



SIGAR

Office of the Special Inspector General
for Afghanistan Reconstruction

May 8, 2018

General John W. Nicholson, Jr.
Commander, U.S. Forces–Afghanistan and
Commander, Resolute Support

Lieutenant General Todd T. Semonite
Commanding General and Chief of Engineers,
U.S. Army Corps of Engineers

I am writing to request information regarding Phase II of the North East Power System (NEPS) project. The NEPS project is intended to provide a cost effective, reliable system to distribute electric power to areas in northeast Afghanistan.¹ In September 2013, the U.S. Army Corps of Engineers (USACE) awarded a \$116 firm-fixed-price contract for the construction of NEPS Phases II and III,² which was funded through the Afghanistan Infrastructure Fund.³ We recently completed an inspection of NEPS Phase III, and our inspection report raises concerns about the viability of that part of the project.⁴

Our inspection of NEPS Phase III found that USACE failed to require the contractor, Zwakman Nabizai Construction Company (ZNCC), to connect Phase III transmission lines to a permanent power source, and that the system was not operational. We also found that USACE allowed ZNCC to proceed with construction before the Afghan government resolved land disputes with local residents or acquired privately held land needed for the project.⁵ As a result of these and other problems, USACE and the Afghan Ministry of Electricity and Water (MEW) were not certain that the NEPS Phase III systems would function as intended once they were transferred to the Afghan government.⁶

¹ NEPS imports power from Uzbekistan and Tajikistan.

² Contract number W912ER-13-C-0034. Due to multiple contract modifications, the total cost of the contract is now approximately \$117.1 million.

³ The Afghanistan Infrastructure Fund is a joint fund managed by the Departments of Defense and State. Congress established the Afghanistan Infrastructure Fund in April 2011 to fund projects in support of the U.S. counterinsurgency strategy with a focus on water, power, and transportation projects, as well as related maintenance and sustainment costs. We have issued two reports on projects implemented using these funds (see SIGAR, *Afghanistan Infrastructure Fund: Agencies Have Not Assessed Whether Six Projects That Began in Fiscal Year 2011, Worth about \$400 Million, Achieved Counterinsurgency Objectives and Can Be Sustained*, SIGAR 18-10-AR, October 31, 2017; and SIGAR, *Fiscal Year 2011 Afghanistan Infrastructure Fund Projects Are behind Schedule and Lack Adequate Sustainment Plans*, SIGAR Audit 12-12, July 30, 2012).

⁴ SIGAR, *Afghanistan's North East Power System Phase III: USACE's Mismanagement resulted in a System that Is Not Permanently Connected to a Power Source, Has Not Been Fully Tested, and May Not Be Safe to Operate*, SIGAR 18-37-IP, March 30, 2018.

⁵ In October 2011, prior to the contract award, USACE and the Afghan government signed a memorandum of understanding stating that once the Afghan government had acquired the privately held land for the project, it would provide a right of entry memorandum allowing U.S. officials and the contractor to access land and start construction. However, when we issued our inspection report, the Afghan government had not acquired any of the privately-held land.

⁶ These findings support previous SIGAR audit reports assessing NEPS in 2012 and 2018. In those reports, we found that land disputes, increased security costs, funding delays, and lack of sustainment plans affected the completion of the

Due to security concerns, we were unable to inspect NEPS Phase II. However, during the course of our inspection on NEPS Phase III, we contacted USACE, the Afghan Ministry of Energy and Water (MEW), and Da Afghanistan Breshna Sherkat (DABS), to enquire whether NEPS Phase II was complete and operational. Based on the initial responses we received regarding challenges in testing and commissioning transmission towers and substations due to land acquisition problems, and in light of the problems we found during our inspection of NEPS Phase III, we are seeking additional information regarding the status and viability of NEPS Phase II.

