

Reservoir Committee and Authority Board Meeting

Agenda Item 3.3: Procurement Strategy

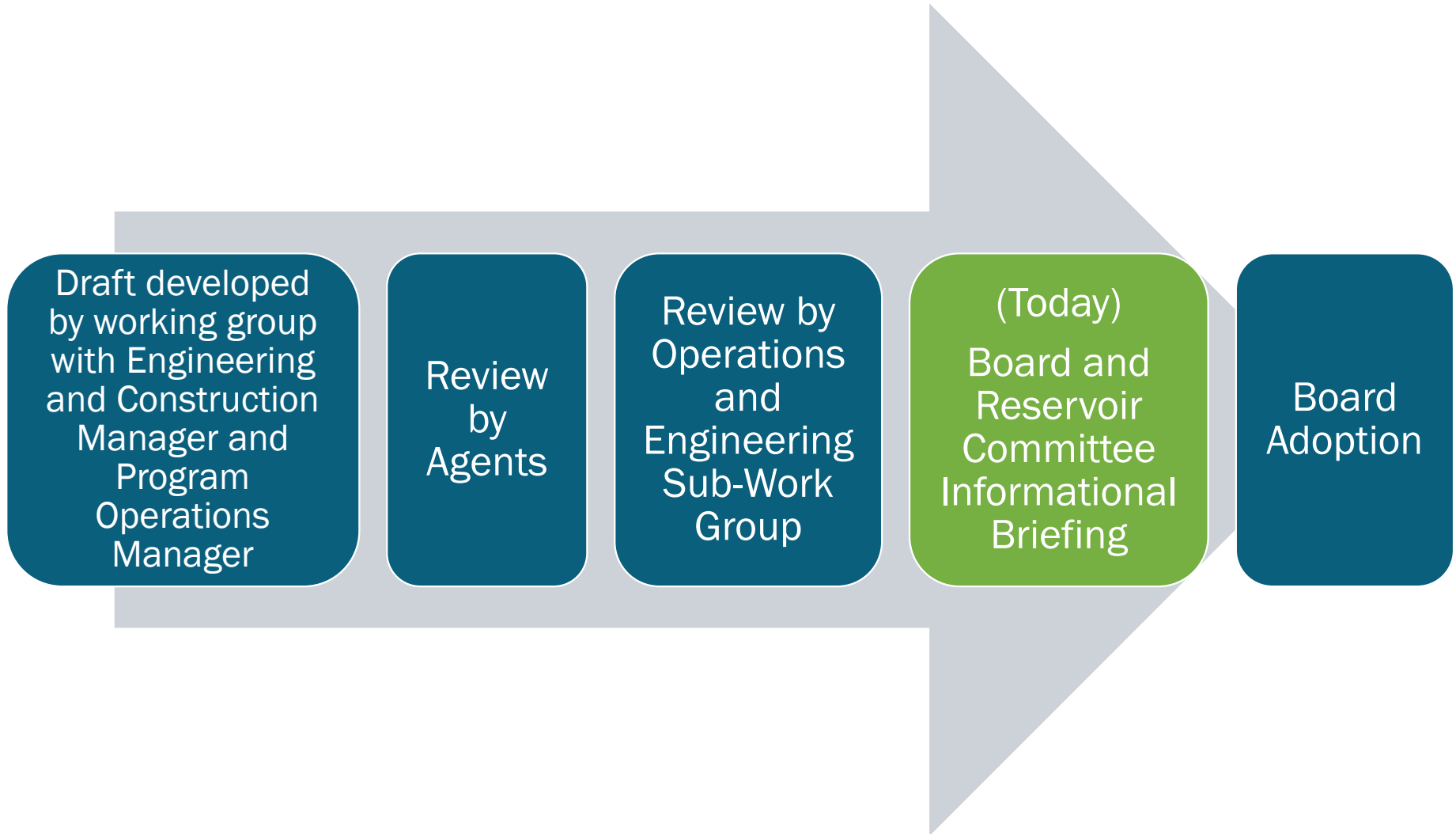
March 17, 2023



Procurement Strategy Considerations

- ✓ Early contractor input to design, around the 30% design milestone, is an important risk management strategy for the Sites Authority related to **improved cost and schedule certainty.**
- ✓ **Maximizing the value of contractor outreach** prior to formal procurement benefits the Sites Authority by leveraging market input.
