

SEP 13 1994



MWD

METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA
EXECUTIVE SECRETARY

Karen E. Duff

Added Item

September 12, 1994

To: Board of Directors

From: General Manager

Subject: Authorize the General Manager to Consent to the Assignment of the Design Services Contract for the Domenigoni Valley Reservoir Project

Report

At its November 1992 meeting, your Board authorized the General Manager to execute a contract with Ebasco Services Incorporated (Ebasco) for design services on the Domenigoni Valley Reservoir Project subject to a ceiling in total expenditures under the contract of \$37,600,000. That contract, Metropolitan Agreement No. 3925 (Agreement) was executed on or about March 1, 1993 and since that time Ebasco has been satisfactorily performing the required services under the Agreement.

Late in January 1994, Metropolitan was informed that Raytheon Engineers and Constructors, Inc. (RE&C), a large subsidiary of Raytheon Corporation, was in the process of completing its purchase of selected contracts and associated operating capabilities of Ebasco. Subsequently, Metropolitan was informed that RE&C had assigned the Agreement to a subsidiary, Raytheon Infrastructure Services Incorporated (RISI). Metropolitan immediately sought and received assurances that the identical personnel and facilities assigned by Ebasco to the Project would remain on the job under the auspices of RISI. This in fact has been the case and work has proceeded without interruption to date. Metropolitan further sought assurances of RISI's financial ability to live up to the indemnity obligations under the Agreement, which are extensive. While it appeared that Ebasco's total assets approximated \$40 million, RISI's total assets do not exceed approximately \$20 million. Metropolitan therefore sought from RE&C, which has substantially greater assets, a guarantee of the performance, duties and obligations of RISI as a condition of consenting to the assignment of the Agreement from Ebasco to RISI.

Negotiations concluded late on Friday, September 9, 1994. Metropolitan has agreed, subject to your Board's

approval, to consent to the assignment of the Agreement by Ebasco to RISI, with RISI's performance, duties and all obligations thereunder to be guaranteed by RE&C, subject to an \$80 million limitation on RE&C's liability due to design errors or omissions for damages for repair or replacement of any portion of the Project and claims by contractors and suppliers to the Project for loss or delay. The limitation on RE&C's guarantee will not apply to the obligation to perform redesign of work under the Agreement, nor to any potential liability to third parties, due to a design defect.

There is an immediate and urgent need to consummate the assignment of the Agreement. Payments under the Agreement were stopped as of January 1, 1994 and to date \$10.9 million dollars are being retained. Certain subcontractors have been paid by RISI but in some cases significant bills are outstanding. It is therefore necessary that consent to assignment of the Agreement be made immediately to assure continuity of the work and to avoid possible financial difficulties for the Consultant and potential hardship for subcontractors.

Recommendation

It is recommended that the General Manager be authorized to consent to the assignment by Ebasco Services, Incorporated, or any parent or successor entity, to Raytheon Infrastructure Services Incorporated, of Metropolitan Agreement No. 3925, conditioned upon a guarantee by Raytheon Engineers and Constructors, Inc., on terms and conditions as set forth in this letter, and in form as approved by the General Counsel.

John R. Wodraska
General Manager

By


Gary Snyder
Chief Engineer

Concur:



for  John R. Wodraska
General Manager