

Council Meeting Staff Report

June 16, 2021

Agenda No.:	7.A.
Indexes (Council Goals):	DPU FY2022 - 1.0 Provide Safe and Reliable Utility Services
Presenters:	James Alarid
Legislative File:	14159-21

Title

Award of IFB 21-43 Otowi Well #2 Well House & Equipment and Otowi Well #4 MCC Replacement Project

Recommended Action

I move that the Board of Public Utilities approve the Award of IFB 21-43 with RMCI, Inc. for the purpose of Otowi Well #2 Well House & Equipment and Otowi Well #4 MCC Replacement Project in the amount of \$3,240,836, and a contingency of \$282,001, plus New Mexico Gross Receipts Tax, and approve related Budget Revision 2022-02, Option A, as summarized on Attachment D and that the attachment be made part of the minutes of this meeting, and forward to Council for approval.

Staff Recommendation

Staff recommends that the Board approve as presented.

Body

This project will construct the new well house, vertical turbine pump and electric gear to bring the new Otowi Well #2 online. The new well will produce 1,300 gallons-per-minute when in service and will provide water to White Rock and LANL. This project was initiated in 2016 to supplement the Pajarito Well field which has three existing wells which are nearing the end of their service life. The well drilling, development and water transmission line were completed in 2019. In addition, the motor control center (MCC) at Otowi Well #4 will be replaced. This well is located about a mile west of Otowi Well #2, and is also in Los Alamos Canyon, and was added to the project to take advantage of the economy of scale while performing similar work in the vicinity. The MCC at Otowi Well #4 is at the end of its service life and in need of replacement for continued reliable operation of the well. The construction drawings are provided as Attachment A.

The Otowi Well #2 site is adjacent to an existing natural gas line owned and operated by New Mexico Gas Company. Prior to beginning the design of the new well house an evaluation (Attachment E) was performed to compare a natural gas driven well versus an electric driven well and a hybrid design. The results were presented to the Utility Board on July 15, 2020. The evaluation recommended a hybrid design which included an electric drive with a natural gas powered generator that could serve as a back-up power supply or be run as the primary power source when gas is more economical than electricity. The well house was designed to accommodate the natural gas generator and furnishing the generator was bid as an additive alternate. Based on the discussion during the presentation of the evaluation in July 2020, and given the significant cost of the generator, DPU proceeded to further explore the need and justification of installing the gas powered generator now. As part of an ongoing Risk and Resiliency Study of the water production system, we asked our consultant to evaluate if installing the generator now was justified based on the risk of failing to meet our water supply needs. Based on the available supply and the redundancy in our water production system, the expense of installing the generator at this time is not justified. The price for the generator in RMCI's bid is \$668,000 (less GRT). We are not recommending award of the additive alternate for the generator. The evaluation is provided as Attachment B.

Two bids were received which were both significantly higher than the engineer's estimate. This has been typical given the drastic price increases in construction materials in recent months due to the supply shortages with the economy reactivating after the COVID-19 Pandemic. The second bid was over \$500,000 higher than the bid submitted by RMCI, Inc. A bid tabulation is provided as Attachment C.

Alternatives

If the project is not awarded staff will assess whether to re-bid the project immediately or defer for a short time, considering the terms of the existing Drinking Water State Revolving Loan. Completing the well in a timely manner is critical to maintaining an adequate water supply.

Fiscal and Staff Impact/Planned Item

A Drinking Water State Revolving Loan has been secured in the amount of \$2,852,444 based on the engineer's estimate prepared six months ago. DPU is pursuing an amendment to the loan to increase the amount to \$3,780,444 (base bid, contingency and NMGR). Budget Revision 2022-02, Option A, for the purpose of increasing the water production revenues and expenditure budget (from loan proceeds) by an amount of \$928,000 for the base bid is provided as Attachment D. Option B is also included in Budget Revision 2022-02 which will increase the water production revenues and expenditure budget (from loan proceeds) by an amount of \$1,644,848 for the base bid and additive alternate if the Utility Board chooses to award the additive alternate. Utility Board authorization is being sought to proceed with the loan modification as a separate agenda item in this meeting. The loan amendment process will take months to finalize. For the purposes of this award additional funding will be directed from other planned FY2022 capital projects temporarily until the loan is amended, or permanently if the additional loan funds are not secured. Proposed FY2022 water capital funds to be applied to this award are: NM-4 Transmission Line Design \$180,000; Tank Pipe Upgrades \$300,000; 33rd & 34th Street Waterline Replacement \$448,000; for a total of \$928,000.

Attachments

- A - Construction Drawings
- B - Otowi Well #2 Generator Risk Analysis
- C - Bid Tabulation
- D - Budget Revision 2022-02
- E - Otowi Well #2 Pump Drive Life Cycle Analysis