



- Board of Directors  
*Engineering and Operations Committee*

7/10/2012 Board Meeting

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8-4

## Subject

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Authorize a five-year reimbursable agreement with the California Department of Water Resources to provide services for State Water Project operations and maintenance activities for an amount not to exceed \$25 million (including expenditures for subcontracts not to exceed \$1.5 million per year)

## Description

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Since 1983, Metropolitan has performed machining, fabrication, and coating services for critical repair and rehabilitation of State Water Project (SWP) facilities under reimbursable agreements with California Department of Water Resources (DWR). Under these agreements, Metropolitan's shop services have supported DWR, at its request, to expedite repair and rehabilitation work required to maintain SWP delivery capabilities.

In July 1983, Metropolitan entered into Agreement No. B-54783 with DWR to perform machining, fabrication, and coating services for the benefit of the SWP. Since then, the reimbursable agreement has been amended numerous times. In 2006, Metropolitan entered into a new service agreement with DWR and in 2011, the 2006 agreement was extended by one year to allow sufficient time to negotiate a successor agreement. The current agreement, which expires on September 30, 2012, covers a range of activities supporting operations and maintenance (O&M) for the SWP, including:

- machining, fabrication, coating, and other maintenance work for SWP equipment;
- crane testing, maintenance, and certification;
- engineering, consulting and subcontracting services; and
- procurement of materials and equipment.

Both agencies wish to enter into a new five-year agreement. All costs incurred by Metropolitan under this agreement, including labor, materials, additives, overhead, and related subcontracts, would be reimbursed by DWR.

The new agreement would:

- authorize the continuation of services to DWR through September 30, 2017;
- continue the amount of service that Metropolitan can provide at \$25 million over five years; and
- authorize Metropolitan to hire subcontractors and consultants as needed, not to exceed \$1.5 million per year.

The services agreement has greatly benefited both Metropolitan and DWR. Both agencies recognize the importance of maintaining DWR's water delivery and electrical energy producing facilities at a high level of reliability. In addition, as the largest SWP contractor, Metropolitan pays over 60 percent of the project's annual O&M costs. Providing services to DWR saves Metropolitan on annual O&M payments under the state water contract and provides benefits to the other State Water Contractors. These savings are passed on to our member agencies through lower annual revenue requirements. In addition, there are operational benefits associated with this reimbursable agreement, including increased water and power reliability and rapid response capabilities for both DWR and Metropolitan. In June 2000, Metropolitan and DWR signed a "Partnering Opportunities" memorandum of understanding to maximize ongoing efforts to improve SWP reliability and cost-effectiveness. This five-year agreement with DWR would directly contribute to achieving those objectives.

## Policy

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Metropolitan Water District Administrative Code Section 8121 (a): General Authority of the General Manager to Enter Contracts

### California Environmental Quality Act (CEQA)

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CEQA determination for Option #1:

The proposed actions are categorically exempt under the provisions of CEQA and the State CEQA Guidelines. The proposed project under the DWR agreement and related subcontracts involves the funding of a study and minor modifications to and replacement of existing public facilities with negligible or no expansion of use and no possibility of significantly impacting the physical environment. In addition, the proposed project will consist of basic data collection, and resource evaluation activities which do not result in a serious or major disturbance to an environmental resource. This may be strictly for information gathering purposes, or as part of a study leading to an action which a public agency has not yet approved, adopted, or funded. Accordingly, the proposed action qualifies for a Class 1, Class 2, and Class 6 Categorical Exemptions (Sections 15301, 15302, and 15306 of the State CEQA Guidelines).

The CEQA determination is: Determine that pursuant to CEQA, the proposed action qualifies under three Categorical Exemptions (Class 1, Section 15301; Class 2, Section 15302; and Class 6, Section 15306 of the State CEQA Guidelines).

CEQA determination for Option #2:

None required

## Board Options

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### Option #1

Adopt the CEQA determination and authorize

- a. A five-year reimbursable agreement with the DWR to provide services for SWP operations and maintenance activities in an amount not to exceed \$25 million;
- b. Entering into subcontracts greater than \$250,000 to complete work under the agreement; and
- c. Entering into subcontracts as needed, not to exceed \$1.5 million annually under the agreement.

**Fiscal Impact:** Reduced costs for maintenance and repair of SWP facilities

**Business Analysis:** This service agreement would promote increased system and supply reliability for the SWP. The machining, fabrication, coating, and support services could be provided to complete O&M work in a timely manner and at potentially reduced costs.

### Option #2

Do not extend current agreement, which would expire September 30, 2012.

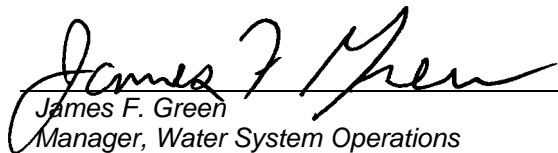
**Fiscal Impact:** Increased State Water Contract O&M costs

**Business Analysis:** DWR would have to outsource machine, fabrication, coating, and other support services, which would likely result in a longer lead time for completion of work and higher O&M costs for Metropolitan and other State Water Contractors. Metropolitan could experience reduced water and electrical reliability and increased power costs.

**Staff Recommendation**

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Option #1

  
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6/21/2012

Date

  
Jeffrey Kightlinger  
General Manager

6/27/2012

Date

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