- ✓ Selection of the first CMAR is a significant decision that will require substantial changes to existing policies and procedures and will have significant implications on the future staffing and organization structure – **requiring time to evaluate and implement.**

Process to Develop Procurement Strategy



Procurement Strategy Builds on Contract Strategy but is Focused on CMAR Contracts

Contract Strategy

- Values
- Packaging
- Contracting Methods for Each Package

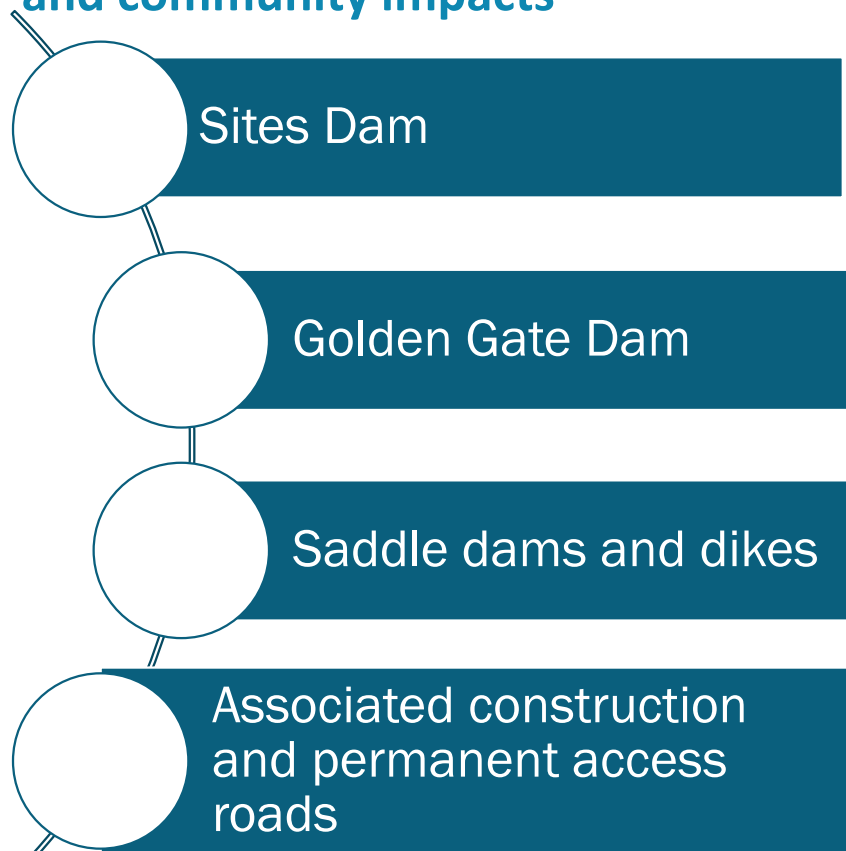
Procurement Strategy

- Guides procurement and specific contracting issues for the two CMAR packages with initial focus on Reservoir Package

