**Chemical Plant exercise—supplemental information for Planned Early Dispute Resolution efforts**

The cleaning plan that DBE submitted to O pursuant to the Contract, which O approved, read: “Prior to transport, clean all equipment currently in storage at desert site in accordance with industry standards.”

The day after completing the corrective work, DBE notified O that DBE believed DBE was entitled to an adjustment to the GMP for the additional costs DBE incurred to disassemble the tanks and clean them and still achieve commercial commissioning of the plant on the original schedule. DBE asserted that the only reason it went from one shift per day to three was because O had threatened to assess liquidated damages if the project was not completed on time. Top executives at both firms spoke briefly and agreed to schedule a meeting to discuss the situation because they hope to preserve a good working relationship between the two companies. Aside from the problem that DBE has corrected, the project went smoothly, the plant’s operation now exceeds the performance criteria, and future projects are on the horizon.

Here is a preliminary breakdown of extra costs that DBE provided to O based on a crew of 8 skilled laborers working around the clock (some at overtime rates) to disassemble, clean and reassemble the equipment:

8 skilled laborers at an average of $65.00/hour for four weeks (24 worker hours per day for 28 days; 8 X $65.00 X 24 X 28) = $349,440.

Additional “general conditions” expenses, including the supervisory costs, figured as 8% of the associated labor costs = $27,955,20

Materials and equipment per daily logs (mostly cleaning fluid) = $24,000

Total claim = 349,440 + 27,955.20 + 24,000 = $401,395.20

At the time that O stated its intention to assess liquidated damages if project completion was delayed, DBE estimated, based on limited information about the scope of the problem then available, that unless it accelerated the work by bringing on additional workers and running shifts around the clock on a 7-day per week schedule, the corrective work could have delayed completion by up to 100 days (based on a 5-day, 8-hour per day, work week, using only workers already scheduled to be on site). DBE believes that accelerating the clean-up work had a materially detrimental impact on worker productivity.

The contract GMP was $8,250,000. DBE has stated that the extra costs it incurred above the GMP to correct the problem and to accelerate the completion schedule will substantially erode its projected profit margin if it cannot recover for the extra costs.