

HOUSE BILL REPORT

ESSB 6560

As Passed House - Amended:

March 5, 2008

Title: An act relating to public utility district contracts.

Brief Description: Regarding public utility district contracts.

Sponsors: By Senate Committee on Water, Energy & Telecommunications (originally sponsored by Senators Honeyford, Morton, Delvin and Swecker).

Brief History:

Committee Activity:

State Government & Tribal Affairs: 2/27/08, 2/28/08 [DPA].

Floor Activity:

Passed House - Amended: 3/5/08, 96-0.

Brief Summary of Engrossed Substitute Bill (As Amended by House)

- Increases the self-performance limits and the thresholds for competitive bidding for public utility districts.

HOUSE COMMITTEE ON STATE GOVERNMENT & TRIBAL AFFAIRS

Majority Report: Do pass as amended. Signed by 7 members: Representatives Hunt, Chair; Appleton, Vice Chair; Chandler, Ranking Minority Member; Kretz, Liias, Miloscia and Ormsby.

Staff: Tracey Taylor (786-7196).

Background:

Public utility districts (PUDs) must follow certain statutory requirements related to contracting for work or materials.

For work, the estimated cost exclusive of sales tax in excess of \$10,000, must be done by contract, unless it is an accepted industry practice under prudent utility management to have

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its own regularly employed personnel perform the work. If the value of the work and materials, in combination, exceeds \$50,000, the PUD must contract out.

For materials, equipment, or supplies, a PUD must contract for purchases valued over \$10,000, exclusive of sales tax, of items of one kind. If a district purchases the same kind of materials, equipment, or supplies in excess of \$5,000 in one calendar month, the excess must be purchased by contract.

Before awarding the contract, the PUD must publish a notice at least once in a newspaper of general circulation in the district, and at least 13 days prior to the last date bids will be accepted, inviting sealed proposals for work or materials. Any published notice shall be mailed to any established trade association which files a written request with the PUD to receive such notices.

The PUD may also utilize an informal vendor list process for purchases of materials of one kind worth over \$10,000, but less than \$50,000. This process requires the PUD to solicit quotations from at least three vendors on the vendor list whenever possible to assure that a competitive price is established and the contract is awarded to the lowest responsible bidder. The vendor list is established and revised by the PUD publishing a notice, at least twice a year, soliciting vendors for inclusion on the list.

Unless utilizing the small works roster process, all contract projects of \$100,000 or more must be awarded using competitive bidding.

The last increases in the self-performance limit and in the threshold for competitive bidding for the PUDs occurred in 2002.

Summary of Amended Bill:

The self performance limit for work performed by the PUDs is increased from \$10,000 to \$25,000. The maximum cost of materials used in work by the PUDs without contracting is raised from \$50,000 to \$150,000.

The bid threshold for the purchase of the same kind of materials, equipment, or supplies is increased from \$10,000 to \$15,000. The maximum cost of items of one kind purchased in any calendar month without contracting is raised from \$5,000 to \$7,500.

The value range of a contract to purchase materials, equipment, and supplies for which a PUD may use an informal bid solicitation process is increased from at least \$10,000 but less than \$50,000 to a new threshold of at least \$15,000 but less than \$60,000 per month.

Appropriation: None.

Fiscal Note: Not requested.

Effective Date of Amended Bill: The bill takes effect 90 days after adjournment of session in which bill is passed.

Staff Summary of Public Testimony:

(In support) Electric work performed by the PUD crews has the potential to exceed the current threshold because of rapidly increasing costs of the materials and supplies involved. The changes to the threshold statutes have been modest and infrequent -- 1995 was the last increase in the amount of materials before the PUD crews were prohibited from performing the work. The current \$50,000 threshold is preventing the PUD crews from getting the training opportunities necessary to keep them safe. In addition, it is diminishing the preparedness of the PUD crews to respond to emergencies. An amendment to clarify the existing interpretation of the value range to reflect the amount per calendar month will perfect this bill.

(Opposed) Contractors do this type of work. In order to give the taxpayer value for their money, the private sector needs to be able to continue to perform this work. Not only is the private sector better and cheaper, but it provides a warranty for the work performed. The small works roster was designed to address the increasing administrative costs of having permanent employees perform certain tasks. This bill frustrates the small works roster process.

Persons Testifying: (In support) Senator Honeyford, prime sponsor; Senator Morton; Bill Clarke, Public Utility Districts Association; and Bob Guenther, International Brotherhood of Electrical Workers Local Union #77.

(Opposed) Larry Stevens, National Electrical Contractors Association and Mechanical Contractors of Western Washington.

Persons Signed In To Testify But Not Testifying: None.