

Agenda Report

TO: City Council
Through Municipal Services Committee

DATE: March 10, 2003

FROM: City Manager

SUBJECT: AUTHORIZATION TO AMEND CONTRACT NO. 18,052 WITH
SOUTHWEST INDUSTRIES TO INCREASE THE MAXIMUM NOT-
TO-EXCEED EXPENDITURE LIMIT FROM \$2,200,000 TO
\$2,590,000

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 amount by \$390,000 from \$2,200,000 to \$2,590,000 to provide additional demolition and storm drain installation services at the Broadway and Glenarm power plant. It is also recommended that the City Council exempt this transaction from competitive bidding for reasons of impracticality.

BACKGROUND:

On December 16, 2002, the City Council authorized the City Manager to increase the total not-to-exceed amount of contract number 18,052 with Southwest Industries from \$1,300,000 to \$2,200,000. That contract amendment was to provide for the remediation of unforeseen soil conditions and further prepare the site for construction of the new gas turbines GT 3 and GT 4. Southwest has completed the planned demolition and environmental remediation within the approved expenditure limit.

As a result of the additional excavation work on the periphery of the job site, an underground concrete structure was recently discovered. This structure, which is believed to be a foundation from an old storage building must be demolished and removed to complete the preparation of the site for the construction of GT 3 and GT 4. Because the structure may have been used to store electrical transformers, it is possible that additional soil remediation work will be required.

In addition to the incremental demolition and soil remediation work, an existing, albeit deteriorating storm drain within the Glenarm property needs to be rerouted in order to fully prepare the site for the construction of units GT 3 and GT 4. The preferred path for the replacement of this storm drain is in the middle of Fair Oaks Avenue and State Street. However, since the design for this work has not been completed and its construction may be lengthy, it will extend beyond the project installation period of the GT 3 and GT 4. The Department of Public Works has approved a temporary, but improved storm drain system to replace the deteriorated portion within the Glenarm property. Pasadena Water and Power has purchased pre-fabricated concrete storm drain boxes in anticipation of this effort. The installation of the replacement storm drain system will also include its tie in with the existing storm drain system, and the removal of the existing storm drain. In order to ensure that this work is completed in time for the commencement of the construction of units GT 3 and GT 4, it was necessary to direct the contractor to commence the work.

The temporary relocation of the storm drain was originally included in the scope of work for the construction phase of the project. It will be deleted from that scope as it will now be completed under the environmental and remediation phase of the project.

The estimated total cost of all the additional work is \$390,000, broken down as follows:

- \$90,000 to excavate, demolish, and dispose of the recently-discovered concrete foundation;
- \$150,000 for additional excavation and disposal of contaminated soils, backfill materials, and related site preparation work;
- \$150,000 for installation and interconnection of pre-fabricated concrete storm drain and removal of the existing storm drain.

The additional work scope will be handled by change orders using the appropriate unit pricing for soil excavation and disposal services. Actual work scope and dollar amounts will vary depending upon the extent and concentration of the potential additional soil contamination discovered while removing the concrete structure.

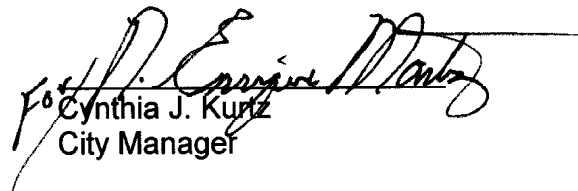
The original demolition specifications, under which Southwest was hired, did not provide for the rerouting of the storm drain and this work could be considered to be subject to competitive bidding. However, the City Council is asked to approve that the work be performed by Southwest without further competitive bidding on the grounds that it is impractical to bid and that the public interest would not be served by bidding. The impracticality doctrine is recognized and created by the case of Graydon v. Pasadena Redevelopment Agency. It is impractical to bid and the public interest would not be served by bidding for the following reasons: the schedule for the construction of units GT 3 and GT 4 is based on having the units operational to meet the City's energy demands and in order to achieve this, immediate action on the workscope outlined above is necessary. As in Graydon v. Pasadena Redevelopment Agency, 104 Cal. App. 3d631, 164 Cal. RTTR. 56 1980. There is already a contractor mobilized who was selected for related work through a competitive bidding process capable of performing the work. Southwest currently has the heavy machinery and personnel required at the site to provide these services immediately, which also provides for cost-efficiency as compared to bringing in another contractor.

The Contract amendments authorized by Council will permit Southwest to perform the storm drain construction, a very large portion of the site excavation and disposal of soils, prior to the installation of GT 3 and GT 4. Completing this work early, benefits the project by providing the GT 3 and GT 4 contractor a substantially clean site for the turbine foundation, free of substructure interferences and contaminated soils. This entire work will be deleted from the GT 3 and GT 4 installation scope of work.

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 demolition and soil remediation work in the amount of \$240,000 was unforeseen and was not included in the estimated \$74 million budget for the GT 3 and GT 4 repowering project, while the \$150,000 storm drain installation costs are in line with budgeted amounts. The increase in contract amount is not expected to increase electric rates, because savings in fuel and purchased power expenses should offset Project financing costs.

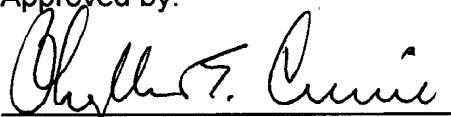
Respectfully Submitted,


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