Therefore, please provide answers to the following questions, with appropriate supporting documentation, no later than May 23, 2018:

1. To what extent is NEPS Phase II operational and capable of providing power to communities surrounding the Gardez substation or along the NEPS II transmission line route?
2. Has the NEPS Phase II project been transferred from the contractor to the U.S. government? If so, please provide copies of the DD1354 transfer forms for this project indicating this transfer has occurred.
3. Has the NEPS Phase II project been transferred from the U.S. government to the Afghan government?
4. If NEPS Phase II has not been transferred to or accepted by the Afghan MEW or DABS, please provide documentation listing any concerns or challenges that MEW or DABS stated may delay or prevent them from accepting the project?
5. What testing and inspections have been completed on NEPS Phase II to ensure that the transmission lines and substations are functioning as intended?
 - a. Please include documentation of all testing conducted of the NEPS Phase II system, including testing conducted under full electrical load. If some testing required under the contract has not yet been completed, particularly testing under full electrical load, please provide documentation showing that the testing requirement has either been de-scoped or that the requisite testing will be conducted at some future date.
 - b. Please provide the list and status of deficiencies and punch list items for the Gardez substation, transmission lines, and the 214 transmission towers. If all required final inspections, warranty inspections, or other inspections have not been completed, please explain why.
 - c. Please provide copies of NEPS II inspections conducted by MEW or DABS prior to transfer of project facilities to the Afghan government, along with list and status of

project. See SIGAR, *Afghanistan Infrastructure Fund: Agencies Have Not Assessed Whether Six Projects That Began in Fiscal Year 2011, Worth about \$400 Million, Achieved Counterinsurgency Objectives and Can Be Sustained*, SIGAR 18-10-AR, October 31, 2017; and, SIGAR, *Fiscal Year 2011 Afghanistan Infrastructure Fund Projects Are behind Schedule and Lack Adequate Sustainment Plans*, SIGAR Audit-12-12, July 30, 2012.

deficiencies and punch list items. If such documentation is not available, please explain why.

- d. Has USACE conducted all required testing and commissioning activities, including testing under full electrical load, of NEPS II facilities prior to transferring facilities to the Afghan government? If not, what assurance does USACE have that work completed on NEPS Phase II transmission lines, towers, and the Gardez substation is operational and meet the standards set forth under USACE's contract with ZNCC?
6. In July and October 2017, USACE representatives and ZNCC contractor personnel produced documents titled "Final Acceptance Inspection." These documents stated, among other things, that no deficiencies were found and that the warranty period had begun for NEPS II.
 - a. When did the warranty period for this project actually begin? Please provide all supporting documentation.
 - b. If the system is not operational when the warranty period expires, what recourse will the Afghan government have to address system deficiencies?
 7. As of March 2017, the Afghan government had not acquired any privately-held land for the construction of transmission towers, lines and substations.
 - a. How many towers and what percentage of the transmission route are on privately held land?
 - b. To what extent has negotiating with private land owners to provide access to land for clearance and construction of transmission towers, lines and substations affected the completion or implementation of NEPS Phase II?
 - c. If there have been such delays, what steps have been taken by USACE or the Afghan government to ensure privately held land is acquired so that NEPS II can be safely operated?
 8. How will the NEPS Phase II project receive and transmit power?
 - a. Is the connection to the Arghandi substation made via a permanent line bay connection? Please provide documentation appropriate supporting documentation.
 - b. If another type of connection or bypass is used, please describe this connection and the protection system that the connection will provide. Please provide documentation appropriate supporting documentation.
 - c. Has the Arghandi substation, which will provide power to NEPS Phase II been completed? If not, please provide documentation showing estimated dates for completion.
 - d. Is the NEPS II project connected to NEPS I at the Pul e Alam substation via a line bay connection? If so, please provide appropriate supporting documentation.
 - e. If another type of connection or bypass is used to connect NEPS II to NEPS I, please state which type of connection is used and provide appropriate supporting documentation.
 - f. Is the NEPS II project connected to NEPS IV at the Gardez substation via a line bay connection? If so, please provide appropriate supporting documentation.

- g. If another type of connection or bypass is used to connect NEPS II to NEPS IV, please state which type of connection is used and provide appropriate supporting documentation.

