



# MONTEREY PIPELINE CONTRACT UPDATE AND PIPELINE MATERIAL CHANGE

# CONTRACT UPDATE

- Pipeline RFP left open the choice of pipe type to the contractor to determine as most cost effective while still meeting specifications.
- At time of bid, steel pipe was submitted as the most cost effective.
- Given the expected delay from time of proposal submission to notice to proceed, all MPWSP-related contracts reviewed by the Governance Committee have included an escalation provision.
- The escalation provisions require a one-time adjustment to the Contract Price based on increases or decreases in price escalator indexes
- Application of the escalation provision is not a change to the Project requiring Governance Committee review or approval under the Governance Committee agreement

# CONTRACT UPDATE

- Application of escalation for steel index is applied on Monterey Pipeline Project as follows:

**Monterey Pipeline Contract Indices**

Price Escalator Index	Percent of the Contract Price	Date of Initial Index Value
Bureau of Labor Statistics Producer Price Index-Commodities WPU057303 No. 2 Diesel Fuel	5.9%	November 2015
CA Statewide Crude Oil Price	3.15%	November 2015
CRU US Midwest Hot-rolled coil	13.6%	October 28, 2015
Non-indexed costs	77.35%	N/A



\$32,864,370	Garney original contract price
x <u>13.60%</u>	percent of steel index applicable to overall price
\$ 4,469,554	amount of contract price subject to steel index
x <u>39.69%</u>	percent increase in steel index (398 to 556)
\$ 1,773,966	contract increase for steel (266,733)

# Hot-Rolled Coil Steel (CRU) Index



**March 2016,  
U.S. Imposes  
Duties on  
Imported  
Steel**

Index 398  
@ Bid

Index 556  
@ NTP

# CONTRACT ADJUSTMENT W/ ESCALATION AND D.I. PIPE

- The \$1,773,966 escalation for steel pipe makes ductile iron pipe a more competitive option.

- \$16,733 cost change for Ductile Iron pipe on project.

Includes other bid line item savings realized from using ductile iron such as installation, cathodic protection, fittings, etc.

- Adjusted contract price is:

\$ 32,864,370	Garney original contract price
+ 1,773,966	Steel escalation
+ <u>16,733</u>	Ductile Iron change
\$ 34,655,069	Adjusted contract price

# DUCTILE IRON BENEFITS

1. 4-6 week schedule advantage to receive pipe.
2. Reduced pumping energy because D.I. has larger internal diameter than steel, thus less friction loss. Estimated power savings of approximately \$10,000 a year.
3. Longer life expectancy due to better strength, durability and corrosion resistance.
4. More readily available fittings and adapters to adjust to unknown conditions in field during construction.
5. Future maintenance and modifications on ductile iron pipe is more routine and common with the skillsets, tools and inventory of utility pipeline professionals.

# RECOMMENDATION:

Cal Am selects Ductile Iron Pipe based on:

- NSF/ANSI 61 certified and meets AWWA standards.
- Significant schedule advantage
- Other tangible benefits as identified prior
- CEQA - no impact, change of material is immaterial to EIR findings.
  - specific pipe material is not identified in EIR because it has no material environmental impact
  - No Discretionary Determination required by public agency by changing type of pipe.