

# Agenda Report

December 16, 2002

**To:** City Council

**From:** City Manager

**Subject: AUTHORIZATION TO AMEND CONTRACT NO. 18,052 WITH SOUTHWEST INDUSTRIES TO INCREASE THE MAXIMUM NOT-TO-EXCEED EXPENDITURE LIMIT FROM \$1,300,000 TO \$2,200,000**

## **RECOMMENDATION:**

It is recommended that the City Council authorize the City Manager to amend contract number 18,052 with Environmental Concerns inc. DBA Southwest Industries ("Southwest") to increase the maximum not-to-exceed expenditure limit by \$900,000 from \$1,300,000 to \$2,200,000 to provide additional demolition and soil remediation services at the Broadway and Glenarm power plant.

## **BACKGROUND:**

On August 12, 2002, the City Council authorized the City Manager to enter into a contract with Southwest for a total not-to-exceed amount of \$1,300,000 in response to Specifications LD-02-5 for demolition and site clearance at Glenarm and Broadway plants as necessary for the GT-3 and GT-4 repowering project. The contract expenditure authorization included the base bid price of \$1,195,293 plus a contingency amount of \$104,707 to accommodate any change orders for demolition work.

As stated in the agenda report, the contingency amount did not include amounts that may be necessary for remediation of unanticipated environmental hazards, such as the disposal and remediation of oil and metal contaminated soil discovered under the Broadway oil tanks and the cooling tower footings removed on the Glenarm property. The recommended contract amendment is to cover expenses to remediate these unforeseen conditions as needed to prepare the site for construction of the new gas turbines.

Southwest has completed the planned demolition and environmental remediation within the approved expenditure limit. The approved contingency amount was utilized for change orders related to additional demolition of concrete structures discovered underground at Glenarm and handling of contaminated soils.

Southwest currently has the heavy machinery and personnel at the site needed to provide these services immediately, saving approximately three to four weeks delay on this critical path component of the GT-3 and GT-4 repowering project schedule.

It is recommended that an additional \$900,000 of contingency expense authorization be added to Southwest's contract to include:

- Approximately \$225,000 for disposal of contaminated soils already excavated and stored on the site
- Up to \$600,000 as needed to excavate, remediate and dispose of additional contaminated soil on the site
- Approximately \$75,000 for removal and abatement of additional aboveground structures to clear additional lay-down space needed for construction. These structures ultimately must be removed to facilitate Glenarm redevelopment.

Increases will be handled by change order using unit pricing for excavation and disposal services. Actual work scope and dollar amounts will vary depending upon the outcome of soil sample tests that are currently underway to verify the extent and concentration of the contamination.

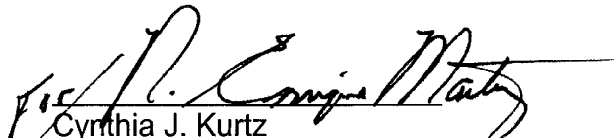
Completion of this work will allow the construction contractor to start with a clean site free of contaminated soils and alleviate activities on the construction critical path that would otherwise delay the project by three to four weeks.

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**FISCAL IMPACT:**

Funding is available from the Light and Power Fund Capital Improvement Program under Budget #3166 for the "Local Generation Repowering Plan". This CIP has been funded with proceeds from a bond issuance that closed in July 2002. The approximate \$900,000 cost of this unforeseen remediation work is incremental to the estimated \$74 million budget for the GT-3 and GT-4 repowering project. This increase in contract amount is not expected to increase electric rates, because savings in fuel and purchased power expenses should offset Project financing costs.

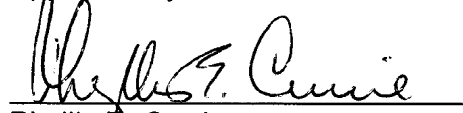
Respectfully Submitted,

  
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