

REPORT FROM

OFFICE OF THE CITY ADMINISTRATIVE OFFICER

Date: June 18, 2013

CAO File No. 0150-10003-0000

Council File No.

Council District: Citywide

To: The Mayor
The City Council

From: Miguel A. Santana, City Administrative Officer



Reference: Letter from the Department of Water and Power dated May 29, 2013; referred for report

Subject: **PROPOSED AGREEMENT NO. 47183 BETWEEN THE DEPARTMENT OF WATER AND POWER AND OSISOFT, INC. FOR PI HISTORIAN SYSTEM MAINTENANCE PROGRAM**

SUMMARY

The Department of Water and Power (DWP) requests authority to execute a proposed Agreement No. 47725-8 with OSIsoft, Inc. for three years with two one-year options periods and an amount not to exceed \$7,394,900 to purchase the PI Historian System Maintenance Program (PI Historian) for the administration of DWP's Power System, which includes the renewal of proprietary software licenses, software maintenance, and technical support. The proposed Agreement would continue the proprietary PI (Plant Information) Historian software maintenance service which is required for: (1) the use of OSIsoft PI software at existing power generating stations, receiving, switching, and distribution stations; (2) the interfaces with other databases and systems; and (3) DWP employee training. City Council approval of the proposed Agreement is required in accordance with Charter Section 373 in that the term of the Agreement exceeds three years. The City Attorney has approved the proposed Agreement as to form and legality.

Benefits to DWP and Its Customers

According to DWP, implementation of the OSIsoft, Inc. PI software in support of the Power System and the PI Historian has helped consolidate important information into one department-wide system for easier monitoring and development of management reports which, in turn, helps DWP to be more proactive in its preventive maintenance and, by doing so, increase the Power System's reliability.

With the system outages and equipment reliability challenges that DWP faces during the summer and during inclement weather, implementation of this system of real-time data acquisition has a direct positive impact on both the customer and the Department's ability to avoid service interruptions. In the event of such outages, this system helps to pinpoint problems and reduce the time it takes to correct them. In addition, it allows the Department to better communicate the Power System's status to customers in the event of an outage.

Background

In November 2005, following a competitive process, the Department first contracted with OSIssoft, Inc. for a one-year pilot for a real-time data collection and monitoring system for one generating station and a limited number of distribution, receiving, and switching stations. OSIssoft, Inc. is a leading provider of performance management software that enables centralized collection, processing, and archiving of real-time operational data from multiple sources in support of petrochemical plants, electric power generating plants, and distribution pipeline systems.

The Power System pilot project was established in response to (1) two departmental audits and a Council direction to implement work force management programs, and (2) a recommendation by the Electric Power Research Institute contained in its May 2006 evaluation of DWP operations

On May 29, 2008, after the pilot project's conclusion, the City Council and the Mayor (C.F. 08-0590) approved a new Agreement No. 47725-8 with OSIssoft, Inc. to convert the pilot into a permanent program. With system-wide implementation, DWP increased the system's capabilities to:

- Track a much greater number of "discreet data points," items (760,000 versus 40,000 for the pilot) related to the status of circuit breakers that control the Power System;
- Capture, process, and store system data from all 156 generating, receiving, switching, and distribution stations;
- Provide for real-time connections with various other Department systems for asset management, procurement, outage management, maintenance, management and scheduling of field personnel assignments; and
- Allow for 2,000 end-user software licenses and unlimited web access to the Plant Information (PI) system modules for system-wide monitoring and analysis

The cost of the pilot program and the previous five-year Agreement totaled \$5,028,490.

Proposed New Agreement No.47183-3

The proposed Agreement will continue the PI Historian proprietary software maintenance services which is required for: (1) the use of PI software at existing power generating stations, receiving, switching, and distribution stations; (2) the interfaces with other databases and systems supporting procurement, asset management, outage management, personnel assignments, and meter reading; and (3) employee training to enable DWP to continue to assume support of the system. Full-scale implementation of the software and services under the previous Agreement has merged vital operating data, from distinct systems, into a single system to help expedite analysis and management decision making.

The proposed Agreement will provide for the purchase of \$3.5 million in additional licenses to extend the software to monitor additional substations and additional generation plants as they become part of the DWP Renewable Energy facilities or power purchases from other agencies. This integration will provide additional information, improve management and improve maintenance of the overall Power System. The remaining costs will include the maintenance of the software, and the annual

audits. The proposed Agreement also includes training the DWP trainers to take over training DWP employees. The services in the proposed Agreement shall be used on an as-needed basis; therefore, the total cost of the Agreement shall not exceed \$7,394,900, allocated as shown in the following table:

OSIsoft, Inc. Services	Year 1	Year 2	Year 3	Year 4 Optional	Year 5 Optional	TOTAL
Software License Fee	\$1,846,225	\$1,846,225	\$0	\$0	\$0	\$3,692,450
Maintenance and Training Services	\$738,490	\$738,490	\$738,490	\$738,490	\$748,490	\$3,702,450
TOTAL	\$2,584,715	\$2,584,715	\$738,490	\$738,490	\$748,490	\$7,394,900

Funding for 2013 to 2018 will be provided by the Department's 2014 Power Revenue Fund and future budgets as part of operations and maintenance program for the Power System.

A Charter Section 1022 determination concluded that these services can be more feasibly performed by an outside contractor because DWP neither owns nor can it modify the proprietary software. The Department estimates that the non-proprietary services provided by the contractor will be temporary and intermittent in nature and that DWP staff will be trained during the course of the Agreement to perform such services.

The original contract with OSIsoft, Inc. was executed in 2005 through a competitive bid process. According to DWP, OSIsoft, Inc. has performed in an acceptable manner with respect to its obligations. In addition, the installed software is proprietary and the PI Historian is the only available system for its maintenance. The Department of Water and Power Board of Commissioners have deemed that the proprietary nature of the software and services warrants a sole source agreement with OSIsoft, Inc.

The above mentioned aspects of the proposed resolution, agreement, and this report, are based upon revised information received from the Department subsequent to the initial request.

RECOMMENDATION

That the Council, subject to approval by the Mayor, authorize the Department of Water and Power to execute the proposed Agreement No. 47183-3 with OSIsoft, Inc. for the purchase of the PI Historian Systems Maintenance Program for three years with two, one-year option periods, and an amount not to exceed \$7,394,900.

FISCAL IMPACT STATEMENT

Approval of the Agreement with OSIsoft, Inc. will have no impact on the General Fund. All expenditures for this Agreement will be from the Department's Power Revenue Fund over a five-year period. The DWP Debt Management Policies do not apply.

Time Limit for Council Action

Pursuant to Charter Section 373, "Long Term Contracts Approved by Council," and the Los Angeles Administrative Code Section 10.5, "Limitation and Power to Make Contracts," unless the Council takes action disapproving a contract that is longer than three years within 60 days after submission to Council, the contract shall be deemed approved.

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