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# **STAFF REPORT**

## **Gravity Supply Line – Engineering Status Report**

### **Requested Action:**

Authorize the General Manager to proceed with all of the items discussed below in order to satisfy all USDA Conditions and allocate \$50,000 from Agency General Reserves to fund costs other than salaries and benefits.

### **Background:**

According to an extensive investigation by experienced independent water engineers, if the Water Agency does not replace the existing pump system “An extended water outage is likely within the next five years.” (Kennedy-Jenks Engineers, 2012.)

The Water Agency has an opportunity to build a Gravity Supply Line which will be much more affordable for ratepayers than replacing the existing failing and energy-intensive raw water pumping system. Cost savings with the Gravity Supply Line occur because 40% of the cost will be paid through USDA Rural and the project will virtually eliminate hundreds of thousands of dollars in electricity charges to run the pumps. Replacing the existing aged pump stations and pipe line with a green gravity supply line will improve fire protection, reliability for customers and small businesses and improve water quality.

In order to obtain the USDA grant that covers 40% of the Gravity Supply Line project, the Water Agency must meet certain requirements and conditions from the USDA. We must confirm a financing plan for the loan repayment. The Agency has been working on a financing plan and hired independent consultants last year to ensure that costs were fairly distributed among those customers who will benefit from the project. The Gravity Supply Line would save a typical residential customer more than \$200 per year compared to the option of replacing the pump stations and pipeline based on a cost of service and rate study prepared by an independent rate consultant.

The following information will provide a status of the remaining items needed to proceed with funding for the Gravity Supply Line. Due to significant budget constraints and the resulting reduction in the Engineering Department to only two employees, it has been challenging for staff to simultaneously ensure the Agency follows state regulations,

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performs contractually mandated work for existing systems while also compiling all of the information to meet the required conditions of this grant.

On March 25, 2010 the Board authorized “the Interim General Manager to file a Notice of Determination, for this project and that staff take action associated with the 8 items outlined in the staff report dated March 25, 2010 and put the GSL out to bid as soon as possible.” On May 13, 2010, all work on the GSL halted after the Board directed staff to “not perform any additional preliminary tasks on the GSL until such time as it is determined whether the Agency receives assurance of the USDA funding.” On December 9, 2010, the Board directed staff to resume work on the GSL up to and including bidding the project.

Since December 9, 2010, staff proceeded with the necessary steps to complete the design, acquire permits and easements, pre-qualify contractors and ultimately bid the project. However, due to other projects given priority over the GSL since December 9, the schedule for completion was delayed. On March 1, 2011, the General Manager directed Staff to put the GSL out to bid as soon as possible and on March 11, 2011 the Invitation to Pre-Qualify to Bid the GSL was advertised, with nine (9) contractors pre-qualifying. In April 2011, USDA extended the deadline to meet conditions contained in the USDA Letter of Conditions to September 30, 2012. Shortly thereafter, Engineering was once again directed to halt work on the GSL while the Agency considered how to meet the USDA condition associated with a financial plan for loan payments.

### **Work Status:**

Prior to this work stoppage, Staff performed the following work:

- Developed, advertised, and selected contractors via the Pre-Qualification Process
- Met with PG&E personnel.
- Met with BLM personnel.
- Met with SPI personnel.
- Met with and successfully negotiated eight (8) easements and property owner agreements.
  - Purchased one (1) of the eight (8) easements which not only accommodates the GSL, but existing Agency facilities that were across the same property without an easement.
  - Made minor revisions to the plans to accommodate some of the property owner negotiated agreements.
- Renewed the SWPPP permit.

In July 2011, an update of the outstanding issues related to the GSL was prepared, and recently Engineering has been directed to “dust off” the project and update the July 2011 list. Below is a summary of the known outstanding issues necessary for completion of the GSL.

