



● **Board of Directors**
Engineering and Operations Committee

6/9/2015 Board Meeting

8-4

Subject

Appropriate \$3,530,802 for final payment to Southern California Edison for the 66 kV incoming electrical service at the F. E. Weymouth Water Treatment Plant (Approp. 15369)

Executive Summary

This action appropriates funds to enable final payment to Southern California Edison (SCE) for additional costs that SCE incurred during design and construction of new electrical transmission lines and a substation for the F. E. Weymouth Water Treatment Plant.

Timing and Urgency

SCE has completed the construction of new 66 kilovolt (kV) transmission lines and a dedicated electrical substation for the Weymouth plant. These improvements will enhance electrical reliability for the plant and provide power to the new ozonation facilities that will commence operation in early 2017. Over the course of its project, SCE incurred unanticipated additional costs for design and construction of its transmission lines and substation. Pursuant to the terms of the California Public Utilities Commission (CPUC)-approved utility agreement between Metropolitan and SCE, Metropolitan is required to pay for the additional work. Staff has negotiated with SCE the amount that Metropolitan is obligated to pay, and a reduced charge in the amount of \$3,530,802 has been proposed by SCE. Staff recommends that this amount be appropriated in order to make final payment to SCE.

The Weymouth Incoming Electrical Upgrades is categorized as an Infrastructure Reliability project within Metropolitan's Capital Investment Plan (CIP). Funds for this action are available within the capital expenditure plan for fiscal year 2014/15.

Details

Background

The Weymouth plant was placed into service in 1941 with an initial capacity of 100 million gallons per day (mgd), and was expanded twice to its current capacity of 520 mgd. The plant delivers a blend of waters from the Colorado River Aqueduct and State Water Project to Metropolitan's Central Pool portion of the distribution system, and to an exclusive service area. The Weymouth plant is located in the city of La Verne.

Prior to 2012, the Weymouth plant received power from SCE via a single 12 kV overhead transmission line. This transmission line was shared with other local SCE customers. During periods of high electrical demand in the neighborhood, the line voltage would drop to unacceptable levels, causing the plant's standby generators to activate in order to provide stable power to meet the plant's electrical demands. These low voltage episodes would affect electronic equipment at the plant, which are sensitive to poor power quality. To resolve this situation, Metropolitan entered into an agreement with SCE to replace the plant's incoming 12 kV electrical service with a new 66 kV service. The new 66 kV service would have sufficient capacity to serve both the existing electrical loads and the plant's new ozonation facilities. Major components of the new service include overhead transmission lines from two sources, two 66 kV circuits, and an on-site substation.

In January 2007, Metropolitan's Board authorized design of the Weymouth Electrical Upgrades project, which included the new incoming electrical service from SCE. In April 2007, the General Manager executed an agreement with SCE to perform the needed work. Under CPUC rules, SCE is required to provide service to its retail customers under CPUC-approved standard terms and conditions. The terms of the CPUC form agreement, which are not generally negotiable, require full payment of all of Edison's costs. In accordance with the standard agreement, Metropolitan provided SCE with a deposit based on SCE's estimated total project cost. Upon completion and acceptance of the new system, SCE reviewed its costs and closed out the project. The purpose of the review process was to ensure that all incurred costs were accurate. In a typical SCE project, at the conclusion of this review process, SCE would then provide the customer either a refund of deposited funds not used, or an invoice for additional costs that SCE incurred to complete the work. For the Weymouth incoming electrical service, SCE informed Metropolitan that unanticipated extra costs had been incurred. Following is a description of the additional work and cost items cited by SCE.

Additional Work by SCE

SCE originally planned to route its transmission lines along Bonita and Wheeler Avenues within the city of La Verne, using a combination of overhead lines and underground conduits and vaults. During design of the facilities, SCE rerouted the transmission lines several times to accommodate utility crossings, to address community concerns about transmission poles, and to resolve right-of-way issues. The latter issues involved multiple agencies including the cities of La Verne, Claremont, and Pomona; Los Angeles County's Fairplex; the Southern California Regional Rail Authority; and the University of La Verne.

To resolve all of the above issues, SCE developed a final route that differed significantly from the original route. The final route required longer transmission lines, more poles, and a new underground vault. Additional factors that SCE had to manage during the project which led to increased costs included construction delays due to events beyond SCE's control, and unforeseen construction difficulties requiring field modifications to the planned route and equipment.

Due to the long duration of its project (approximately five years), SCE also incurred higher labor and material costs than it had estimated. For example, large increases in raw material costs were encountered for steel and copper. A substantial volume of these metals was used for poles, conductor wire, transformers, and panels.

To date, Metropolitan's Board has appropriated and Metropolitan has paid \$11,745,580 to SCE for design and construction of the Weymouth incoming electrical service. Upon completion of the project, and following its final review of costs incurred, SCE notified Metropolitan that the total cost increase for the project had reached \$5,957,000. Under the terms of the two parties' utility agreement, this is the amount SCE intended to include in its final invoice to Metropolitan.

