.
<b>DABS Mazar-e-Sherif Assessment for Commercial Department.</b> Conducted a field assessment of Breshna Mazar's and Breshna Jowzjan's commercial departments from 9-12 June.	Our assessment found that both commercial departments need improvements in meter reading, bill processing, and customer service.	Breshna Mazar and Breshna Jowzjan need to complete collecting commercial and cash collection data for 1390 and 1391 to reconcile contradictions that exist between their data sets.

## 3. Capacity Development (Objectives 1 & 5)

Progress of Major Activity	Problems Encountered	Remedial Steps Taken/Recommended
<b>MoMP Capacity Development.</b> 1) Planned and implemented upstream economic training for 40 students from AGE, OGS and Jawzjan University, (70% male, 30% female) in Sheberghan. Completed Economic Modeling training for 8 students at MoMP. 2) Projected future training costs for capacity development program through the complete option period. 3) Coordinated selection of people to be trained for the on-site field representative positions. 4) Prepared draft National Action Plan for Women in Afghanistan presentation for MoMP. 5) Researched potential study tour	1) MoMP is creating a new division, the Afghanistan Petroleum Authority (APA), which has complicated identification of staff for training. 2) Training organizations with capabilities required to deliver on-site field representative trainings are unwilling to come to Afghanistan because of the security risk. 3) MoMP's manager of the ADB-funded re-entry program being carried out by TPAO has blocked SGGA access to observe ongoing drilling operations. This effectively blocks intended SGDP training for Afghan Gas and Northern Hydrocarbon personnel. Despite numerous attempts to resolve the	1) Until APA staffing is settled, SGGA will continue to concentrate on capacity development of general application. When APA staffing is determined, SGGA will focus training on essential individuals MoMP will require for managing drilling contractor operations, including a contract manager, program manager, and on-site field representatives. 2) SGGA responded through emails to petroleum course trainers to resolve the security concerns and has also developed alternative options to provide capacity development, including sending the Afghan employees to nearby

Progress of Major Activity	Problems Encountered	Remedial Steps Taken/Recommended
options for MoMP, DABS, MoF and MEW.	issue, and communications from the manager stating that he would comply, SGGA remains without access to the sites. 4) MoMP requested SGGA to coordinate with TFBSO on the gas processing trainings that they were leading, but TFBSO was not transparent with their plans and did not disclose their scope of activities.	countries, or conducting web-based training. 3) SGGA will persist in trying to resolve the challenges associated with gaining access to drilling sites through leveraging additional contacts at MoMP. 4)SGGA has reached out to TFBSO staff and scheduled meetings and phone calls to increase coordination.
<b>Second MoMP Bid Evaluation Committee Training.</b> Three orientation modules related to the bid opening and evaluation were prepared: Tender requirements, technical evaluation, and bid opening/bid evaluation documentation.	Due to the Minister appointing two new bid evaluation committee members it was necessary to conduct additional bid evaluation training.	The new bid evaluation members, notably the new SGDP Project Director, asked for SGGA to be more involved and prepare more evaluation tools than the first evaluation. For the second evaluation, SGGA conducted three training sessions, developed a bid evaluation checklist, and was more active in the bid evaluation process.
<b>DABS Capacity Development.</b> SGGA conducted a field assessment of DABS in Mazar-e-Sharif from 9-12 June.	The assessment identified capacity development needs for DABS and Jawzjan University. 1) Achievable goals need to be defined and pursued to improve performance. 2) Professors' capability improvements require access to electricity to enable them to use the computer and video conference rooms.	SGGA is analyzing the cost-effectiveness of installing solar panels to supply the computer and video conference class rooms.

#### 4. Policy Support (Objectives 3 & 4)

Progress of Major Activity	Problems Encountered	Remedial Steps Taken/Recommended
<p><b>Afghan National Environmental Protection Agency Approvals for Re-entry/Drilling Operations.</b> SGGA has prepared and submitted to MoMP a draft application (in Dari and English) to EPA for a certificate of environmental compliance for the Juma/Bashikurd drilling/re-entry operations.</p>	<p>Unlike usual process, in which a production sharing contractor prepares and submits the application to NEPA, as the field owner and operator will need to submit the application to NEPA.</p>	<p>SGGA is assisting MoMP to prepare the NEPA application, which will include the now-approved environmental scoping study (in NEPA terms, the "screening study") and a proposed environmental management plan.</p>
<p><b>MEW/DABS review of ADB's Power Sector Master Plan (PSMP) done by Fichtner.</b> SGGA assisted MEW and DABS in preparing follow up research items for Fichtner.</p>	<p>Items that need to be clarified by the PSMP include: 1) Evaluation of different options to synchronize the proposed power plant to the Turkmenistan and NEPS systems. 2) How the Afghan power system can remain stable in the contingency of losing a 500kV projected transmission line.</p>	<p>Work with Fichtner to complete the final version PSMP.</p>