- Complete Plans and Specifications
  - Completion of Specifications
    - 10 Hours Staff Time
  - Revision of the plans due to easement issues (see the Easement section for a complete discussion of this issue)
    - Revision 1 – Antelope Creek Area
      - Additional Survey: \$2,500 Consultant
      - Additional Design: 24 Hours Staff Time

- Additional Easement Negotiations: 20 Hours Staff Time
    - Reason: See Easement Revision 1 below
  - Revision 2 – Highway 88 Area
    - Additional Design: 24 Hours Staff Time
    - Reason: See Easement Revision 2 below
  - Revision 3 – Tiger Creek Regulator
    - Re-Design Siphon & Intake Facilities: \$20,000 Consultant
    - Reason: The usage of PG&E power as the primary source for the siphon/blower equipment raised issues with PG&E, CPUC and FERC. Essentially, the power poles are private and unregulated, only for use by PG&E. To bring it up to standards so that AWA could also utilize this power source would create significant delays and costs that exceed converting the GSL equipment and controls to be run directly from the generator and solar panels.
- Right of Way/Easements
  - Re-negotiate / Sign Six (6) of the Original Eight (8) Easement Agreements
    - 40 Hours Staff Time
    - New Legal Descriptions: \$900
    - All 8 of these easements were successfully negotiated with purchase options and signed. Unfortunately, with the exception of one easement discussed above, the agreements required payment for the easements by the Agency by 12/31/11. Since this did not occur, the agreements have expired. Due to the on-going delays, most of these easements will need to be renegotiated. Staff did send out request to extend the agreements but there was minimal response from the property owners.
    - Additionally, per discussions with some of the property owners, they have been in contact with outside parties who have actively discouraged them from cooperating with AWA.
    - Easement Revision 1 – Antelope Creek Area
      - This property owner, with whom previous negotiations were successful, is refusing to sign the new easement agreement extending the deadline and “won’t sign a new agreement because the Agency is out of money and this project will never get built.”
      - It is possible to redesign the pipeline via two alternate routes to avoid this property owner. Staff is currently researching the best/easiest alternative to allow the project to move forward in a timely manner.
    - Easement Revision 2 – Highway 88 Area
      - This property owner, with whom previous negotiations were successful, is refusing to sign the new easement agreement extending the deadline. He parroted the same issues as the Antelope Creek property owner noted above.

- Although the alignment through this property owner is preferable, there is an existing 10' PUE immediately adjacent that will suffice, although it introduces additional constructability issues.
  - USFS
    - 16 Hours Staff Time
    - USFS Fee: \$6,403
    - At some point, BLM transferred property to USFS, however they never notified Amador County. Therefore, Staff which utilized the Amador County Assessor's records for establishing ownership, were unaware that USFS owned a portion of the property through which the GSL traverses.
    - Since that time, Staff has begun discussions with USFS regarding obtaining an easement/lease over their property.
    - USFS requires \$6,403 before they will even begin review of the project.
  - BLM
    - 8 Hours Staff Time
    - BLM Fee: Unknown, if any
    - Staff had successfully negotiated an agreement with BLM, however prior to execution of the agreement BLM personnel changed.
    - Since that time, Staff has had discussions with the new BLM personnel. They require an additional site visit prior to recommencing negotiations and wish to coordinate the visit with the new Spring Botanical Survey (see Environmental below).
  - SPI
    - 8 Hours Staff Time
    - Staff at SPI has also changed and the agreement has become stale. Staff will need to negotiate with the new SPI personnel.
  - PG&E
    - 32 Hours Staff Time
    - Easement pending General Manager negotiations.
- Permits
  - Amador County Encroachment Permit
    - Incorporate Amador County Comments: 16 Hours Staff Time
    - Amador County Fee: \$5,000
  - U.S. Army Corps of Engineers Section 404 Nationwide 12 Permit
    - Reapply for a new permit: 12 Hours Staff Time
    - USACOE Fee: Unknown
    - The existing 2007 NWP's expired on March 18, 2012. Permittees must to reapply under the new 2012 NWP's.
- Environmental
  - Perform new Pre-Construction Botanical/Amphibian/Reptile/Raptor Surveys
    - 8 Hours Staff Time
    - \$12,315 Consultant

- Due to on-going delays in the project, portions of the Environmental work have become “stale” and must be re-performed.
- Bid activities
  - Pre-Qualification disqualification appeal
    - 2 Hours Staff Time
  - Advertise/Bid walk
    - 8 Hours Staff Time
    - Pre-Construction Survey: \$2,500 Consultant
  - Respond to bid questions/bid opening
    - 16 Hours Staff Time
- Items needed prior to start of construction/USDA Conditions
  - Establish revenue streams to meet loan obligation/financial plan
  - PG&E agreement amendment/ technical review was completed, but will need to be reapproved with the changes noted above. The Quality Control Implementation Plan needs to be prepared for PG&E and FERC approval.
  - Complete USDA compliance forms/Loan & Grant Docs/set up accounts

### **USDA Conditions:**

Below is a summary of the letter of conditions from USDA received July 2010 and augmented by the attached April 11, 2012 USDA letter. Actions to meet these conditions are summarized below.