Upon being informed of the increase, staff requested that a project audit be conducted and that senior SCE managers review the project expenditures. The negotiations stemming from this audit were productive and resulted in a 40 percent reduction in the final invoice amount proposed by SCE. The revised amount is \$3,530,802.

Weymouth Incoming Electrical Service – Final Payment to SCE for Design and Construction (\$3,530,802)

Based on the final amount proposed by SCE for its additional work, the total cost to deliver the completed 66 kV transmission lines and substation is \$15,276,382. Metropolitan has already paid \$11,745,580 to SCE for these facilities. As a result, the amount remaining to be paid by Metropolitan is for SCE's final invoice. Staff recommends that \$3,530,812 in capital funds be appropriated in order to make the final payment to SCE.

This action appropriates \$3,530,802 to complete the Weymouth incoming electrical service. This amount is within the contingency portion of the budget established for the Weymouth Electrical Upgrades project, and funds are available within Metropolitan's capital expenditure plan for fiscal year 2014/15. See [Attachment 1](#) for the Financial Statement and [Attachment 2](#) for the Location Map.

This project is included within capital Appropriation No. 15369, the Weymouth Improvements Appropriation - FY 2001/02 Through FY 2005/06, which was initiated in fiscal year 2001/02. The total estimated cost to

complete the Weymouth incoming electrical service, including the amount appropriated to date and current funds requested, is approximately \$15.9 million.

Policy

Metropolitan Water District Administrative Code Section 5108: Appropriations

Metropolitan Water District Administrative Code Section 8122: General Manager’s Contracting Authority in Specified Circumstances

California Environmental Quality Act (CEQA)

CEQA determination for Option #1

The proposed action is not defined as a project under CEQA because it involves continuing administrative activities (Section 15378(b)(2) of the State CEQA Guidelines). In addition, the proposed action is not subject to CEQA because it involves other government fiscal activities, which do not involve any commitment to any specific project which may result in a potentially significant physical impact on the environment (Section 15378(b)(4) of the State CEQA Guidelines).

The CEQA determination is: Determine that the proposed action is not subject to the provisions of CEQA pursuant to Sections 15378(b)(2) and 15378(b)(4) of the State CEQA Guidelines.

CEQA determination for Option #2

None required

Board Options

Option #1

Adopt the CEQA determination that the proposed action is not subject to the provisions of CEQA, and appropriate \$3,530,802 for the Weymouth Incoming Electrical Service

Fiscal Impact: \$3,530,802 in capital funds under Approp. 15369

Business Analysis: This action will enable Metropolitan to make final payment to SCE for design and construction of the Weymouth plant’s new 66 kV incoming electrical service.

Option #2

Do not appropriate the additional funds.

Fiscal Impact: Unknown

Business Analysis: Under this option, staff would return to the Board to consider options for contesting SCE’s claimed costs for the Weymouth 66 kV incoming electrical service.

Staff Recommendation

Option #1



Gordon Johnson
Manager/Chief Engineer
Engineering Services
5/19/2015
Date



Jeffrey Kightlinger
General Manager
5/26/2015
Date

Attachment 1 – Financial Statement
Attachment 2 – Location Map

Financial Statement for Weymouth Improvements Appropriation – FY 2001/02 Through FY 2005/06

A breakdown of Board Action No. 43 for Appropriation No. 15369 for the Weymouth Incoming Electrical Service¹ is as follows:

	Previous Total Appropriated Amount (Oct. 2014)	Current Board Action No. 43 (June 2015)	New Total Appropriated Amount
Labor			
Studies & Investigations	\$ 2,801,477	\$ -	\$ 2,801,477
Final Design	10,648,141	-	10,648,141
Owner Costs	8,042,984	-	8,042,984
Submittals Review & Record Drwgs.	3,262,723	-	3,262,723
Construction Inspection & Support	14,261,690	-	14,261,690
Metropolitan Force Construction	8,188,780	-	8,188,780
Materials & Supplies	2,678,526	-	2,678,526
Incidental Expenses	718,341	-	718,341
Professional/Technical Services	13,748,100	-	13,748,100
Equipment Use			
Contracts	95,494,030	-	95,494,030
S. C. Edison	11,745,580	3,530,802	15,276,382
Remaining Budget	2,588,628 ²	-	2,588,628
Total	\$ 174,179,000	\$ 3,530,802	\$ 177,709,802

Funding Request

Appropriation Name:	Weymouth Improvements – FY 2001/02 Through FY 2005/06		
Source of Funds:	Revenue Bonds, Replacement and Refurbishment or General Funds		
Appropriation No.:	15369	Board Action No.:	43
Requested Amount:	\$ 3,530,802	Budget Page No.:	323
Total Appropriated Amount:	\$ 177,709,802	Total Appropriation Estimate:	\$241,000,000

¹The total amount expended to date on the Weymouth incoming electrical service is approximately \$12.3 million. The total estimated cost to complete the project, including the amount appropriated to date and current funds requested, is approximately \$15.9 million.

²Includes previous reallocation of \$643,218 to Remaining Budget for work completed below budget on the Weymouth Basins Nos. 3 and 4 Rehabilitation project.

