



## Agenda Report

October 26, 2015

**TO:** Honorable Mayor and City Council

**FROM:** Water and Power Department

**SUBJECT: AMENDMENT TO LETTER AGREEMENT (CONTRACT NO. 20,946) WITH SOUTHERN CALIFORNIA EDISON TO INCREASE THE TOTAL NOT-TO-EXCEED AMOUNT FROM \$326,544 TO \$652,574 FOR THE REPLACEMENT OF DAMAGED DISCONNECT SWITCHES AT THE T.M. GOODRICH RECEIVING STATION**

### **RECOMMENDATION:**

It is recommended that the City Council:

1. Find that the project is exempt from the California Environmental Quality Act ("CEQA") pursuant to the State CEQA Guidelines Section 15302 (Replacement or Reconstruction); and
2. Authorize the City Manager to amend the Letter Agreement (Contract No. 20,946) with Southern California Edison to increase the total not-to-exceed amount from \$326,544 to \$652,574 for the replacement of two disconnect switches at the T.M. Goodrich Receiving Station.

### **BACKGROUND:**

On August 5, 2010, the City of Pasadena entered into Interconnection Agreement No. 20,398 with Southern California Edison ("SCE") to maintain the interconnection between the SCE and Pasadena electrical systems at the T.M. Goodrich Receiving Station ("Goodrich"). This Agreement allows the delivery of purchased and contract power from various locations to Pasadena, and specifies that SCE shall be responsible for the operation and maintenance of the 220 kV electrical equipment at Goodrich.

In 2011, SCE recommended the replacement of two critical 220 kV disconnect switches due to their age (in excess of 30 years) and need for seismic improvements. The disconnect switches had become difficult to operate over time, and had reached the end of their useful life. These switches are a key safety component of the substation to ensure adequate electrical clearances for operations and maintenance. Pasadena Water and Power ("PWP") staff concurred with SCE's recommendation to replace the switches.

On February 27, 2012, the City Council authorized a Letter Agreement (Contract No. 20,946) with SCE to replace two disconnect switches at Goodrich for the not-to-exceed

amount of \$326,544 which included the original estimate of \$296,858 and a contingency amount of \$29,686. The scope of work included the procurement of disconnect switches and the design and construction of foundations and structures to meet current seismic criteria for these two 220 kV disconnects.

After the City paid the original estimated amount of \$296,858, the work started and the replacements were completed in December 2012.

On December 24, 2013, SCE, as required by the Federal Energy Regulatory Commission, informed PWP of the final costs associated with this work in the amount of \$652,573.92. As a result, SCE submitted an invoice for an additional \$355,715.92, well in excess of the contingency amount of \$29,686 authorized by the City Council.

PWP held multiple meetings with SCE to understand the cause of the cost overruns and to review the SCE expenses associated with this project. SCE explained that the original estimate of \$296,858 was erroneous since it did not fully capture the expenses related to the proposed scope of work and omitted allocations. SCE was able to satisfactorily demonstrate to PWP the validity of the actual costs included.

The Letter Agreement (Contract No. 20,946) obligates PWP, as the owner of the facility, to reimburse SCE for the actual costs for the work that was performed and described in the agreement. PWP was unable to negotiate these additional charges because it is standard practice in the electric utility industry to pay for actual cost for work that was performed. Since the final costs in the amount of \$652,573.92 exceed the authorized not to exceed amount of \$326,544, PWP must seek City Council's authorization for the additional funding of \$326,030.

PWP recommends that the City Council authorize the City Manager to amend the Letter Agreement (Contract No. 20,946) with SCE to increase the total not-to-exceed amount from \$326,544 to \$652,574 to provide funding for payment of the additional invoice.

#### **COUNCIL POLICY CONSIDERATION:**

This project supports the City Council's goal to improve, maintain and enhance public facilities and infrastructure to ensure reliable electrical service.

#### **ENVIRONMENTAL ANALYSIS:**

The proposed agreement is exempt from CEQA pursuant to the State CEQA Guidelines Section 15302 (Replacement or Reconstruction), which exempts the replacement or reconstruction of existing structures and facilities (including utility systems and facilities) involving negligible or no expansion of capacity. The proposed work will improve electric reliability and safety of the transmission system and will not increase the capacity of the facility nor result in the new equipment being in a new location.

**FISCAL IMPACT:**

The cost of this action is \$326,030 including contract administration.

Funding for this action will be addressed by the utilization of existing budgeted appropriations in the Power Capital Fund 411, Project 3195, Transmission System Enhancements. The proposed contract amendment will have minimal impact on other operational or capital projects.

The following table represents the contract summary:

Original Estimate	\$296,858
Added Contingency	\$ 29,686
Council authorized Contract Amount	\$326,544
Additional Authorization requested	\$326,030
<b>Amended Contract Total</b>	<b>\$652,574</b>

Respectfully submitted,



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for 

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