

MEMORANDUM

To: Mark Forrester
cc: Simon Lewis
From: Kerry Booth
Date: 6th March 2017
Subject: Mercia LTA Construction Progress Summary – March 2017

Organisation: Worcestershire County Council
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Our Ref: S1291-2300-0010KSB
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1 INTRODUCTION

Mercia Waste Management Limited ("Mercia") is constructing the 200,000 tonnes/year, 18 MWe Mercia EnviRecover EfW Plant in Hartlebury, Worcestershire. Fichtner Consulting Engineers Ltd (Fichtner) has been appointed as lender's technical advisor (LTA) for the construction phase of the plant. This summary memo covers relevant activities and progress based on review of latest available reports from the Owner's Engineer (OE) and Mercia (covering 1st – 31st January 2017) and additional information provided to the LTA team since that date.

2 PROJECT PROGRESS

The facility achieved Take Over on 2nd March 2017, two days after the contractual Take Over date of 28th February 2017. The delay compared to the contractual Take Over date was due to HZI's failure to complete a number of required tasks by 28th February, including demonstration of items on the firefighting cause and effect matrix, building services take over tests, emergency lighting tests, completion of high priority building services observations, and removal of all construction equipment and debris.

3 KEY PROJECT RISKS AND OBSERVATIONS

The Project Manager issued the Take Over certificate with Minor Items which do not materially affect the safe or efficient operation of the works outstanding. Following Take Over, HZI is responsible for closing out these Minor Items. Under the terms of the EPC contract, the Performance Bond remains in place until Acceptance, and after Acceptance a Retention Bond must be in place to provide protection to the Owner against any failure by HZI to rectify these items.

4 FINANCIAL AND COMMERCIAL

The cumulative amount which has been certified to date is £114,473,224.60. The LTA has issued twelve payment certificates to allow drawdown on the senior loan.

As Take Over has been achieved, HZI is eligible to apply for the associated payment milestone under the contract. The LTA has not received a request for certification of this payment.

5 HEALTH AND SAFETY

Health and safety standards have been maintained in recent months. There was an increase in site safety observation reports in January, and HZI was instructed that health and safety should remain the top priority.

One red card was issued in January. The red card related to abusive behaviour and language toward HZI staff by a contractor when they were challenged on not wearing appropriate personal protective equipment on site.

6 PLANNED ACTIVITIES NEXT PERIOD

The following activities are planned from March 2017:

- Completion of drainage works in welfare area (subject to previous Variation Order allowing completion after Take Over);
- Completion of Minor Items;
- Completion of the EPC Performance Tests; and
- Delivery of final documentation.

Yours sincerely
FICHTNER Consulting Engineers Limited



Kerry Booth
Associate Senior Consultant



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Commercial Director