



City Council Report

Date: August 24, 2015
To: City Council
Through: Karolyn Kent, Assistant City Manager
From: Daniel K. Cleavenger, Water Resources Department Director
Subject: Approval of the Electric Facilities Services Agreement (Service Agreement) between the City of Mesa (Mesa) and Salt River Project Agricultural Improvement and Power District (SRP). (Citywide)

Strategic Initiatives



Purpose and Recommendation

This Service Agreement provides for maintenance and repair services by SRP for the electrical substation for the Greenfield Water Reclamation Plant (GWRP), a joint venture between Mesa, Gilbert and Queen Creek. The Service Agreement covers various maintenance, emergency, and support services for the electric substation which serves the GWRP. The Service Agreement has a six year term, and includes Dedicated Substation Service Price Plan E-65, which covers the service fees associated with maintenance and repair.

It is recommended that the City of Mesa Council approve the Service Agreement.

Background and Discussion

The GWRP substation was constructed by SRP for Mesa as part of the original GWRP construction. Under the Agreement for the Construction and Sale of the Substation (Sale Agreement), Mesa made installment payments for the substation totaling approximately three million dollars. Maintenance and repairs to the substation were conducted by SRP as part of the Sale Agreement during the installment period. In January 2012, final payment to SRP was tendered. Under the contract, SRP was required to provide a Bill of Sale to Mesa, and Mesa would become responsible for maintenance and repair.

In order to undertake this responsibility, Mesa began discussions with SRP to enter into a new Electrical Facilities Service Agreement around the time of the final payment. In the interim, SRP maintained the substation while the parties negotiated the Service Agreement. Fortunately, SRP was in concurrent negotiations with the City of Phoenix to cover similar maintenance and repair responsibilities associated with the substations for

the 91st Avenue Wastewater Treatment Plant (a joint venture with Phoenix, Tempe, Scottsdale, Glendale and Mesa) and the Val Vista Water Treatment Plant (a joint venture with Phoenix). Mesa has benefitted from the lengthy negotiations between Phoenix and SRP regarding maintenance and repair of customer owned substations, and is comfortable with the current form of the Service Agreement.

SRP has now provided a Bill of Sale for the substation along with the proposed Service Agreement. The Bill of Sale completes the original substation contract, and responsibility for maintenance and repairs will reside with the City in the absence of a new contract with SRP. This would leave Mesa and the Greenfield partners at risk with respect to a failure at the substation. Therefore, the Service Agreement is now being presented for Council approval. The Service Agreement identifies the specific maintenance schedules and fees assessed by SRP. These service fees are set for a five (5) year term.

Alternatives

Mesa could decline to approve the Service Agreement but then would forego the opportunity to capitalize on SRP's expertise in maintaining the electrical substation facility at GWRP. The Water Resources Department performed some analysis, in conjunction with contractor KR Saline, of the feasibility of the Energy Resources Department performing the maintenance and repair, but concluded that on balance the use of SRP was more advantageous for the Greenfield substation. The City could also attempt to bid out these services, but would forego the opportunity to receive from SRP in-kind emergency transformer services, if one is available. The GWRP transformer could have lead time of over a year to acquire a replacement. The emergency services provided by SRP could bridge that gap.

Fiscal Impact

The Water Resources Department has budgeted an annual cost of \$65,000.00 for the Service Agreement and maintenance and repair of the GWRP substation.

Coordinated With

The City Attorney's Office participated in the negotiations and drafting of the new Agreement. In addition, the City Attorney's Office has reviewed the Service Agreement as to form.