



Legislation Text

File #: 2020-371, Version: 1

Amendment to DTE Letter Agreement Regarding Third Electrical Feed

Agenda of: November 25, 2020

Item No.: **2020-371**

Amount: \$2,012,000

TO: The Honorable
Board of Directors
Great Lakes Water Authority

FROM: Sue F. McCormick
Chief Executive Officer
Great Lakes Water Authority

DATE: October 22, 2020

RE: Amendment to DTE Letter Agreement Regarding Third Electrical Feed

MOTION

Upon recommendation of Randal Brown, General Counsel, the Board of Directors (Board) of the Great Lakes Water Authority (GLWA), authorizes the Chief Executive Officer (CEO) to **finalize and execute an Amendment to the Letter Agreement with DTE pertaining to a third electrical feed for the Water Resource Recovery Facility (WRRF)**; and authorizes the CEO to take such other action as may be necessary to accomplish the intent of this vote.

BACKGROUND

GLWA is required by EGLE to have two redundant feeds for the WRRF. In order to provide additional operational protections, GLWA has determined that adding a third electrical feed at the Facility is necessary (the Project). GLWA (then DWSD) contracted with Weiss Construction for building of a third electrical feed, PC783. The work within the WRRF necessary for the installation of the third electrical feed has been completed. As a part of PC 783, DTE was subcontracted to perform certain services related to land acquisition for the Project.

After some discussion, in 2016, GLWA determined that it would conduct its own land acquisition efforts, presented good faith offers to adjoining land owners, and the Board approved a Resolution of

Necessity regarding the use of eminent domain for this Project.

Over the past several months, GLWA has reviewed the alternatives for construction of this electrical feed from the DTE substation to the WRRF. As a part of that review, GLWA has engaged in continued discussions with DTE regarding the Project.

The project is included in the GLWA Capital Improvement Plan with an overall budget of \$7,000,000. Of this budget, a substantial portion is the actual cost of construction of the third electrical feed. Estimates for the cost of this feed have ranged from approximately \$3,400,000 to \$4,900,000.

DTE has proposed a letter agreement to GLWA. This letter agreement provides a context for the Project and the roles and responsibilities of both DTE and GLWA with regard to the Project. Most importantly, from a financial perspective DTE is proposing that, in addition to providing an H frame as was always contemplated, GLWA contribute \$2,000,000 towards the construction costs of the Project. DTE will own and maintain the electrical line after construction. The Board approved the letter agreement on July 12, 2017.

While substantially complete at the time of the Board approval, certain terms of the letter agreement are not yet completely finalized. However, DTE has represented that time is of the essence from a project management and project feasibility standpoint. Under these circumstances, the Board is requested to allow the CEO to finalize and execute the letter agreement consistent with GLWA's interests. The letter agreement was executed in May 2019 when GLWA acquired all of the properties and assigned its interests in the easements to DTE.

Now that construction has commenced, additional costs not contemplated in the original letter agreement were identified. Specifically, there is \$12,000 in additional labor and material costs for the installation of the conductor, static wire, hardware assemblies and insulators from DTE structure to GLWA's H-Frame.

JUSTIFICATION

The original letter agreement represents a substantial avoidance of construction costs for GLWA and the additional work through this amendment makes DTE responsible for work and allows DTE to rely upon its mobilized crew to complete the work. In addition, the execution of the letter agreement represents the most expeditious manner in which to complete the project. Moving quickly to finalize the installation of a third electrical feed at the WRRF furthers GLWA's environmental stewardship goals.

BUDGET IMPACT

The proposed installation of a third electrical feed was included in the approved capital improvement plan. The proposed letter agreement construction cost amount of \$2,012,000 is within the construction budget for the Project.

COMMITTEE REVIEW

This matter was presented to the Legal Committee at its October 28, 2020 meeting. The Legal Committee unanimously recommended that the GLWA Board adopt the resolution as presented.

SHARED SERVICES IMPACT

This item does not impact the shared services agreement between GLWA and DWSD.