Adopted Contract Strategy identified two significant CMAR packages

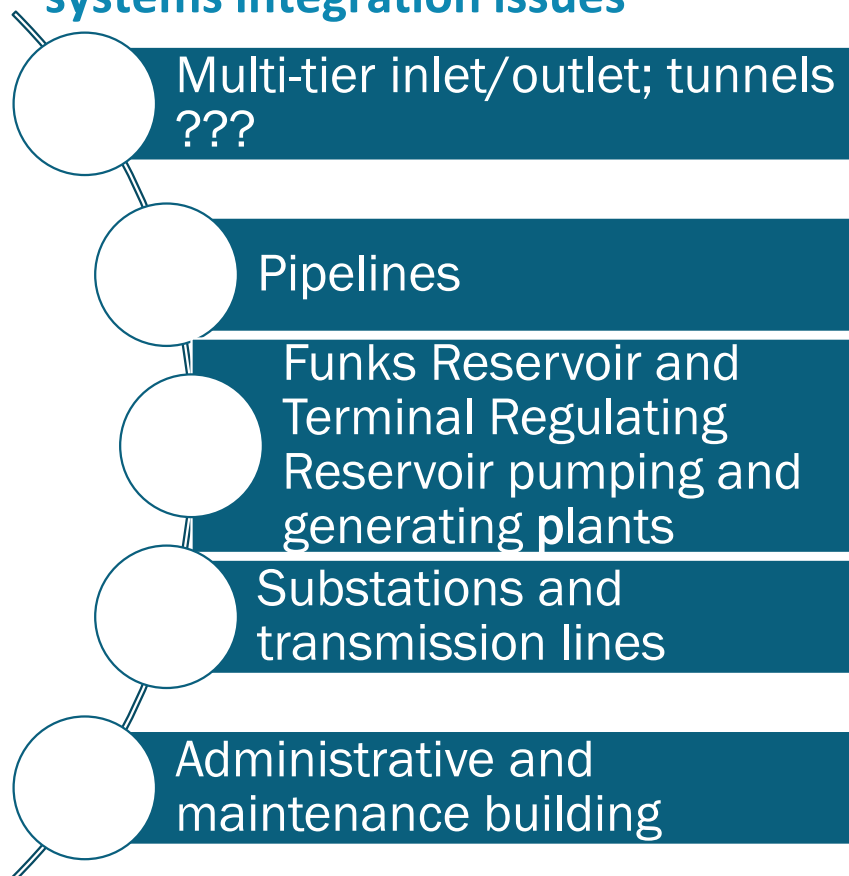
Reservoir Package \$2B (\$2021)

CMAR recommended to provide early input on logistical challenges, schedule and community impacts