- 9. How many of the 20kV outgoing circuits at the NEPS Phase II substation are connected to any distribution lines to deliver power to local community (population center)? How many of these, if any, are in service, i.e. being used currently to deliver power to the local community?

- 10. What distribution infrastructure is available in the local community around the substation constructed for NEPS Phase II that would allow for power to be transmitted to the community (population center) around the project?

- 11. How many Afghans around the NEPS Phase II project (adjacent to the substation or living near transmission lines) are receiving power currently as a result of the NEPS II project?

I am submitting this request under the authority of Public Law No. 110-181, and the Inspector General Act of 1978, as amended. Should your staff have any questions about this inquiry, please have them contact Mr. Matthew Dove, Director of Special Projects, at (703) 545-6051 or matthew.d.dove.civ@mail.mil.

Sincerely,



John F. Sopko
Special Inspector General
for Afghanistan Reconstruction



DEPARTMENT OF THE ARMY
UNITED STATES ARMY CORPS OF ENGINEERS
TRANSATLANTIC DIVISION
201 PRINCE FREDERICK DRIVE
WINCHESTER, VIRGINIA 22602-4373

21 MAY 2018

SUBJECT: Response to Special Inspector General for Afghanistan Reconstruction (SIGAR) 18-47 SP Inquiry Letter: Status of the North East Power System (NEPS) Project – Phase II, dated May 8, 2018.


Mr. John F. Sopko
Special Inspector General for Afghanistan Reconstruction
1550 Crystal Drive, Suite 900
Arlington, VA 22202

Dear Mr. Sopko:

In the subject letter you requested that the United States Army Corps of Engineers (USACE) provide answers to 11 questions regarding Phase II of the NEPS project. We have reviewed your questions and our answers are provided at the enclosure. We are also providing supporting documentation as appropriate; however, due to the size of the supporting document files, we will send them via AMRDEC Safe Access File Exchange to your point of contact for this project, Mr. Matthew Dove.

My point of contact for this response is Mr. George Sullivan, TAD Internal Review Auditor. He may be reached by e-mail at george.a.sullivan@usace.army.mil or by telephone at 202-761-4573.

Sincerely,


DAVID C. HILL
Brigadier General, USA
Commanding

Enclosure

ENCLOSURE: USACE RESPONSE TO SIGAR-18-47-SP

USACE Response to SIGAR 18-47-SP Inquiry Letter Requesting USACE Answer 11 Questions Regarding Status of the NEPS Phase II project, dated 08 MAY 2018. Note: Due to the large size of files that contain supporting documentation, the supporting documentation for the questions will be sent via AMRDEC Safe Access File Exchange.

1. To what extent is NEPS Phase II operational and capable of providing power to communities surrounding the Gardez substation or along the NEPS II transmission line route?

Response: NEPS Ph II is fully operational.

2. Has the NEPS Phase II project been transferred from the contractor to the U.S. government? If so, please provide copies of the DD1354 transfer forms for this project indicating this transfer has occurred.

Response: Yes, see AMRDEC documents 2a1,2 .

3. Has the NEPS Phase II project been transferred from the U.S. government to the Afghan government?

Response: Yes.

4. If NEPS Phase II has not been transferred to or accepted by the Afghan MEW or DABS, please provide documentation listing any concerns or challenges that MEW or DABS stated may delay or prevent them from accepting the project?

Response: NA.

5. What testing and inspections have been completed on NEPS Phase II to ensure that the transmission lines and substations are functioning as intended?

Response: All tests/commissioning are completed.

a. Please include documentation of all testing conducted of the NEPS Phase II system, including testing conducted under full electrical load. If some testing required under the contract has not yet been completed, particularly testing under full electrical load, please provide documentation showing that the testing requirement has either been de-scoped or that the requisite testing will be conducted at some future date.

Response: See AMRDEC documents 5a1,2,3.

b. Please provide the list and status of deficiencies and punch list items for the Gardez substation, transmission lines, and the 214 transmission towers. If all required final inspections, warranty inspections, or other inspections have not been completed, please explain why.

