



BRIEFING: JANUARY 18, 2017 BOARD MEETING AGENDA ITEM #4

TO: Chairman Richard and Board Members

FROM: Scott Jarvis, Chief Engineer

DATE: January 18, 2017

RE: Consider Providing Funding to the CP 1 Design-Build Services Contract to Reconcile Provisional Sums for PG&E and AT&T Utility Relocation with the 2016 Board-Approved Business Plan and Approving a Related AT&T Contract Amendment

Summary of Requested Action

Authority Staff is requesting Board of Directors (Board) approval to establish provisional sums for the Construction Package 1 (CP 1) Design-Build Services Contract (Contract) to fully fund the relocation of the Pacific Gas and Electric Company (PG&E) and Pacific Bell and Telephone Company dba AT&T California (AT&T) utilities in the amount of \$171.7 million, and to amend the contract with AT&T for coordination and review services by increasing funding in the amount of \$11.6 million. These are not new costs; the two requested actions will reconcile the existing contracts with the utility relocation costs included in the 2016 Business Plan and the subsequent Third Party costs update presented at the May 20, 2016 Finance and Audit Committee meeting. The total cost estimate to complete CP 1 excluded PG&E and AT&T relocation work is \$216 million.

Background

In August 2013, the California High-Speed Rail Authority (Authority) awarded Agreement No. HSR 13-06 for the design and construction of CP 1 to the joint venture of Tutor Perini/Zachry/Parsons (TPZP). The scope of the CP 1 Contract included the work required to remove, protect, alter, replace, reconstruct, support or otherwise rearrange or modify the facilities of others to accommodate or permit the construction of high-speed rail. The Contract, however, excluded certain work related to the relocation of utilities owned and/or operated by PG&E and AT&T. This relocation work was excluded from the Contract because insufficient information was known at that time regarding the location of the facilities to accurately account for the scope and cost of the work.

In September 2013, through Board Resolutions HSRA #13-22 and HSRA #13-23, the Board authorized the Authority's Chief Executive Officer to enter into agreements with AT&T and

PG&E to perform the excluded work in amounts not-to-exceed \$18,412,133.00 and \$50,433,506.00, respectively.

As a result of AT&T and PG&E not being able to perform the relocation work timely enough to meet the construction deadlines, in June 2015 the Authority issued a directive letter (DL-0067) to TPZP to perform a portion of the PG&E excluded work. In February 2016, the Authority issued a change order (CO-00081) to TPZP for \$2,262,678.00 for the management of all design, procurement and construction of AT&T and PG&E excluded relocation work. This change also resulted in the benefit of TPZP being able to directly manage this utility relocation work, which is often on the critical or near-critical path of TPZP's construction schedule.

With TPZP managing the design, procurement and construction of the utility relocation work, the scope of services from AT&T and PG&E was revised to schedule coordination with TPZP and review of design and construction of the relocation work.

Since March 2016, Authority staff has re-evaluated the cost estimate, based upon updated information, to complete all CP 1 excluded work for AT&T and PG&E utilities. The estimate includes both the costs associated with relocation design and construction, to be paid through the CP 1 Contract via a provisional sums allotment, and AT&T's and PG&E's coordination and review, which will be paid directly to those entities by the Authority.

In May 2016, Authority staff presented an update on Third Party cost estimates and calculated risk contingencies for all Third Party work for CP 1, CP 2-3 and CP 4 to the Finance and Audit Committee. This work and the associated costs were previously accounted for in the 2016 Business Plan. This action completes the administrative steps to implement the Board's action regarding these costs in the 2016 Business Plan.

Prior Board Actions

In June 2013, the Board approved Resolution HSRA #13-12 (attached) to Award the Contract for Design-Build Services for CP 1 to TPZP.

In September 2013, the Board approved Resolution HSRA #13-22, Approval for Relocation of Utility Facilities with AT&T, and HSRA #13-23, Approval for Relocation of Utility Facilities with PG&E.

In March 2016, the Board approved Resolution HSRA #16-09 for Approval to Negotiate and Execute a Northern Extension of the Design-Build Contract for CP 1. This increased the scope and cost of AT&T and PG&E relocation work for the CP 1 Contract.