#### 5. Transactions Involving Sale of Gas and Purchase of Power (Objective 5)

Progress of Major Activity	Problems Encountered	Remedial Steps Taken/Recommended
<p><b>Legal Transaction Advisors.</b> Completed analysis of local legal assistance proposals. Notified the first and second choices regarding the selection and vetting process. Began preparing the sub-contract documentation for the local legal services provider.</p>	<p>SGGA, under Task 5 of its SOW is to provide "Legal Transaction Advisors" (LTAs) to the MoMP and DABS. OPIC and the IPP investors provided suggestions for foreign LTAs, which SGGA found as excessively expensive and unnecessary to complete LTA objectives. SGGA requested OPIC to limit its request and allow SGGA to obtain local LTAs. OPIC has not provided a formal response to that request.</p>	<p>SGGA has moved forward with sub-contracting local LTAs from a reputable Kabul-based firm with past performance for OPIC to meet quality requirements while efficiently expending resources.</p>
<p><b>Sale of Gas / Purchase of Power.</b> Completed the first Natural Gas Survey for Afghanistan and presented it to MoMP and USAID. Confirmed the approach for Risk Factors, Government Take, Prevalent Petroleum Industry Discount Factors and other relevant topics for revisions to economic model to reflect MoMP requested modifications. Continued gathering</p>	<p>Collecting accurate and complete data on Afghanistan's energy market has been difficult because Afghanistan's data is inconsistent and questionable. OPIC stated concerns with the economic model's IRR for IPS.</p>	<p>SGGA has proposed that major business issues such as gas and power issues be resolved through consultations among key ministries, including Finance, Economy, and Commerce and Industry. SGGA is prepared to support this resolution process with technical support as requested and has begun planning a study tour in which members from the various ministries can learn from</p>

Progress of Major Activity	Problems Encountered	Remedial Steps Taken/Recommended
and analysis of economic data in northern provinces.		how neighboring countries resolved similar issues, while team-building. Addressed the gas pricing and IRR concerns of OPIC and the investors in the SGDP Power Plant by explaining the financial models.

### 6. Infrastructure Activities (Objective 2)

Progress of Major Activity	Problems Encountered	Remedial Steps Taken/Recommended
Gas Gathering System.	Task 2.e. requires SGGA to provide technical assistance for the design and construction of a gas gathering system ("field collector lines and main manifold feeder line" from the fields to the gas processing facility. An additional implementation letter will be needed to define funding.	SGGA is preparing a a conceptual engineering study to support a tender for design and construction of the needed gas gathering system.
Gas Processing Plant.	Task 2.f. requires SGGA to provide technical assistance for the design and construction of the proposed gas treatment plant. Given the large expense of constructing such a plant, design concepts for the plant should take into account future demand for gas that will require treatment.	SGGA is preparing a conceptual study to define the potential volumes of gas requiring treatment that could economically be treated at the proposed plant. The study will take into account potential supplies of gas needing treatment that may become available from both the Juma/Bashikurd Field and other known gas fields in the area, including those currently being re-worked under Asian Development Bank funding and others available for possible future private investment in gas exploration and development.

## 7. Deliverables Submitted This Period (Section F)

Objective 1: Technical Assistance, Training, and Capacity Enhancement		
No.	Description	Date Submitted
11	Six-Month Capacity Development Evaluation Report.	14 May 13
Objective 3: Feasibility Report on Industrial Development of Natural Gas Market in Afghanistan		
No.	Description	Date submitted
2	Final Feasibility Report on Industrial Development and Natural Gas Market Development in Afghanistan.	14 May 13

## 8. Other

Preparations for Exercise of SGGA Contract Option Period, 21 Jun 13 – 20 Dec 14		
No.	Description	Date Submitted
1	Submitted and executed option period budget to USAID	June 20 13