



Agenda Report

22-170

Agenda Date: 11/1/2022

REPORT TO COUNCIL

SUBJECT

Authorize the City Manager to Negotiate and Execute an Amendment to the Agreement between the City of Santa Clara and Delta Star, Inc., to Upgrade Transformers at the Juliette Substation, and Related Budget Amendment

COUNCIL PILLAR

Deliver and Enhance High Quality Efficient Services and Infrastructure

BACKGROUND

To meet increasing energy demands and the need for improved reliability, Silicon Valley Power (SVP) requires periodic upgrades to transformers at its substations. Delta Star, Inc. (Delta Star) is the Original Equipment Manufacturer (OEM) for HK Porter Transformers that are installed at various substations. Currently, there is a need to upgrade transformers at the Juliette Substation in order to meet the customer's (Intel's) projected increased demand for power.

DISCUSSION

This recommendation is consistent with Santa Clara Code 2.105.160(b)(2) where a single source procurement is allowable "when required to ensure operation of function to match other products with respect to the repair, expansion or completion of a system...."

Although there are other transformer manufacturers, each transformer's design and assembly are unique and will not interchange or be compatible with other manufacturer's equipment and mounting hardware. As part of any operational system, it is necessary to limit the standard to be able to manage operations and repairs, especially during power outages.

The City Manager has previously authorized an agreement to initiate a study to identify the tasks and estimated costs to upgrade these transformers. At the conclusion of the study, specific scope had been identified including the replacement of the obsolete LTC required to accommodate the increased load request by Intel and a small amendment was executed to accommodate that work. Staff is now seeking authorization to amend the agreement to implement the manufacturer's recommendations.

Staff requests that the City Manager is authorized to negotiate and execute an Amendment to the Agreement for Services with Delta Star increasing the maximum compensation by \$1,922,420 for a total maximum compensation of \$2,000,000. The initial agreement included only a study to determine what equipment, materials, and tasks are required to complete the upgrade. The increase in costs is associated with the procurement and installation of equipment necessary to upgrade the transformers to support the customer's increased power demand. Staff requests further authorization to negotiate and execute amendments with Delta Star for future transformer repairs, upgrades, or

replacements as required in an amount not to exceed \$4 million over a five-year period ending on September 30, 2027. This amount is based on the costs for the existing service in the event a similar service is required on these types of transformers at this or other substations. This will avoid an emergency declaration or delayed maintenance in the future.

ENVIRONMENTAL REVIEW

The actions being considered are exempt from the California Environmental Quality Act (“CEQA”) pursuant to CEQA Guidelines section 15301 because this involves the repair, replacement, maintenance, or reconstruction of existing utility facilities involving negligible or no expansion of capacity.

FISCAL IMPACT

The cost of the upgrade at Juliette Substation will be funded by Intel pursuant to a Deposit Agreement. Of the \$2,000,000 anticipated costs, \$827,500 was budgeted and will be received in FY 2022/23 through a deposit agreement, leaving a remaining balance of \$1,172,500 to fund this fiscal year.

The following budget amendment is required in FY 2022/23 to recognize additional developer contributions and increase the project appropriation to \$2 million for the transformer upgrades at Juliette Substation.

	Budget Amendment FY 2022/23		
	Current	Increase/ (Decrease)	Revised
Electric Utility Capital Fund (591)			
<u>Revenues</u>			
Other Revenue (Developer Contributions)	\$827,000	\$1,172,500	\$2,000,000
<u>Expenditures</u>			
Juliette Substation Transformer Rerate and Installation Project*	\$827,000	\$1,172,500	\$2,000,000

* Previously named “Juliet Substation Transformer Rerate and Installation”

Budget for expenses and revenues in future fiscal years will be factored into the biennial budget process. Funds required in future years are subject to budget appropriations and will be incorporated into the budget development process for those years.

COORDINATION

This report has been coordinated with the Finance Department and City Attorney’s Office.

PUBLIC CONTACT

Public contact was made by posting the Council agenda on the City’s official-notice bulletin board outside City Hall Council Chambers. A complete agenda packet is available on the City’s website and in the City Clerk’s Office at least 72 hours prior to a Regular Meeting and 24 hours prior to a Special Meeting. A hard copy of any agenda report may be requested by contacting the City Clerk’s Office at (408) 615-2220, email clerk@santaclaraca.gov <<mailto:clerk@santaclaraca.gov>> or at the public information desk at any City of Santa Clara public library.

RECOMMENDATION

1. Authorize the City Manager to negotiate and execute an Amendment to the Agreement for services between the City of Santa Clara and Delta Star, Inc. to increase maximum compensation by \$1,922,420 for a total maximum compensation of \$2,000,000;
2. Authorize the City Manager to negotiate and execute amendments with Delta Star, Inc. for transformer equipment and services at various substations, increase total maximum compensation by up to an additional \$2,000,000 for a revised maximum compensation up to \$4,000,000 over a five-year period ending on June 30, 2027 and subject to the appropriation of funds; and
3. Approve the FY 2022/23 budget amendment in the Electric Utility Capital Fund to increase the estimate for Other Revenue in the amount of \$1,172,500 and the Juliette Substation Transformer Rerate and Installation Project in the same amount (**five affirmative Council votes required to appropriate additional revenue**).

Reviewed by: Manuel Pineda, Chief Electric Utility Officer

Approved by: Rajeev Batra, City Manager