1. Reserves
  - a. This task is only necessary if the Board finds the Bid acceptable and will be performed **after** Notice of Award is issued.
  - b. This task requires Staff to establish a separate debt service reserve. Staff has already performed this task for the Buckhorn WTP and Plymouth Pipeline Projects so is familiar with the requirements and necessary level of effort, which is minimal.
  - c. Staff estimates this task will take one (1) hour Administration Department time to complete.
2. Disbursement of Funds
  - a. This task is only necessary if the Board finds the Bid acceptable and will be performed **after** Notice of Award is issued.
  - b. This task requires Staff to establish a separate account. Staff has already performed this task for the Buckhorn WTP and Plymouth Pipeline Projects so is familiar with the requirements and necessary level of effort, which is minimal.
  - c. Staff estimates this task will take one (1) hour Administration Department time to complete.
3. Security Requirements
  - a. This task is only necessary if the Board finds the Bid acceptable and will be performed **after** Notice of Award is issued.
  - b. This task has been revised to reflect the Agency’s proposed formation of a Community Facilities District (‘CFD’) covering the existing CAWP water rights service area.

- c. Staff estimates this task will take four (4) hours Administration Department time and one (1) hour Executive Department time following the special election for the CFD.
- 4. Applicant Certification
  - a. This task was removed/deleted in the April 2012 letter.
- 5. No Item #5 was included in the USDA Letter of Conditions
- 6. Insurance & Bonding Requirements
  - a. This task is only necessary if the Board finds the Bid acceptable and will be performed **after** Notice of Award is issued.
  - b. This task requires proof of Property, Workers' Compensation, General Liability and Vehicular Insurance coverage as well as the Fidelity Bond. Proof of these insurance are required of the Contractor and requires naming of USDA and Amador Water Agency as additional insureds. Staff has already performed this task for the Buckhorn WTP and Plymouth Pipeline Projects so is familiar with the requirements and necessary level of effort, which is minimal.
  - c. Staff estimates this task will take four (4) hours Engineering Department time to complete.
- 7. Civil Rights & Equal Opportunity
  - a. This task is already completed and included in the Contract General Conditions as it was for the Buckhorn WTP and Plymouth Pipeline Projects.
  - b. Staff estimates this task will take one (1) hour Executive Department time to complete.
- 8. Written Agreements for Professional Services
  - a. This task is only necessary if the Board finds the Bid acceptable and will be performed **after** Notice of Award is issued.
  - b. This task requires bond counsel and legal service agreements. The requirement for engineering agreements is not applicable since the work is being performed in-house. Staff has already performed this task for the Buckhorn WTP and Plymouth Pipeline Projects so is familiar with the requirements and necessary level of effort, which is minimal.
  - c. Staff estimates this task will take two (2) hours Administrative Department time, four (4) hours Engineering Department time, two (2) hours Executive Department time and \$500 Agency Counsel costs to complete.
- 9. Land & Rights of Way
  - a. See discussion of Easement Acquisition in the prior section.
  - b. Note that payment for easement and right-of-way acquisition is only necessary if the Board finds the Bid acceptable and will be performed **after** Notice of Award is issued.
    - i. Should the Board decide **not** to issue a Notice of Award, these monies would **not** be paid and the property owner easement acquisition agreements would become null and void.
- 10. Permits
  - a. See discussion of Permits in the prior section.
- 11. Environmental Reviews
  - a. This task was completed in Fiscal Year 2009/2010, however see the prior section regarding the new environmental survey that is required.
- 12. Engineering and Construction