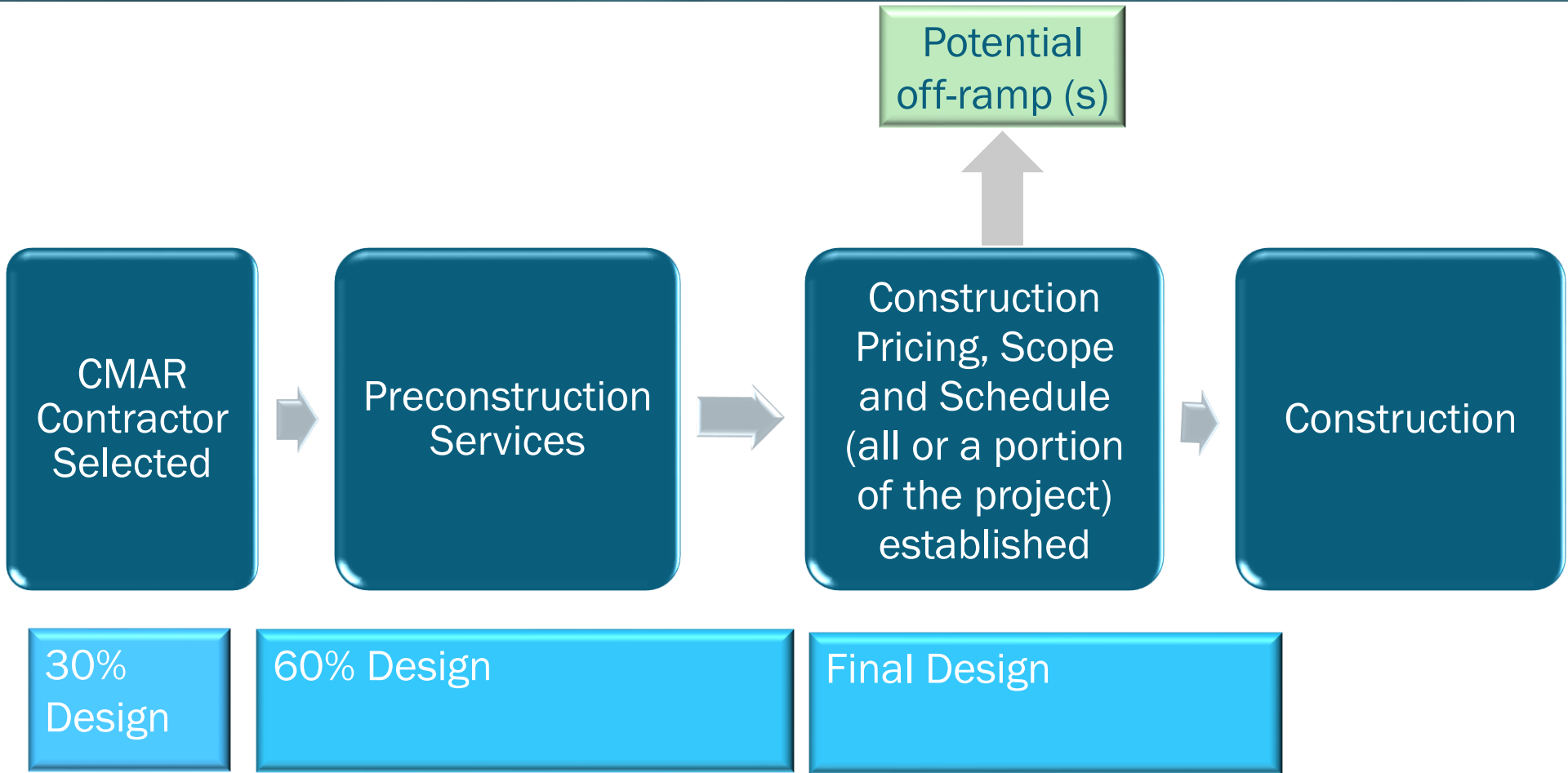


Maxwell-Sites Pumping and Generating Package \$1.2B (\$2021)

CMAR recommended due to complex systems integration issues



Typical CMAR Process



Pricing under CMAR Contracts

May involve multiple construction packages with multiple Guaranteed Maximum Prices (GMPs)

