



- Board of Directors
Engineering and Operations Committee

8/15/2017 Board Meeting

8-6

Subject

Adopt CEQA determination and 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)

Executive Summary

This action authorizes a reimbursable agreement with the California Department of Water Resources (DWR) to provide services for State Water Project (SWP) operations and maintenance activities.

Timing and Urgency

DWR operates and maintains over 100 large pumping and hydroelectric generating units and supplies water to 29 State Water Contractors, including Metropolitan, via the SWP. The reliability of SWP deliveries to Metropolitan depends on proper, timely, and sometimes urgent maintenance and repair of this equipment. Timely maintenance of the equipment also helps to control SWP operations and maintenance (O&M) costs for Metropolitan and other State Water Contractors.

Metropolitan supports the SWP's reliability by providing machining, fabrication, coating and maintenance services for critical repair and rehabilitation of facilities under a reimbursable agreement with DWR. The current agreement, which Metropolitan renewed with DWR in 2012, expires on September 30, 2017. Authorization of a new agreement will maintain Metropolitan's ability to provide critical support services for the SWP.

Details

Background

For over three decades, Metropolitan has performed machining, fabrication, and coating services for critical repair and rehabilitation of SWP facilities under reimbursable agreements with DWR. Under these agreements, Metropolitan 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 and renewed numerous times. The current agreement, which Metropolitan renewed with DWR in 2012, expires on September 30, 2017. The agreement covers a range of activities supporting 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 reimbursable agreement. All costs incurred by Metropolitan under this agreement, including labor, materials, additives, overhead, and related subcontracts, would be reimbursed by DWR.

The renewed agreement would:

- authorize the continuation of services to DWR through September 30, 2022;
- 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, at a cost 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. 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 also benefits the other State Water Contractors. These savings are passed on to Metropolitan's member agencies through lower annual revenue requirements. Furthermore, 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

Metropolitan Water District Administrative Code Section 8121(a): General Authority of the General Manager to Enter Contracts (Contracts over \$250,000)

California Environmental Quality Act (CEQA)

CEQA determination for Option #1:

The proposed action is categorically exempt under the provisions of CEQA and the State CEQA Guidelines. The proposed action involves design, fabrication, machining, maintenance, and procurement of mechanical equipment at existing public facilities involving negligible or no expansion of use and no possibility of significantly impacting the physical environment. Accordingly, the proposed action qualifies under a Class 1 Categorical Exemption (Section 15301 of the State CEQA Guidelines).

The CEQA determination is: Determine that pursuant to CEQA, the proposed action qualifies under a Categorical Exemption (Class 1, Section 15301 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 categorically exempt, and

- a. Authorize a five-year reimbursable agreement with DWR to provide services for SWP operations and maintenance activities for an amount not to exceed \$25 million;
- b. Enter into subcontracts greater than \$250,000 to complete work under the agreement; and
- c. Enter 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 option will promote continued system and supply reliability for the SWP and ensure that Metropolitan's La Verne Shops are used to support reliability of the SWP facilities. 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

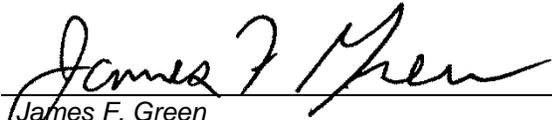
Do not proceed with the authorization of the agreement at this time.

Fiscal Impact: Potential increases in State Water Contract O&M costs.

Business Analysis: DWR would outsource more machine, fabrication, coating, and other support services, which would likely result in a longer lead time for completion of work and the potential for 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

Option #1



James F. Green
Manager, Water System Operations

8/2/2017
Date



Jeffrey Kightlinger
General Manager

8/3/2017
Date