Discussion

When the CP 1 Contract was executed, AT&T and PG&E planned on self-performing the design and construction of utility relocation work. This work was to be paid by the Authority. Correspondingly, a contract provision "excluded" PG&E and AT&T relocations from the Design-Build Contract scope of work.

However, since that time AT&T, PG&E and the Authority have recognized the need to keep pace with construction progress and better coordinate utility relocation activities with TPZP. As a result, the Authority negotiated with TPZP to add to the CP 1 Contract the management of the design, procurement and construction of these utility relocations. The Authority will fund this work through provisional sums being established within the contract budget. Authority staff requests the establishment of provisional sums to the CP 1 Contract in the amount of \$171.7 million, thereby enabling the previously excluded utility relocation work to be funded within the CP 1 Contract scope of work. The utility relocation work will be delivered as individual work packages, with the packages competitively bid by PG&E and AT&T approved vendors. TPZP will manage the entire process.

The original series of agreements with AT&T is for the relocation of utility facilities and the work required to remove, protect, alter, replace, reconstruct, support or otherwise rearrange or modify the facilities owned by AT&T to accommodate or permit the construction of the high-speed rail project. These agreements are for a total not-to-exceed amount \$18.4 million. Now TPZP will perform the utility relocation work and AT&T will coordinate and review design and construction of the work. The existing Board authorization for this work will be expended, and Authority staff now requests an additional \$11.6 million, resulting in a not-to-exceed amount of \$30.0 million for the AT&T agreements. This funding was budgeted for in the 2016 Business Plan.

The cost estimate for the entire PG&E and AT&T work was developed and reconciled by two independent estimators. These estimates were a result of reviewing past estimates as well as updating known quantities based on a much more refined design that included the relocation of utilities that were not known to exist during the prior estimates.

Staff has proceeded under the existing Board authorizations to continue progress on CP 1 excluded relocation work. The requested Board actions are now necessary to reconcile the costs reflected in the 2016 Business Plan and the May Finance and Audit Committee reports with the actual contracts.

Legal Approval

The Chief Counsel and legal staff have confirmed that this Board item complies with all applicable Board policies and Authority regulations, PUC Section 185036, and State and federal law.

Budget Implications

The total estimated cost to complete all CP 1 PG&E and AT&T utility relocation work is \$216 million, as reported in the December Finance and Audit Committee Operations Report. The table below highlights the requested funding allocated to the PG&E Agreements, AT&T agreements and the CP 1 Contract in order to complete this work.


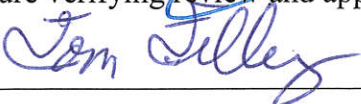
	Current Cost Estimate	Previous Board Authorization	Request to Board	Total Board Authorization
AT&T Agreements	\$ 30,000,000	\$ 18,412,133	\$ 11,587,867	\$30,000,000
PG&E Agreement	\$ 14,300,000	\$ 50,433,506	\$ (36,133,506)	\$14,300,000
<u>CP 1 Contract</u>				
AT&T Provisional Sum	\$ 98,700,000	\$ 0	\$ 98,700,000	\$98,700,000
PG&E Provisional Sum	\$ 73,000,000	\$ 0	\$ 73,000,000	\$73,000,000
TOTAL		\$68,845,639	\$147,154,361	\$216,000,000

The funding for this work is included within the 2016 Business Plan cost estimate for CP 1.

Recommendations

Authority staff recommends that the Board approve the establishment of provisional sums within the CP 1 Contract in the amount of \$171,700,000 to fund the relocation of the PG&E and AT&T utilities.

Authority staff also recommends that the September 2013 Board-authorized amount for work to be performed by AT&T be increased by \$11,587,867.00 to an amount not-to-exceed \$30.0 million.

REVIEWER INFORMATION	
Reviewer Name and Title: Russell Fong, CFO	Signature verifying review and approval: 
Reviewer Name and Title: Tom Fellenz, Chief Counsel	Signature verifying review and approval: 

Attachments

- Draft Resolution #HSRA 17-03 (CP 1 Contract Amendment)
- Draft Resolution #HSRA 17-04 (AT&T Contract Amendment)
- Resolution # HSRA 13-12
- Resolution # HSRA 13-22
- Resolution # HSRA 13-23
- Resolution # HSRA 16-09