

POSSIBLE MOTION

I MOVE TO approve executing a Change Item 68 to Barnard Construction LLC in the amount of \$1,880,050.00 and approve additional funding for the Blue Lake Expansion project in the amount of \$2,758,214.



Memorandum

February 19, 2014

To: Mark Gorman, Municipal Administrator
 From: Christopher Brewton, Utility Director
 Subject: **Blue Lake Hydroelectric Expansion Project- Award of Change Item 68 Phase II Alternate Water Supply**

Request:

I request Assembly approval authorizing the City Administrator to issue Barnard Construction LLC., Change Item 68 for Phase II of the Alternate Water Supply. The change item amount is \$1,880,050.00. In addition, I request the Assembly approve a 10% contingency in the amount of \$188,005.00. This brings the total request for Change Item 68 to \$2,068,055.00.

Background:

The City and Borough of Sitka is required to install temporary filtration at the Indian River Water Treatment Plant for use during the Blue lake Expansion generation outage. City Staff decided to engage the Blue Lake Expansion General Contractor Barnard Construction to perform this work so they would retain responsibility for installing the plant prior to the generation outage. Change Item 61 Phase I the rental of the filter units in the amount of \$1,226,740.01 was approved in Change order 7. Change Item 68 Phase II will complete Barnard’s requirement to install the plant.

Analysis:

The Change Item price for Phase 2 is 9.7% less than the engineer’s estimate of \$2,081,000. See attached review prepared by CH2MHILL.

Funding:

The Blue Lake Expansion currently has a \$2,000,000 placeholder for this work. The additional funding needed for construction and operations totals \$2,758,214. The costs and projected costs are listed below.

Costs to date

Groundwater investigation	\$275,893.64
Engineering and project management	\$98,755.53
Phase I filter unit rental Change Item 61	\$1,226,740.01
Phase II filter unit installation Change Item 68	\$2,068,055
Engineering Design and Const. Services (CH2MHILL)	\$319,000
River Intake Mods (CBS)	\$25,000
Electrical (CBS)	\$50,000

Misc. (CBS)	\$50,000
Control Panel design (CH2MHILL)	\$116,270
Startup & Testing (CH2MHILL/PALL)	\$66,000
Permitting	\$25,000
Operating Costs	
Power	\$165,000
Chemicals and consumables	\$55,000
Operations by contract personnel	\$150,000
Operation contingency	\$67,500
Total cost of Alternative Water Supply	\$4,758,214.18

Possible funding sources may include an ADEC loan or bonding. We are also asking for authorization to apply for an ADEC loan up to \$4.32 million to cover the eligible installation costs. The ADEC loan should be maximized given it is at a much lower interest rate versus bonding.

The Electric Department programmed \$2,000,000 prior to knowing any information on how or where we would supply the community with alternative water. It quickly became evident that the solution was going to exceed \$2,000,000 once CH2MHILL was hired to analyze possible solutions. By the end of 2012, CH2MHILL started identifying a cost of \$3.2 million for basic installation and noted that the cost estimating was relatively unpredictable given that we had to break new ground in developing a system to meet our specific needs and timeline. After performing water testing on the Indian River and addressing additional comments from ADEC, the final engineers estimate (including operations) was set at \$4,660,000 million with a note that this could see a 30% potential increase due to accuracy.

Given the unpredictability of the cost estimating, it was determined not to increase the budget until costs were received by the contractors performing the work and providing the filtration plants.

The Finance Department has planned for contingent funding for the project, if needed. If the overall cost of the project at its completion exceeds overall estimated costs, these contingent funding sources can be utilized.

Recommendation:

I recommend the Assembly authorize the Municipal Administrator to issue Change Item 68 to Barnard Construction in the amount of \$1,880,050.00 and approve additional funding for the Blue Lake Expansion Project in the amount of \$2,758,214.

Cc: Robin Koutchak, Municipal Attorney
Jay Sweeney, CFAO
Mike Middleton, Finance Director
Dean Orbison, Blue Lake Project Manager