

POWER SYSTEM

NOV 14 2014

EXECUTIVE OFFICE

| | | |
|---|---------------------|--------------------------------------|
| TRANSMITTAL | | 0150-09105-0001 |
| TO Marcie L. Edwards, General Manager Department of Water and Power | DATE NOV 14 2014 | COUNCIL FILE NO. |
| FROM The Mayor | | COUNCIL DISTRICT NA – Castaic, CA |
| <p>FIRST AMENDMENT TO AGREEMENT 47068-2 RELATING TO THE CASTAIC POWER PLANT UNIT 7 RELIABILITY IMPROVEMENT PROJECT</p> <p>Approved and transmitted for further processing including Council consideration. See the City Administrative Officer report attached.</p> <p style="text-align: center;"> MAYOR (Ana Guerrero)</p> | | |

REPORT FROM

OFFICE OF THE CITY ADMINISTRATIVE OFFICER

Date: November 7, 2014

CAO File No.: 0150-09105-0001

Council File No.:

Council District: NA – Castaic, CA

To: The Mayor

From: Miguel A. Santana, City Administrative Officer *MAS*

Reference: Transmittal from the Department of Water and Power dated August 11, 2014; referred by the Mayor for report on August 29, 2014

Subject: **FIRST AMENDMENT TO AGREEMENT 47068-2 RELATING TO THE CASTAIC POWER PLANT UNIT 7 RELIABILITY IMPROVEMENT PROJECT**

SUMMARY

The Department of Water and Power (DWP; Department) requests approval of a proposed resolution authorizing the execution of the First Amendment to competitively bid Agreement 47068-2 (Agreement) with ALSTOM Power Inc. (Alstom) relating to the Castaic Power Plant (CPP) Unit 7 Reliability Improvement Project (Project). The Agreement provides engineering, procurement, and construction services to replace the CPP Unit 7 turbine, generator, and controls, along with the refurbishment or replacement of associated mechanical and electrical equipment.

In January 2012, the DWP Board of Commissioners (Board) approved Resolution 012-158 which authorized the original three year Agreement expiring February 7, 2015, and provided expenditure authority of \$33.5 million. Approval of the proposed resolution and First Amendment will extend the contract duration by one year, expiring February 7, 2016, resulting in a cumulative contractual term of four years. Pursuant to City Charter Section 373, City Council approval is required for contracts that exceed three years.

DWP states that approximately \$23.4 million of the \$33.5 million funding has been expended through August 2014 and the Project is approximately 70 percent complete. The Department anticipates that the available \$10.1 million of funding is sufficient for the remaining scope of work. Consequently, this proposed resolution provides for an extension of time only and no additional funding is requested.

BACKGROUND

The CPP was developed in the 1970s and is located north of Castaic Lake in Los Angeles County. The power plant consists of six main pump turbine units, each rated at approximately 271 megawatts (MW), and one small specialized turbine generating unit rated at approximately 54 MW. The specialized unit, identified as Unit 7, is primarily used as a pump to start the other six

units and as a load regulating unit that helps to stabilize the DWP power system. As a result, it operates more than any other unit at CPP and requires high levels of maintenance, according to the DWP.

In recent years, the maintenance of Unit 7 was deferred in order to prioritize upgrades to the larger six pump turbines. After approximately 40 years of heavy usage and deferred maintenance, the reliability of Unit 7 declined and the Department anticipated that Unit 7 could be inoperable in the near term without the necessary improvements.

Effective November 7, 2010, City Ordinance 181328 authorized the criteria for a Design-Build contract for the CPP Unit 7 Project that the DWP let using a competitive sealed bid proposal method, pursuant to Charter Section 371(b). On January 4, 2011, DWP released a Request for Proposal (RFP 320-11) seeking proposals from qualified firms to implement the CPP Project. Three qualified firms responded.

According to the Department, the competitive process identified Alstom as the most qualified firm based on the evaluation criteria. Alstom also has prior experience with DWP, including the design, fabrication, and procurement of a 20 MW generator for San Francisquito Power Plant 2 in 2006. In February 2012, the DWP Board awarded Alstom a three year Agreement, expiring February 7, 2015, and provided expenditure authority of approximately \$33.5 million which includes approximately \$3 million in contingency funding. The total Project cost includes additional expenses for DWP project management, general construction responsibilities, and financing expenses incurred during construction. The table below summarizes the total Project cost, including the Agreement with Alstom:

| CPP Unit 7 Project Cost | |
|---|---------------------|
| Alstom Agreement | \$30,500,000 |
| Alstom Contingency | \$3,000,000 |
| DWP Project Management and General Construction | \$4,900,000 |
| Financing Expense Incurred During Construction | \$4,400,000 |
| TOTAL CPP UNIT 7 PROJECT COST | \$42,800,000 |

DWP asserts that Alstom has been delayed by recurrent design and quality control/quality assurance deficiencies that have crossed all major pieces of equipment. All major equipment has been satisfactorily re-worked with the exception of six turbine control valves. These six turbine control valves failed Factory Acceptance Testing at Alstom's hydroelectric equipment fabrication facility in India in November 2013. Consequently, Alstom decided to end their association with Alstom India for work on these valves and the valves were sent to a facility near the Alstom Hydro engineering headquarters in Canada. Alstom Canada prepared new drawings and new quality plans and then hired a Canadian heavy equipment fabrication sub-contractor, Fab3R, to inspect the parts from India, re-work and/or replace parts as necessary, assemble, and re-test. Alstom and DWP witnessed the inspection and tests in Canada. All six of the re-worked valves passed the pre-established Factory Acceptance Tests in Canada and are currently on site. Installation of the valves is underway with four of the six valves installed as of October 26, 2014.

RECOMMENDATIONS

That the Mayor:

1. Approve the proposed resolution authorizing the execution of Amendment No. 1 to Agreement No. 47068-2 with ALSTOM Power Inc. to extend the contract duration by one year, expiring February 7, 2016, pursuant to Charter Section 373; and
2. Return the proposed resolution to the Department for further processing, including Council consideration.

FISCAL IMPACT STATEMENT

Approval of the proposed resolution does not result in a fiscal impact. Funding for this agreement was previously approved by the DWP Board of Commissioners and included in the DWP Power System Capital Budget as part of the Multi-Year Expenditure Plan. The proposed agreement complies with the Department's adopted Financial Policies. There is no impact to the City's General Fund.

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.

MAS:RR:06150036

Attachments