Response: Four deficiencies remain open. See AMRDEC document 5b.

c. Please provide copies of NEPS II inspections conducted by MEW or DABS prior to transfer of project facilities to the Afghan government, along with list and status of

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deficiencies and punch list items. If such documentation is not available, please explain why.

Response: MEW/DABS and ZNCC conducted joint inspections and four punch list items remain open. See AMRDEC document 5b.

d. Has USACE conducted all required testing and commissioning activities, including testing under full electrical load, of NEPS II facilities prior to transferring facilities to the Afghan government? If not, what assurance does USACE have that work completed on NEPS Phase II transmission lines, towers, and the Gardez substation is operational and meet the standards set forth under USACE's contract with ZNCC?

Response: Yes.

6. In July and October 2017, USACE representatives and ZNCC contractor personnel produced documents titled "Final Acceptance Inspection." These documents stated, among other things, that no deficiencies were found and that the warranty period had begun for NEPS II.

Response: As previously relayed to SIGAR the USACE LNQA has no authority to declare the project substantially complete.

a. When did the warranty period for this project actually begin? Please provide all supporting documentation.

Response: 13 Jan 2018 (see AMRDEC documents 6a1,2).

b. If the system is not operational when the warranty period expires, what recourse will the Afghan government have to address system deficiencies?

Response: The system was operational at that time.

7. As of March 2017, the Afghan government had not acquired any privately-held land for the construction of transmission towers, lines and substations.

a. How many towers and what percentage of the transmission route are on privately held land?

Response: See AMRDEC document 7a1,2.

b. To what extent has negotiating with private land owners to provide access to land for clearance and construction of transmission towers, lines and substations affected the completion or implementation of NEPS Phase II?

Response: The project is operational

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c. If there have been such delays, what steps have been taken by USACE or the Afghan government to ensure privately held land is acquired so that NEPS II can be safely operated?

Response: [The project is operational.](#)

8. How will the NEPS Phase II project receive and transmit power,

a. Is the connection to the Arghandi substation made via a permanent line bay connection? Please provide documentation appropriate supporting documentation.

Response: [Phase II does not connect to the Arghandi SS.](#)

b. If another type of connection or bypass is used, please describe this connection and the protection system that the connection will provide. Please provide documentation appropriate supporting documentation.

Response: [Phase II does not connect to the Arghandi SS.](#)

c. Has the Arghandi substation, which will provide power to NEPS Phase II been completed? If not, please provide documentation showing estimated dates for completion.

Response: [Phase II does not connect to the Arghandi SS.](#)

d. Is the NEPS II project connected to NEPS I at the Pul e Alam substation via a line bay connection? If so, please provide appropriate supporting documentation.

Response: [See AMRDEC document 8d for design documents showing the Ph II line bay at Pol-e Elam SS.](#)

e. If another type of connection or bypass is used to connect NEPS II to NEPS I, please state which type of connection is used and provide appropriate supporting documentation.

Response: [NA.](#)

f. Is the NEPS II project connected to NEPS IV at the Gardez substation via a line bay connection? If so, please provide appropriate supporting documentation.

Response: [See AMRDEC document 8f for design documents showing the Ph IV line bay at Gardez.](#)

g. If another type of connection or bypass is used to connect NEPS II to NEPS IV, please state which type of connection is used and provide appropriate supporting documentation.

Response: [NA.](#)

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9. How many of the 20kV outgoing circuits at the NEPS Phase II substation are connected to any distribution lines to deliver power to local community (population center)? How many of these, if any, are in service, i.e. being used currently to deliver power to the local community?

Response: See [AMRDEC documents-Response to Questions and Response #2 to Questions](#).

10. What distribution infrastructure is available in the local community around the substation constructed for NEPS Phase II that would allow for power to be transmitted to the community (population center) around the project?

Response: See [AMRDEC documents-Response to Questions and Response #2 to Questions](#).

11. How many Afghans around the NEPS Phase II project (adjacent to the substation or living near transmission lines) are receiving power currently as a result of the NEPS II project?

Response: See [AMRDEC documents-Response to Questions and Response #2 to Questions](#).