



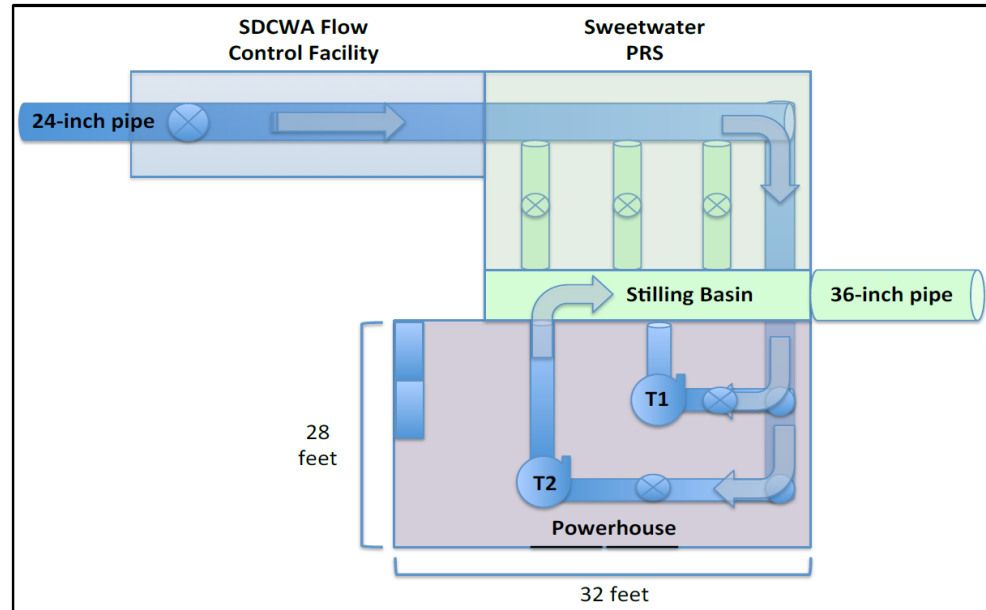
April 15, 2026

Consideration to Authorize a Change Order to the Construction Contract with HPS Mechanical for the Hydroelectric Station Repair at Perdue Water Treatment Plant

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Background-Hydroelectric Station

- Constructed in 2017 to generate electricity from the SDCWA Raw Water source
- Composed of two turbine pumps, a pressure reducing station, valves, pipes, & electrical equipment
- After passing through the turbines, the water continues to the plant for treatment



Piping Failure, Assessment, Construction Contract Award

- Carollo assessed pipe failure
- Repair project developed based on assessment findings
- HPS Mechanical was contracted upon Board Approval-\$89,725



Figure 10 14-Inch Influent Plain End Pipe Separation at Grooved Coupling Location



Figure 11 16-Inch Influent Plain End Pipe Separation at Grooved Coupling Location

* Excerpt from Carollo (Hydro-Mechanical Assessment, March 2025)

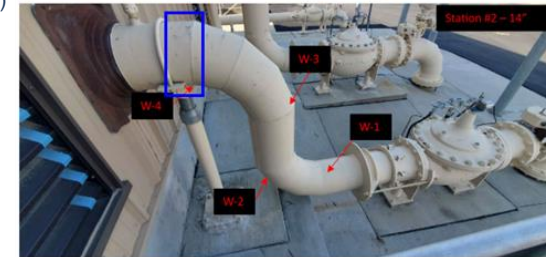
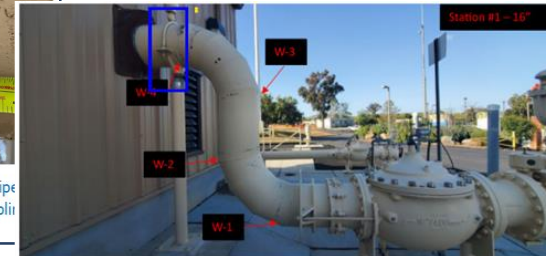


Figure 13 X-ray Scan Locations

* Excerpt from Carollo (Hydro-Mechanical Assessment, March 2025)



Need for Corrosion Repair and Additional Coating

- Severe Corrosion Observed in Inlet Pipe Interior



- Coating of Interior/Exterior Grooved Ends



Change Order Proposal for Additional Work

Quote: \$34,853 for Additional Work

- Prevent further deterioration
- Extend pipe service life
- Improve long-term reliability
- Reduce risk of future repair costs

Change Order #1 was processed for Contract Time Extension Only
(New Completion Date: May 29, 2026)

- Unforeseen pipe corrosion
- Additional testing
- Anticipated protective coating work
- Anticipated pipe repair work



Fiscal Impact

FY2025-26 Operating Expenses, 10-80-860-5323

Hydroelectric Station Repair Project	
Repair costs – HPS Mechanical, Inc.	\$ 89,725
Additional Work for Coating and Corrosion Repair	\$34,853
A Revised Contract Total	<u>\$124,578</u>

