
MEMORANDUM

TO: PETERSBURG BOROUGH ASSEMBLY
FROM: KARL HAGERMAN, UTILITY DIRECTOR
SUBJECT: BLIND SLOUGH HYDRO PROFESSIONAL SERVICES AMENDMENT
DATE: 12/17/2021
CC: STEVE GIESBRECHT, BOROUGH MANAGER
JODY TOW, FINANCE DIRECTOR
DEBBIE THOMPSON, BOROUGH CLERK
PROJECT FILE

Petersburg Municipal Power and Light continues to move forward with the Blind Slough Hydro project. Following the voter approval of a Bond Issuance to fund the project, the department has submitted an application to the Alaska Municipal Bond Bank (AMBB), with the Finance Director's help. As the AMBB Board only meets quarterly, we have not received confirmation of our inclusion in a bond sale, nor the prospective terms of such a sale.

Nonetheless, the department is working with McMillen Jacobs Associates to kick off the work of the equipment provider, Gilkes Hydro, as well as beginning to move forward with final construction documents in order to bid the construction portion of the work.

To this end, you may recall that McMillen Jacobs provided a proposal to perform professional services in support of the project completion in May of 2019. The firm had broken the consulting and design work into nine (9) tasks that would take the project from preliminary engineering through startup of the updated powerhouse. The recommendation at the time was to award the first three tasks (preliminary engineering, equipment procurement documents and equipment bidding support) at a cost of \$547,635. To date, the awarded tasks 1-3 have been completed at a cost of \$512,153, which is underbudget by \$35,482.

At this time, and after receiving project support from the Assembly and community, I am requesting to move forward with award of the remaining professional service tasks on the project. Attached to this memo is an updated T&M estimate from the consultant. Tasks 4 – 9 are estimated at a cost of \$1,035,922. A breakdown of the Task Cost Summary is presented below.

Task	Cost
1.0 Preliminary Engineering	\$
2.0 Equipment Procurement Documents	\$
3.0 Equipment Bidding Assistance	\$
4.0 Equipment Design/Manufacturing Support	\$ 167,968
5.0 Engineering for Construction Contract	\$ 340,464
6.0 Construction Contract Bidding	\$ 30,754
7.0 Engineering Support During Construction	\$ 412,176
8.0 Regulatory and Permitting Support	\$ 47,292
9.0 Project Management	\$ 37,268
TOTAL	\$ 1,035,922

The cost of professional services on the project have increased by \$144,199 since submission of the initial proposal that was provided to the Borough in 2019. Professional service rates have experienced inflationary increases since that time, but a need to produce separate bid documents for long lead time materials, such as the hydro bypass valve and the heavy walled pipe that is required for the realignment of the penstock upstream of the powerhouse, has increased the estimated hours for the work as well. Those specialty items will need to be bid and awarded in the spring of 2022 to counteract manufacturing and shipping delays that are being experienced in virtually all markets right now.

The overall project budget is still adequate, despite these increases. The fact that the equipment procurement contingency was only partially used for adjustments to copper and magnetic steel allows for that contingency to cover the increases in engineering. Funding exists in the capital project fund to award this amendment. The fund will be adjusted to cover all remaining costs in the project once the bond issuance is complete and during the FY23 budget approval process.

The project is still on track for major equipment to be delivered by November of 2022 and for construction bidding to occur at that same time to allow for a construction contract award in March of 2023. The Engineer will be working closely with the equipment provider to finalize construction documents based on the Gilkes equipment. Also, permitting of the project with FERC will commence in order to secure approvals from our regulatory agency.

If acceptable to the Assembly, a suggested motion would be:

I move to amend the McMillen Jacobs Associates professional services contract to include equipment design/manufacturing support, engineering for construction contract, construction contract bidding, engineering support during construction, regulatory and permitting support and project management for the Blind Slough Hydroelectric Project for the cost of \$1,035,922. The total value of the professional services contract will now be \$1,583,557.

Thank you for your consideration.