



URS/HMM/Arup Joint Venture
2870 Gateway Oaks Drive, Suite 150
Sacramento, CA 95833
916-679-2000

May 5, 2014

Ms. Diana Gomez, PE, Central Valley Regional Manager
California High-Speed Rail Authority
2550 Mariposa Mall, Suite 3015
Fresno, CA 93721

RE: Fresno to Bakersfield Section Regional Consultant's January 2014 Monthly Progress Report

Dear Ms. Gomez:

I received your letter dated April 30, 2014, regarding our January 2014 Monthly Progress Report (MPR), submitted to the Authority and PMT via SharePoint posting on February 12, 2014. In your letter, you indicate that the Authority believes a number of the RC's statements in the report are "misleading and not accurate," and you request that we revise and resubmit the MPR. We fully understand that the method of capital cost estimation is wholly at the Authority's discretion. The comments provided in the MPR document what the RC was told by the PMT, and the RC's professional opinion where it differed from the PMT's approach. Also note that the information provided in the MPR reflects what was known at the time of the report, and may not reflect subsequent revisions to the work products mentioned.

We have carefully reviewed the section of the MPR to which your specific comments apply, and have reproduced that excerpt here for reference:

15% Cost Estimate: The RC participated in a teleconference with PMT on January 22 to discuss the RC's comments on the final FB cost estimate prepared by the PMT. The PMT explained that the capital cost estimates developed for the 2012 Business Plan were the costs agreed to by the Authority and that this Business Plan established the budget for the overall High-Speed Rail (HSR) program. The RC was instructed that the 2012 costs needed to be treated as the "baseline" costs, and that no adjustments could be made without formal review to obtain Authority acceptance. The RC voiced concern that the design has evolved over the past 3 years, and that the capital cost estimate should be "re-baselined" and account for escalation in costs to current year dollars. The RC also voiced their professional opinion that contrary to the PMT's explanation, cost increases since the 2012 Business Plan should not be accounted for in the allocated contingency. The RC further identified that costs for roadway improvements had been overlooked in the PMT's cost report, and should be added to the cost estimate.

You raised several points in your letter, which we review and address below.

Authority Letter Excerpt: "First, as you are aware, the JV's role is to develop detailed quantities of work for the Fresno to Bakersfield project section. The PMT then uses these quantities to establish a cost estimate for the work to be performed by the design-build contractor(s). The final project section cost is based on the design-build contract(s)."

RC Response: Per section 6.2.2 of *Technical Memorandum 1.1.19 Capital Cost Estimating Methodology for the 15% Design Level*, the RC is responsible for developing project-specific unit cost elements reflecting unique site conditions and configurations that are not covered by the prototypical unit prices developed by the PMT. Therefore, the RC has been closely involved in the



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development of both detailed quantities and cost estimates, including reviewing the PMT's draft and final cost estimates, as described in our FY13/14 AWP v3.

Authority Letter Excerpt: "The PMT did not revise the quantities submitted by the JV nor did the PMT direct the JV to reduce the contingency to make up for potential cost increases. Therefore the JV's claims "that no adjustments could be made without formal review to obtain Authority acceptance" are incorrect."

RC Response: The January 2014 MPR does not indicate that the PMT altered the RC's quantities, though in fact, not all quantities provided in the RC's January 2014 Record Set 15% Basis of Quantities Report were reflected in the Capital Cost Report (e.g., new RC-generated assemblies for the Elevated Deck Structures over BNSF and BNSF Yard relocation costs).

The information relayed to the RC by the PMT during the January 22, 2014 conference call was in response to RC questions about contradictory statements in the Cost Report relating to the use of "current year" (i.e., 2013) dollars as the basis for the costs - when in fact the PMT costs were based on 2010 dollars, and an RC request for clarification on how the 2012 baseline was selected. The RC provided the comment in the MPR to document what had been explained to us on the teleconference with the PMT. Perhaps our use of the word "instructed" was taken to mean "directed," when in fact it simply meant this was how the cost decisions were explained to us.

Authority Letter Excerpt: "Secondly, cost increases cited by the JV in their monthly progress report were recognized in the Fresno to Bakersfield Final Environmental Impact Report/Environmental Impact Statement (EIR/EIS). Any assertion that cost increases were to be accounted for in the contingency is inaccurate."

RC Response: At the time of both the January 22, 2014 conference call with PMT and preparation of the January 2014 MPR (issued on February 12), the PMT's explanation regarding cost increases was that new cost items not previously included in the 2012 Business Plan were to be accounted for in the allocated contingencies, and that 2010 base costs were being used for consistency in comparisons between business plan estimates. The RC estimator expressed his professional opinion that these costs should be included in an adjusted baseline cost with the unit prices being updated to current year dollars, consistent with industry best practices and to be consistent with Section 2.3.9 of the PMT Capital Cost Estimate Report, as well as Sections 6.2.4 (Construction Cost Estimate [Including Contingency]) and 6.5.4 (Base Year and Escalation) of *Technical Memorandum 1.1.19 Capital Cost Estimating Methodology for the 15% Design Level*. The RC merely documented what the PMT had explained about how costs were accounted for in their report, and our professional disagreement with the PMT's approach.

Our MPR does not comment on whether the base cost increases, costs for new assemblies identified in the RC's Basis of Quantities Report, or other costs excluded from the January 2014 Capital Cost Estimate Report were included in the costs provided for use in the Final EIR/EIS because in January 2014, we did not have such information.

Authority Letter Excerpt: "Finally, roadway improvement costs within the Fresno to Bakersfield project section have not been overlooked. They have been reallocated and accounted for in Capital Cost Estimate Report that is part of the Fresno to Bakersfield Final EIR/EIS."



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RC Response: The PMT's January 2014 Capital Cost Report, as provided to the RC for review prior to the January 22nd teleconference, neglected to include roadway improvement costs. We agree that following the teleconference on January 22nd and the reporting period in question, the PMT corrected this omission in a subsequent revision of their Capital Cost Report, and that this subsequent revision occurred before final costs were provided to the RC for inclusion in the Final EIR/EIS.

Based on the information available to the RC during the January 2014 reporting period, the RC disagrees that the MPR contains information that is misleading or inaccurate. With the single exception of clarifying the intended meaning of our use of the word "instructed," the January 2014 MPR accurately represents information and circumstances available to the RC at the time. Therefore, we believe this MPR should stand as submitted.

I am happy to discuss this further with the Authority at your discretion.

Sincerely,

URS/HMM/Arup Joint Venture

Kinzie Gordon
Project Manager
Fresno to Bakersfield Section