

**COUNCIL ACTION FORM**

**SUBJECT: MID-AMERICAN ENERGY COMPANY (MEC) INTERCONNECTION  
161KV LINE CONSTRUCTION**

**BACKGROUND:**

On March 27, 2012, City Council approved preliminary plans and specifications for MEC Interconnection 161 kV Line Construction. This project is to construct a 161kV line from Ames' Plant Substation to Mid-American Energy Company's (MEC) 161kV switching station northeast of Ankeny. This project is the final phase of a 5 phase project to increase electric delivery into the City and provide reliable electric service to the customers of Ames under many different outage scenarios. This will complete a multi-year project started in FY 2003/04.

Bid documents were issued to thirty-nine potential bidders. The bid was advertised on the Current Bid Opportunities section of the Purchasing webpage and a Legal Notice was published in the Ames Tribune. The bid was also sent to two plan rooms.

On July 11, 2012, five bids were received as shown below:

<b>BIDDER</b>	<b>BID</b>	<b>TAXES</b>	<b>OVERALL</b>
Hooper Corporation Madison, WI	\$9,054,395.90	\$194,215.56	<b>\$9,248,611.46</b>
Probst Electric Heber, UT	\$9,252,866.30	\$127,864.52	<b>\$9,380,730.82</b>
PAR Electrical Contractors, Inc. Kansas City, MO	\$9,535,387.08	\$164,586.57	<b>\$9,699,973.65</b>
Michels Power Neenah, WI	\$10,968,925.55	\$92,088.47	<b>\$11,061,014.02</b>
Timberline Construction, Inc. Rapid City, SD	\$10,982,851.18	\$158,954.54	<b>\$11,141,805.72</b>

**Electric Services staff reviewed the bids and concluded that the apparent low bid submitted by Hooper Corporation, Madison, WI, in the amount of \$9,248,611 (inclusive of sales tax) is acceptable. The Engineer's estimate of the total installed cost of this project is \$8,300,000.00. Staff discussed the bids with DGR, the engineering consultant, to determine if it would be in the best interest to rebid the project. Based on their assessment of current trends, material and labor costs continue to rise. So, they saw no benefit to reject bids and rebid. Council**

should note that the taxes were not included when the results were initially reported at the July 24, 2012 meeting.

**Council should also note that from an analysis of bid units, the increased cost is primarily the result of material cost escalations that have occurred in steel and wood-laminate poles since the time that the engineer's estimate was prepared in March 2012; these materials are provided as part of this contract.**

In addition to the subject contract amount of \$9,248,611, the contractor will be removing a substantial amount of material from City inventory purchased in 2008 for the project. Material includes insulators, transmission poles, etc. with a value of \$523,270. These materials will be charged to the project once they are removed from inventory.

The approved FY 2012/13 Capital Improvements Plan budget for this project totaled \$8,566,521. Easement payments, increased legal and engineering professional services costs due to challenges to the order, and hearing costs totaling \$368,769 have reduced the available project funds to \$8,197,752. **The contract amount plus the material chargeback totals \$9,771,881 creating a shortfall of \$1,574,129.**

**To cover this shortfall, staff is recommending that the FY 12/13 Vet. Med Feeder project budgeted at \$300,000 and the FY 12/13 69kV Transmission Reconstruction project budgeted at \$250,000 be cancelled and the savings directed to this project. These projects will be reprioritized in future CIPs. In addition, staff is suggesting that \$1,024,129 from the Unit #8 Blading and Diaphragms/Parts CIP be used for this project. This action will still leave \$449,781 for additional parts if needed for the Unit #8 overhaul project.**

**It is important to note there are several additional miscellaneous costs anticipated for this project for which staff may have to come back to Council for additional funding if needed. These costs could be related to crop damage payments, easements, tree trimming, and minor professional services. Staff will identify the funding source(s) at the time of the request.**

**ALTERNATIVES:**

1. Award a contract to Hooper Corporation, Madison, WI, for the MEC Interconnection 161 kV Line Construction in the amount of \$9,248,611.46 (inclusive of sales tax). In addition, authorize the redirection of CIP funding as noted above to finance the shortfall.
2. Reject all bids and authorize staff to rebid the project.
3. Reject all bids and delay the construction of the 161kV line until all legal challenges have been exhausted.

**MANAGER'S RECOMMENDED ACTION:**

This timely completion of this tie line is extremely critical to our goal of providing reliable electricity to our customers. As such, this project represents the top priority capital improvement for Electric Services. Moving ahead with this contract does not come without some risk because the recent decision by the Iowa Utilities Board can still be challenged by the two current objectors. However, the City Attorney has consulted with our outside legal counsel and the risk appears to be minimal. Based on this legal analysis, the City Attorney is recommending that the City proceed with the construction of the tie line.

Therefore, it is the recommendation of the City Manager that the City Council adopt Alternative No. 1 as stated above. In addition, this alternative includes authorization to modify the CIP and redirect funds from the three projects highlighted above.

**SUMMARY OF EXPENSES FOR INTERCONNECTION IMPROVEMENT PROJECT**

	Substations and Ames-Boone Jct. 161 kV line	In-town 161kV line	MEC N.E. Ankeny line and easements	Proposed Ames-N.E. Ankeny 161 kV line	TOTAL
FY03-08	\$13,907,987		\$340,617		\$14,248,604
FY 08/09		\$2,334,309	\$208,245		\$2,542,554
FY 09/10		\$1,732,388	\$479,785		\$2,212,173
FY 10/11		\$786	\$60,116	\$127,020	\$187,922
FY 11/12			\$63,865	\$379,614	\$443,479
FY 12/13				Encumbered \$368,769 Contract \$9,248,611 Invent. Mat. \$523,270	\$10,140,650
<b>TOTAL</b>	\$13,907,987	\$4,067,483	\$1,152,628	\$10,647,284	\$29,775,382