TO: HONORABLE CITY COUNCIL
FROM: CITY MANAGER     DEPARTMENT: UTILITIES
DATE: July 9, 2007       CMR: 293:07

SUBJECT: APPROVAL OF A UTILITIES ENTERPRISE FUND CONTRACT WITH POWER ENGINEERS INC. IN THE AMOUNT OF $267,422 FOR THE 230kV ELECTRIC TRANSMISSION INTERCONNECTION STUDY PHASE II AND $26,742 FOR UNFORESEEN ADDITIONAL SERVICES.

RECOMMENDATION
Staff recommends that Council approve and authorize the City Manager to execute the attached contract with Power Engineers, Inc. (Attachment A) in an amount not-to-exceed $267,422 for an electric transmission interconnection technical study and $26,742 for unforeseen additional services.

DISCUSSION

Scope of Services Description
The scope of work to be performed under the contract is to prepare technical studies which include determination of electric transmission line routes and permitting requirements, performance of electric fault or short-circuit studies, preparation of detailed cost estimates, and economic analysis and documentation of results as required for two plans for potential interconnection. Conceptual Plan 1 interconnects the City’s electric system via two 60 kV lines with the Stanford Linear Accelerator Center 230 kV Substation which is owned by the Department of Energy. Alternative Plan 2 converts the PG&E Ravenswood-Palo Alto 115 kV double circuit tower line to 230 kV. See Exhibit A for the complete scope of services.

The purpose of the study is to evaluate the feasibility and economics of constructing facilities that allow the City to make a direct connection to the 230kV grid. Either of the alternatives being considered would reduce the annual Transmission Access Charge (TAC) assessed on all transmission users, including Palo Alto, by the California Independent System Operator. If the City upgrades the connection voltage from the present 115kV level to the 230kV level, the annual Transmission Access Charge (TAC) cost to the City is expected to drop from $6
million/year to approximately $3 million/year. In addition, the City gains a more robust electric transmission connection and a more redundant/reliable power system configuration.

Summary of Solicitation Process

<table>
<thead>
<tr>
<th>Proposal Description/Number</th>
<th>230kV Electric Interconnection Study / RFP 117139</th>
</tr>
</thead>
<tbody>
<tr>
<td>Proposed Length of Project</td>
<td>4 months</td>
</tr>
<tr>
<td>Number of Proposals Mailed</td>
<td>4 - Flynn Resource Consultants, Inc., Navigant Consulting, TriAxis Engineering, Inc., and Power Engineers Inc.</td>
</tr>
<tr>
<td>Total Days to Respond to Proposal</td>
<td>21</td>
</tr>
<tr>
<td>Pre-proposal Meeting Date</td>
<td>Tuesday, December 12, 2006</td>
</tr>
<tr>
<td>Number of Company Attendees at Pre-proposal Meeting</td>
<td>2 - Flynn Resource Consultants, Inc., and Power Engineers Inc.</td>
</tr>
<tr>
<td>Number of Proposals Received:</td>
<td>1</td>
</tr>
<tr>
<td>Company Name</td>
<td>Address</td>
</tr>
<tr>
<td>1. Power Engineers Inc.</td>
<td>Hailey, Idaho</td>
</tr>
<tr>
<td>Range of Proposal Amounts Submitted</td>
<td>$267,422</td>
</tr>
</tbody>
</table>

The RFP process allows the City to negotiate the price of the work upon selection of the successful firm.

A Utilities staff evaluation committee reviewed the proposal received. A qualification matrix was not developed as there was only one proposer. The committee did, however, carefully review the firm's qualifications and submittal in response to the criteria identified in the RFP.

Power Engineers, Inc. was selected because, though it was the sole proposer, it is highly qualified for this type of work based on past experience with the City. It also has extensive experience in Northern California and the San Francisco Bay Area for this type of engineering. The price is determined to be fair and reasonable based on Utilities staff's experience with similar studies such as PG&E’s Ravenswood – Palo Alto 230kV facilities study.

RESOURCE IMPACT

The cost of this study, $267,422 (and contingency funding of $26,742) is included in the Electric Fund FY07/08 approved budget in CIP EL-06001 230kV Electric Intertie. Staff recommends the use of a consultant rather than City employees as the type of detailed analysis proposed requires staffing time that well exceeds available resources and requires complex design that is not within staff’s areas of expertise with regard to some of the scope requirements.

POLICY IMPLICATIONS

This recommendation is consistent with the Council approved Utilities Strategic Plan Strategy 1 to ensure a high level of system reliability in a cost effective and timely manner.

ENVIRONMENTAL REVIEW

Execution of the Contract does not constitute a project for the purposes of the California Environmental Quality Act (CEQA). An environmental review will be prepared and completed before the selection of a contractor for any transmission interconnection project is undertaken.
ATTACHMENTS
A: Contract (including Scope of Work and Cost Matrix)

PREPARED BY:
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DEPARTMENT APPROVAL:
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Director of Utilities

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