



## City Council Staff Report

**From: City Manager**  
**Report Type: ACTION ITEMS**  
**Lead Department: Utilities**

**Meeting Date: April 10, 2023**  
**Staff Report: 2303-1119**

### TITLE

Approval of the Electric Utility Construction Services Contract With VIP Powerline Corp. (C23185980) for a Total Not-to-Exceed Amount of \$20,000,000 Over Five Years; CEQA status – exempt (existing facilities, replacement or reconstruction)

### RECOMMENDATION

The Finance Committee and Staff recommend the Council Approve and authorize the City Manager to execute the construction contract C23185980 (Attachment A) with VIP Powerline Corp. (VIP) in an amount not-to-exceed \$20,000,000 over five (5) years, with an annual not-to-exceed amount of \$4,000,000 for Electric Construction Services to provide essential ongoing operational work including construction maintenance and system improvement work on the City's electric distribution system at various locations throughout the City of Palo Alto.

### EXECUTIVE SUMMARY

On March 7, 2023, the Finance Committee unanimously recommended the Council approve staff recommendation (staff report 2301-0718)<sup>1</sup> though also recommended it be placed on the Action calendar, as one committee member felt a full council discussion would be appropriate based on the high contract value.

The Electric Utility has routinely hired contractors over the last 25+ years to assist City crews in offsetting the labor shortages caused by the inability to hire qualified electrical journey-level line workers. In addition, these contractors have provided maintenance and capital system improvement construction work to replace or reconstruct infrastructure as required. Staff prepared an Invitation for Bids ("IFB") soliciting qualified contractors to provide Electric Construction crew(s) at the City's request and billed on a time/labor and equipment basis. These bids were for labor and equipment costs only as materials were not included as a bid item since they will be supplied by the City. Staff received and evaluated a total of three (3) bids and VIP was declared the lowest base bid.

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<sup>1</sup> Finance Committee March 7, 2023 Staff Report 2301-0718

<https://portal.laserfiche.com/Portal/DocView.aspx?id=65502&repo=r-704298fc&searchid=8cc22a29-c57e-425a-aebe-1d67527b7912>

## **BACKGROUND**

The most recent utility construction services contract was for a three-year term with Hot Line Construction Inc. (HLC). The City issued an Invitation for Bid (IFB) in July 2019 (IFB #172366A) for overhead construction services. Council awarded Contract No. C20172366A to HLC1 on October 7, 2019 (Staff Report 105022), with the Notice to Proceed issued February 24, 2020. Under this contract through February 23, 2023, the total not-to-exceed amount was originally \$4,500,000 for three years, with an annual not-to-exceed amount of \$1,500,000. An amendment was then submitted (Staff Report 134703) for approval of an exemption to Competitive Solicitation and Change Order No. 1 to the existing Contract C20172366A with HLC for additional underground construction and emergency construction on-call services, increasing the contract amount by \$6,800,000 for a new not-to-exceed amount of \$11,300,000 for the entire three-year term of the contract. Throughout the industry, Utilities are struggling with a labor shortage of qualified electrical journey-level line workers. There is a high demand for this type of work and resources are scarce. There is increased pressure on Investor-Owned Utilities such as PG&E to reduce the potential for fires around their electric infrastructure, this has resulted in a dramatic increase in utility construction work and has contributed to the lack of available qualified electrical journey-level lineperson workers. Over the past 10 years, Utility Electric Operations has not been able to successfully hire and retain qualified electrical journey-level staff, specifically in the line construction section, to perform the required work on the electric distribution system. This contract will provide electric line construction crew(s) and relative equipment to be used on an ongoing, as-needed basis to assist with construction, operating activities, and emergency response on the City of Palo Alto Utilities Electric Distribution System.

## **ANALYSIS**

The Electric Line Construction Division currently has insufficient resources to meet daily operational demands, complete required work, connect new services, and respond to emergencies/unplanned outages. This is due to the high number of vacancies and the inability to retain and hire qualified electrical journey-level line workers in a high demand labor market. Critical utility electric operations would be compromised if the City does not contract out this work until it can hire qualified electrical journey-level line workers and/or train internal staff in the form of an apprenticeship program, which takes four (4) years to complete. This contract will also support emergency or unplanned service outage response. A standby unit is needed to assess and isolate a system outage and perform corrective repairs. The City's ability to adequately staff the standby unit with existing internal staffing is very limited, and there is similarly limited availability of additional qualified internal staff to address the corrective actions and repairs to the system. Some system failures require emergency repair work matched with specialized electrical journey-level line workers, construction equipment, and other such resources that a licensed contractor crew can provide. The award of this contract is essential to provide the