* 10-80-860-5323 Budget: \$555,382



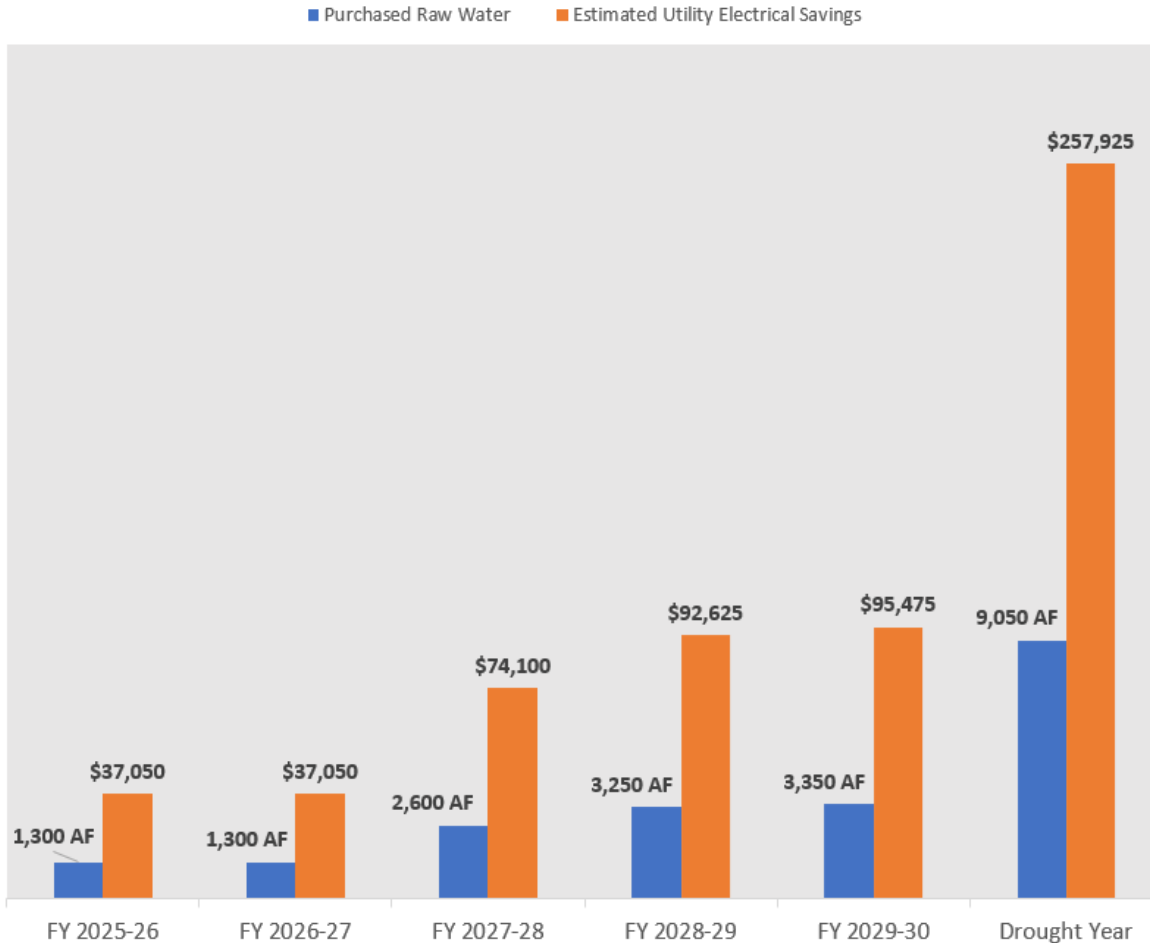
Insurance Claim

Item	Status	Amount
Prior Repairs/Assessment	Complete/Invoiced/Reimbursed	\$77,717
Mechanical Repair (Original)	Work in Progress	<u>89,725</u>
Total Project Cost (Except Change Order)		\$167,442
Insurance Deductible Paid by the Authority		<u><25,000></u>
Project Amount Covered by Insurance		\$142,442

- Staff expects full reimbursement of original construction contract
- \$25,000 deductible required
- Additional Corrosion repair and coating may not be eligible for reimbursement-Staff is checking
- The claim will not cause the Authority's insurance premiums to increase



Estimated Utility Electrical Savings Versus Purchased Raw Water Assumptions



Assumptions:

- \$0.2/kWh utility rate
- 142.5 kWh produced per acre-foot treated
- Water projections derived from the FY 2025-26 Budget projections
- Drought year assumes all water treated at the Perdue Water Treatment Plant is purchased raw water

Return of Investment (ROI)-Authority's out of pocket costs

1. \$25,000 deductible + \$34,853 CO = \$59,853
2. \$89,725 original contract + 10% Contingency + \$34,853 CO = \$133,551

Fiscal Year	Estimated Utility Electrical Savings	Cumulative Savings	1. Less Insurance Deductible/Change Order (\$59,853)*	2. Less Insurance Deductible/Original Board Award/Change Order (\$133,551)
FY 2025-26	\$37,050	\$37,050	\$22,803	\$96,501
FY 2026-27	\$37,050	\$74,100	(\$14,247)	\$59,451
FY 2027-28	\$74,100	\$148,200	(\$88,347)	(\$14,649)
FY 2028-29	\$92,625	\$240,825	(\$180,972)	(\$107,274)
FY 2029-30	\$95,475	\$336,300	(\$276,447)	(\$202,749)
Drought Year	\$257,925	\$257,925	(\$198,072)	(\$124,374)

*Worst case assumptions that assumes insurance will not cover the change order. All other project expenses are covered by the Authority's insurance carrier.

- ROI down to less than 2 years when only considering “out of pocket expenses”.
- ROI to less than 3 years when considering all repair costs.



Options

1. Authorize a Change Order to the construction contract with HPS Mechanical for the Hydroelectric Station Repair at Perdue Water Treatment Plant project in the amount of \$34,853, resulting in a revised contract total of \$124,578.
2. Other direction as determined by the Governing Board.

Staff Recommends Option 1.



Questions?

