

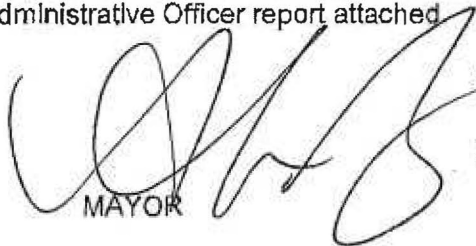
0150-09105-0002

**TRANSMITTAL**

TO Marcie L. Edwards, General Manager Department of Water and Power	DATE <b>DEC 28 2015</b>	COUNCIL FILE NO.
FROM The Mayor	COUNCIL DISTRICT Outside the City	

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

Approved and transmitted for further processing including Council consideration.  
See the City Administrative Officer report attached



Ana Guerrero

MAYOR

REPORT FROM

## OFFICE OF THE CITY ADMINISTRATIVE OFFICER

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Date: December 18, 2015

CAO File No.: 0150-09105-0002

Council File No.:

Council District: Outside the City

To: The Mayor

From: Miguel A. Santana, City Administrative Officer 

Reference: Transmittal from the Department of Water and Power dated October 26, 2015; referred by the Mayor for report on October 30, 2015

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

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### SUMMARY

The Department of Water and Power (DWP; Department) requests approval of a proposed resolution authorizing the execution of the Second Amendment to Agreement 47068-2 (Agreement) with ALSTOM Renewable US, LLC (Alstom), formerly known as ALSTOM Power Inc., 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. The proposed Amendment extends the contract term for one year for a cumulative total term of five years, expiring in February 2017. The proposed Amendment provides for an extension of time only and no additional funding is requested.

In January 2012, the DWP Board of Commissioners (Board) approved Resolution 012-158 which authorized the original three year Agreement expiring February 8, 2015, and provided expenditure authority of \$33.5 million. In January 2015, the City Council (C.F. 14-1745) authorized the First Amendment extending the term of the contract by one year, with no additional funds. Approval of the proposed resolution and Second Amendment will extend the contract duration by an additional one year, expiring February 8, 2017, resulting in a cumulative contractual term of five years.

DWP states that approximately \$27.7 million of the \$33.5 million funding has been expended and the Project is near completion. The Department anticipates that the available \$5.8 million of funding is sufficient for the remaining scope of work.

Pursuant to City Charter Section 373 and Los Angeles Administrative Code Section 10.5, City Council approval is required for contracts that exceed three years. The City Attorney has approved the proposed resolution as to form and legality.

## **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.

Effective November 7, 2010, City Ordinance 181328 authorized the criteria for a Design-Build contract for the CPP Unit 7 Project that let DWP use 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.

DWP asserts that Alstom was delayed by recurrent design and quality control deficiencies that have affected all major pieces of equipment. During the First Amendment the Department reports all major equipment has been satisfactorily re-worked.

Subsequent to the approval of the First Amendment, DWP reports Alstom faced two major setbacks as a result of flooding incidents that occurred during commissioning. On July 31, 2015, a floor hatch cover was dislodged by high velocity water causing damage to test equipment. On September 7, 2015, a seal valve was not in a fully closed position causing water to flood the Unit 7 powerhouse. The proposed Second Amendment extends the term of the contract by one year, expiring February 8, 2017. Currently, the Project is in the testing and commissioning phase and the Department anticipates full completion in April 2016. In the event of further unforeseen delays, additional time is provided to ensure the Project reaches completion during this term.

## **RECOMMENDATIONS**

That the Mayor:

1. Approve the proposed resolution authorizing the execution of the Second Amendment to Agreement 47068-2 with ALSTOM Renewable US, LLC extending the contract term an additional one year for a cumulative total term of five years, expiring February 8, 2017, without any additional funding; 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 and the Los Angeles Administrative Code Section 10.5, 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:JJ:06160055