

Exhibit to Agenda Item #2

Board Finance & Audit Committee Meeting and Special SMUD
Board of Directors Meeting

Tuesday, October 15, 2019 scheduled to begin at 5:30 p.m.

Customer Service Center, Rubicon Room

Powering forward. Together.



Action request

Approve Contract Change No. 1 to Contract No. 4500117866 with Hot Line Construction, Inc. to increase the contract not-to-exceed amount by \$1 million from \$1 million to \$2 million.

Background information

SMUD has been adversely affected by PG&E's effort to inspect and repair all their facilities in the Tier 3 and Tier 2 fire zone areas prior to the 2019 fire season.

Reports are signaling that this work is expected to continue throughout 2019 and into 2020. This, in combination with PG&E's fire hardening programs has placed a tremendous pull on available labor resources i.e., journey line workers.

As a result, SMUD's Line Assets contract work force has left to perform work for PG&E.

Emergency procurement delegation

Governing law authorizes public entities such as SMUD to make emergency procurements when there is an unexpected occurrence requiring “immediate action to prevent or mitigate the loss or impairment of life, health, property, or essential public services.”

SMUD delegations of authority also allow procurements on a sole source basis, for the short term, Hotline is the only reliable resource available to address the potential loss of services due to the short-term pressures from PG&E.

Hotline Construction, Inc.

Hotline has maintained a strong working relationship with SMUD within our Transmission Line Support contract since the start of 2018. Hotline has performed work safely, efficiently, and at a fair and reasonable price.

Under this emergency contract, Hotline will perform various capacity and system reliability project work including;

- Transmission line work
- Pole replacements
- Re-conductor jobs
- Cable pulling



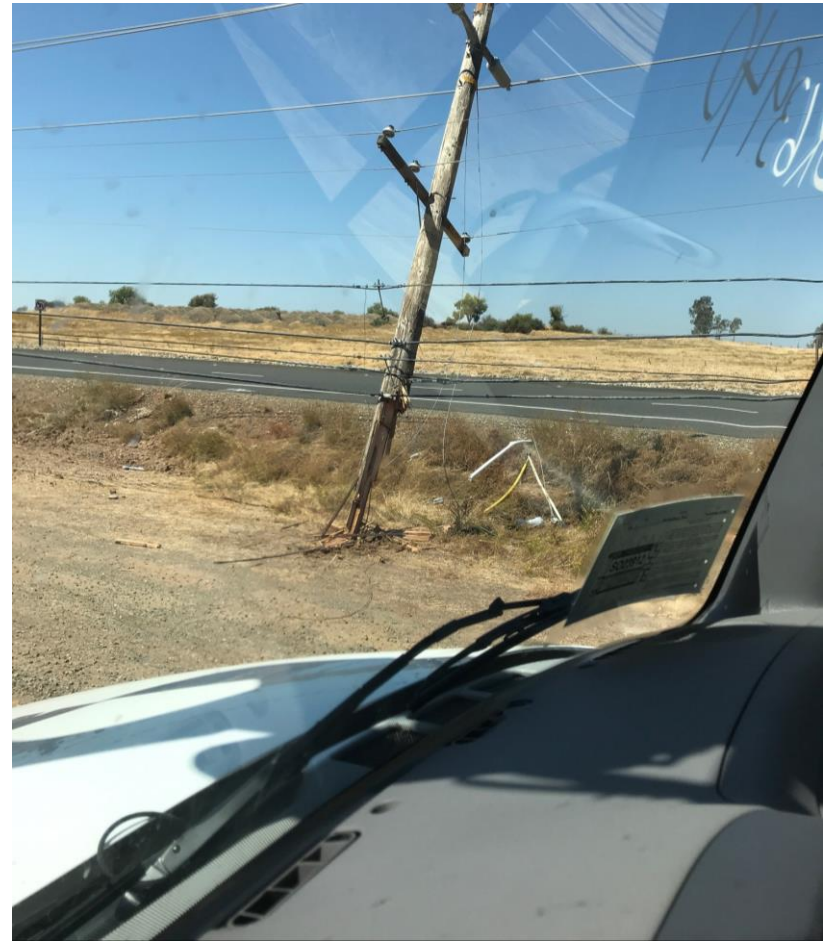
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Procurement strategy

- This Contract was awarded on Direct Procurement Emergency basis.
- There is currently a larger solicitation that is in process to establish longer term contract competitively, including participation from many suppliers in the category.
- This emergency contract is expected to last through November while new contract awards will begin at the same time.

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