



City of Pflugerville

Legislation Text

File #: 2024-0109, **Version:** 2

Discuss and consider action regarding approving a construction contract with SKE Construction in the amount of \$2,145,818 for the Pflugerville Estates Water Line Rehabilitation Project, and authorizing the City Manager to execute the same.

The City currently owns and operates the water and wastewater infrastructure within the Pflugerville Estates neighborhood that is on the west side of Immanuel Road near Wells Branch Parkway. This infrastructure was acquired by the City of Pflugerville in the late 1990s and the infrastructure has not changed since it was originally installed. The current water infrastructure within the Pflugerville Estates neighborhood is well below the City's current standards for water infrastructure and the pipe material does not comply with the City's standard specifications for water lines. Within the Pflugerville Estates neighborhood, the water lines do not have adequate shut off valves to isolate potential leaks which requires that the City cut water off to the whole neighborhood when a water line needs to be repaired. The neighborhood is also severely lacking fire hydrants needed to protect property with a total of 3 fire hydrants serving the entire neighborhood. With these deficiencies, it was determined that the City needed to update and upgrade the water infrastructure to ensure we meet fire code as well as minimize the amount of disruptions to the neighborhood when there is a water line repair that needs to be addressed.

SKE Construction was contacted to perform this work through their Job Order Contract (JOC) as this will allow for an efficient use of City funds and eliminates the need to hire a design consultant to replace existing infrastructure with everything being routed through the construction contractor. The City has worked with SKE Construction on a variety of other projects for water infrastructure and they perform similar work for surrounding municipalities that are updating aging water infrastructure through both jack-and-bore as well as pipebursting construction methods. By contracting directly with a contractor that is already mobilized in the area and that has significant experience in this field, the original CIP project that originally was estimated to cost \$4.4 million over 2 years is now estimated to cost \$2.5 million over 2 years. The CIP will be updated to reflect this cost savings.

At the request of City Council, staff worked with the City's legal team to evaluate the possibility of collecting a surcharge rate to the outside city customers located in the Pflugerville Estates neighborhood to collect the revenue necessary to rehabilitate distribution facilities in this neighborhood. Surcharges are used to collect revenues over and above the usual cost of service (and regulated utilities are only allowed under certain circumstances TAC 24.25(G)). The City Council adopted amended rates based on a Cost-of-Service study which included an FY2024 expenditure for this rehabilitation project. An appeal of this surcharge will ultimately determine that the expenditure is not an additional revenue requirement above the existing rate base. At a minimum, the outcome of a rate appeal, if the surcharge is authorized, will be a Commissioned ordered refund to all customers for costs associated with the rehab project - or more generally, providing service to these outside city customers.

During an appeal, the PUC will evaluate the outside city rates, but it must do so from a system-wide

standpoint. To determine if the cost of service varies from one customer group to another, a system-wide analysis is necessary. If the Commission finds that the entirety of rates charged does not meet the requirements of TWC 13.043(j), they may choose to issue an order where they set alternative rates and potentially customer refunds from the time the rate change was initiated. PUC Docket No. 53063 is currently in consideration of this outcome; however, the docket has not been remanded back from SOAH for the Commission to comment on - nor has the SOAH ALJ filed their final decision.

Regarding Pflugerville Estate customers, there is no physical separation between their neighborhood and the inside city customers- all customers utilize the entirety of the system and there is no difference in cost that can be attributable to either group except for the capital improvement project being contemplated, which, has already been incorporated into a system-wide rate base. An appeal will ultimately affect ratepayers inside and outside city limits, and rate case expenses can only be collected following PUC approval. An appeal could result in having a variety of different rates for the system based on the linear footage within their neighborhoods which would result in a net decrease in the rates for those customers outside of the City Limits (Pflugerville Estates, Villages of Hidden Lake, Sorrento, Boulder Ridge) and a net increase in the rates for those customers inside of the City Limits.

This project is aimed to satisfy the City's strategic goal of providing resilient infrastructure while also ensuring reliability and operability at all times.

Prior City Council Action

January 23, 2024 Council postponed the item.

Deadline for City Council Action

Action is requested February 13, 2024.

Funding Expected: Revenue Expenditure N/A

Budgeted Item: Yes No N/A

Amount: \$2,145,818

1295 Form Required? Yes No

Legal Review Required: N/A Required Date Completed: _____

Supporting documents attached:

Short Form Contract - SKE

Recommended Action

Approve a construction contract with SKE Construction in the amount of \$2,145,818 for the Pflugerville Estates Water Line Rehabilitation Project, and authorize the City Manager to execute the same.