- a. See discussion of Plans and Specifications in the prior section.
13. Electronic Funds Transfer
- a. This task is only necessary if the Board finds the Bid acceptable and will be performed **after** Notice of Award is issued.
  - b. This task requires Staff to submit the Electronic Funds Transfer Form. Staff has already performed this task for the Buckhorn WTP and Plymouth Pipeline Projects so is familiar with the requirements and necessary level of effort, which is minimal.
  - c. Staff estimates this task will take one (1) hour Administration Department time to complete.
14. Automatic Payments
- a. This task is only necessary if the Board finds the Bid acceptable and will be performed **after** Notice of Award is issued.
  - b. This task requires Staff to complete a USDA form. Staff has already performed this task for the Plymouth Pipeline Project so is familiar with the requirements and necessary level of effort, which is minimal.
  - c. Staff estimates this task will take one (1) hour Administration Department time to complete.
15. Loan Closing
- a. This task is only necessary if the Board finds the Bid acceptable and will be performed **after** Notice of Award is issued.
  - b. This task requires Staff to provide all applicable bond closing documents to USDA. Staff has already performed this task for the Buckhorn WTP and Plymouth Pipeline Projects so is familiar with the requirements and necessary level of effort, which is minimal.
  - c. Staff estimates this task will take six (6) hours Administration Department time and \$25,000 in Bond Counsel costs to complete.
16. Operating Budget
- a. This task is only necessary if the Board finds the Bid acceptable and will be performed **after** Notice of Award is issued.
  - b. This task requires that any change in the rate structure be in effect at the time of loan closing.
17. Vulnerability Assessments and Emergency Response Plans
- a. The documents required by this task have already been completed.
18. Provide Documents to USDA
- a. This task is only necessary if the Board finds the Bid acceptable and will be performed **after** Notice of Award is issued.
  - b. This task requires Staff to complete six (6) USDA documents. Staff has already performed this task for the Buckhorn WTP and Plymouth Pipeline Projects so is familiar with the requirements and necessary level of effort, which is minimal.
  - c. Staff estimates this task will take three (3) hours Executive Department time to complete.
19. Central Contractor Registration and Universal Identifier Requirement
- a. This task was added in the April 2012 letter.
  - b. This task is only necessary if the Board finds the Bid acceptable and will be performed **after** Notice of Award is issued.
  - c. Staff estimates this task will take four (4) hours Administrative Department time to complete.

**USDA Task Summary:**

The following tasks were completed previously:

7 (Civil Rights & Equal Opportunity), 12.b.ii.1(Preliminary Engineering Report), 12.b.iii(Small, Minority and Women Business Utilization), 17(Vulnerability Assessments and Emergency Response Plans)

The following tasks are planned to occur immediately upon Board reauthorization:

9(Lands & Right of Way), 10 (Permits), 11(Environmental Reviews), 12 (Engineering)

**Fiscal Impact:** Staff Hours: 224    Consultants: \$38,215    Fees/Other: \$11,403

The following tasks are planned to occur after the CFD election and issuance of Notice of Award:

1(Reserves), 2(Disbursement of Funds), 3(Security Requirements), 6(Insurance & Bonding), 8(Written Agreements for Professional Services), 9.b(Payment for Easement/Right-of-Way), 12.b.ii.4(Bid Award Information), 12.b.ii.5(Execution of Contract Documents), 12.b.6(USDA Pre-Construction Meeting), 13(Electronic Funds Transfer), 14(Automatic Payments), 15(Loan Closing),16(Operating Budget), 18(Provide Documents to USDA), 19(Central Contractor Registration)

**Fiscal Impact:** Staff Hours: 33    Consultants: \$25,500    Easements: \$125,000

Earlier this month, USDA provided the Agency with an extension to meet the Letter of Conditions. This letter modified Condition 3 to reflect the Agency direction to fund the loan payments through a Community Facilities District. The letter also eliminated Condition 4 and added Condition 19 discussed above. Amador Water Agency has until September 30, 2013 to meet the Letter of Conditions.

**Reviewed by Committee:**

No.

**Recommendation:**

Authorize the General Manager to proceed with all of the items discussed below in order to satisfy all USDA Conditions and allocate \$50,000 from Agency General Reserves to fund costs other than salaries and benefits.

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Reviewed by: Chris McKeage, Operations Manager & Gene Mancebo, General Manager