ongoing operational work necessary to ensure the City provides safe, reliable power to the City's utility customers and to keep the electric distribution system in compliance with state and utility regulations. The City proposes to utilize contract labor and equipment to supplement City electric utility crews in the construction of necessary maintenance, pole replacements, emergency response, and existing facilities upgrades on the electric distribution system at various locations throughout the City. Staff confirmed the Contractor's State License and they are registered with the Department of Industrial Relations (DIR). Staff checked references supplied by the contractor for previous work performed and found references to be satisfactory. This contractor demonstrates the knowledge and skills required to perform the work. Therefore, staff considers the low based bid acceptable for the work involved and recommends the award of the contract to VIP.

The following table summarizes the bid process initiated on August 18, 2022:

<b><i>Bid Name/Number</i></b>	<b>Electric Utility Construction Services Project - IFB 185980</b>
<i>Proposed Length of Project</i>	5 years
<i>Number of Bids Emailed to Contractors</i>	1,339
<i>Number of Bids Emailed to Builder's Exchanges</i>	3
<i>Total Days to Respond to Bid</i>	35
<i>Pre-Bid Meeting?</i>	Yes
<i>Number of Company Attendees at Pre-Bid Meeting</i>	7
<i>Number of Bids Received:</i>	3
<i>Bid Price Range (Annual Estimate)</i>	\$4,191,000 to \$4,625,570

\*Bid summary provided in Attachment B.

This contract is on the City's task order construction contract template, which permits the City to terminate without cause/for convenience by providing written notice to the contractor in the event the City finds itself facing budget shortfalls or amending the contract to reduce the cost, for example, by reducing the scope of work. The term of the contract is five (5) years, and staff has found that a multi-year contract is advantageous to the City as it allows us to retain continuity with a contractor that can source highly qualified workers. The work by the contractor will be continually monitored and evaluated. All work under this contract for subsequent fiscal years will be subject to satisfactory performance by the contractor and appropriation of required funds in the respective fiscal years.

## **TIMELINE**

If Council approves the Contract, the Contractor will provide the City with the requested operation crew(s) within seven (7) days of the issuance of the Notice to Proceed.

## **POLICY IMPLICATIONS**

The approval of this contract is consistent with existing City policies, including the Council approved Utilities Strategic Plan-Strategic Strategic Plan 2018 Objectives: Priority 4: Financial Efficiency and Resource Optimization; we must manage our finances optimally and use resources efficiently to meet our customers' service priorities. Strategy 1. Establish a proactive infrastructure replacement program based on planned replacement before failure to support reliability and resiliency.

## **FISCAL/RESOURCE IMPACT**

Funding of \$4,000,000 for the first year of this contract is available in the Electric Operating and Capital Fund budgets. The Electric Operating budget will fund \$2,000,000, this includes a transfer of \$800,000 in annual salary savings from vacant electrical lineperson positions to the operating budget fund. Additional material costs will be recommended in the FY2024 base budget to align with the work to be performed. The Electric Capital budget funds the remaining \$2,000,000 of the contract based on anticipated work among various existing projects (specific projects subject to change based on actual services rendered to each project). For example: Electric Customer Connections (EL-89028) \$500,000, Wood Pole Replacement (EL-19004) \$500,000, and Electric System Improvements (EL-98003) \$1,000,000. Continued work and funding under this contract for FY 2024 through FY 2028 will be subject to satisfactory performance by the contractor and Council approval of annual appropriations. Staff is advancing this recommendation as reflected in the City's adopted budget.

## **STAKEHOLDER ENGAGEMENT**

This was completed as a public request for proposals and coordinated with internal stakeholders, including the procurement division and legal reviews.

## **ENVIRONMENTAL REVIEW**

This work is categorically exempt from the California Environmental Quality Act (CEQA), under section 15301 (repair or maintenance of existing facilities), and section 15302 (replacement or reconstruction of existing structures and facilities) of Title 14 of the California Code of Regulations ("CEQA Guidelines"). There are no reasonably foreseeable adverse impacts from this resolution, and there is no possibility that the activity in question would have a significant effect on the environment.

**ATTACHMENTS**

Attachment A: VIP Powerline Corp. Contract, C23185980

Attachment B: Proposal Summary IFB185980

**APPROVED BY:**

Dean Batchelor, Director Utilities

Staff: Tomm Marshall, Assistant Director, Electric and Fiber Utilities

Letty Rodriguez, Utilities Supervisor