

MEMORANDUM

To: Petersburg Borough Assembly

From: Stephan P. Harbour, Utility Director

Date: 07/30/2026

Subject: Scow Bay Generator No. 2 Project, Phase 2 Part A Contract Amendment

Recommendation

I recommend that the Borough Assembly approve the contract amendment with Dawson Construction, LLC for Phase 2, Part A of the Scow Bay Generator No. 2 Project.

The amendment establishes a Guaranteed Maximum Price of **\$1,492,844** for the core and shell portion of the project. The contract identifies Part A as the core and shell construction, with substantial completion scheduled for December 31, 2026, and final completion scheduled for March 1, 2027.

Purpose of This Work

This phase is primarily for construction of the generator building, foundations, concrete slabs, and equipment pads. It also includes setting and securing the major owner-furnished equipment that the Borough has already purchased or contracted to purchase.

The Borough has approximately **\$3.5 million worth of generation, electrical, fuel, cooling, and related equipment** already sourced for this project. This includes the generator, transformer, switchgear, radiator, fuel tank, starting-air equipment, and other major components. The Part A work includes the heavy lifting and setting of this owner-furnished equipment, including setting the generator and installing certain associated supports and components.

Moving forward with the building and concrete work will allow this equipment to be placed on its permanent foundations and protected within the building and connected pads. This will significantly reduce the risk of damage caused by extended outdoor storage, handling, weather exposure, or movement while the remainder of the project is being funded and completed. Moving forward now will protect us from further inflation on the building portion.

Project Funding

The Borough currently has sufficient funds available to complete Phase 2, Part A. Approval of this amendment does not depend upon issuance of the proposed revenue bond.

The anticipated revenue bond will provide the additional funding needed to complete Phase 2, Part B, including the remaining mechanical, electrical, piping, controls, and commissioning work necessary to place the generator into full operation. Under the amendment, the Borough may request a proposal for the Part B contract price upon 90 days' notice.

Separating the work into these two parts allows the Borough to continue making meaningful progress with currently available funding while the revenue bond process moves forward.

Benefits of Proceeding Now

Proceeding with Part A now will:

- Protect approximately \$3.5 million in equipment already sourced by the Borough.
- Place the equipment on its permanent foundations and reduce unnecessary handling.
- Enclose and protect critical equipment from weather and potential damage.
- Maintain the project schedule while the revenue bond is finalized.
- Secure the current Guaranteed Maximum Price for the building and structural work.
- Reduce the Borough's exposure to future increases in labor, materials, freight, mobilization, and construction costs.
- Avoid delaying the entire project solely because funding for the final mechanical and electrical completion is not yet available.

Construction costs have historically increased over time, particularly in Southeast Alaska where freight, mobilization, labor availability, and seasonal construction limitations can significantly affect pricing. Using the funds currently available allows the Borough to advance the project at the negotiated price rather than waiting and assuming the risk that the same work will cost more in a later construction season.

Conclusion

The Borough has already made a substantial investment in the Scow Bay Generator No. 2 Project and has approximately \$3.5 million in major equipment sourced for installation. The proposed amendment allows the Borough to use funds currently available to construct the building and concrete pads, set and protect the equipment, and continue advancing the project.

The revenue bond will be used to fund the remaining mechanical, electrical, controls, and commissioning work necessary to complete the project. In my judgment, proceeding with Part A now is the most responsible approach. It protects the Borough's existing investment, takes advantage of the current Guaranteed Maximum Price, maintains project momentum, and helps hedge against inflation and future construction cost increases.