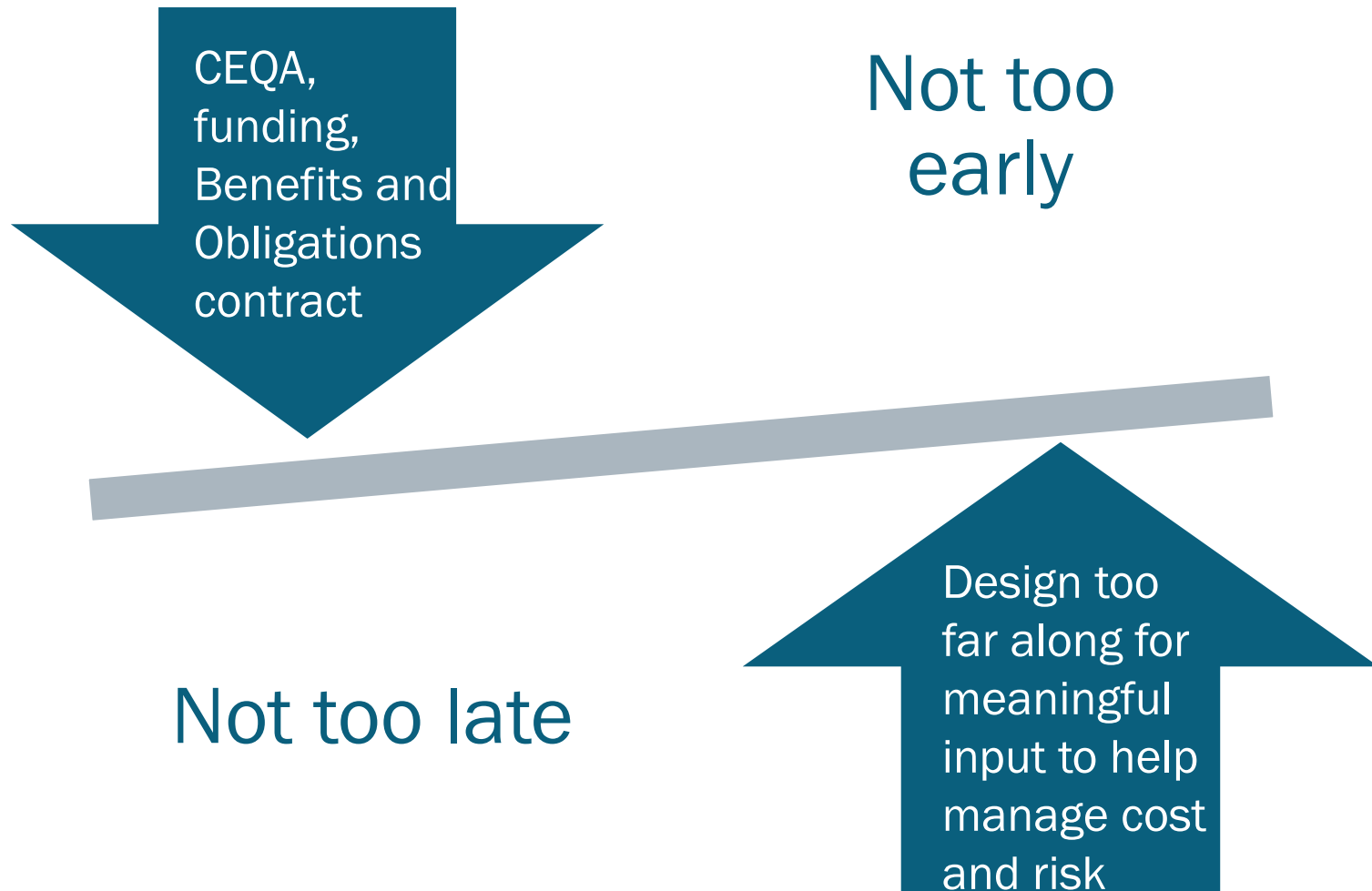
GMP is essentially a “cap” on the cost to the owner for construction and includes:

- Cost of work
- Contingency
- Factors for overhead and profit

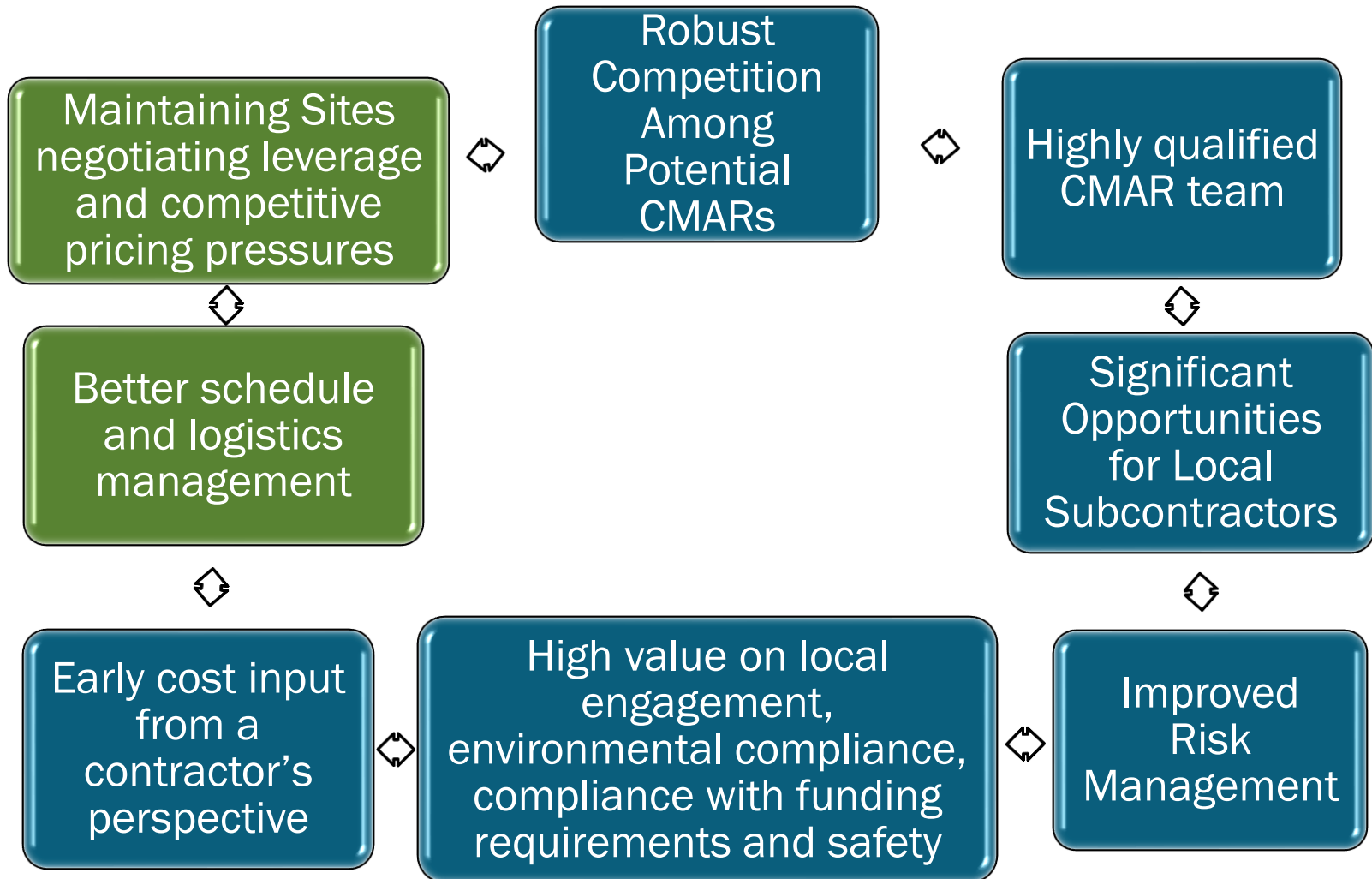
If actual costs come in under the GMP, CMAR contracts can provide for “sharing the savings” to incentivize cost savings

What does good look like?

(when to have Reservoir Package CMAR under contract)



What does good look like (cont)?



How do we get there? *Adopt procurement strategy*

- Continue Market Engagement throughout 2023
- Conduct 2-Step Procurement Process – provides better assurance of picking the “right” CMAR contractor. Schedule impacts can be off-set by pre-preparing documents
- Provide for two contracts (preconstruction and construction) to facilitate compliance with WIFIA requirements
- Procure legal advisor Q2 2023
 - To help establish the limits of what the Authority can allow with respect to CMAR team formation (important issue that will influence market response based on early feedback from contractors)
 - To develop CMAR contracts
- Establish roles and responsibilities for evaluation and negotiations prior to issuing RFQ

How do we get there? *Adopt procurement strategy*

- **Pre-prepare procurement and contract documents Q3 2023-Q1 2024**
 - Incorporate significant opportunities for local contractor involvement, public engagement, environmental compliance and safety both as part of the SOQ / Proposal evaluation processes and by establishing minimum requirements in the contracts.
 - Establish clear requirements for funding agency compliance.
 - Establish clear opportunities / limitations for self-performance consistent with statutory requirements
- **Check in on status of CEQA, water right, funding, benefits and obligations contract before “pulling the trigger” on initiating formal procurement (Q1 2024)**

Questions?

