

PEO

POWER SYSTEM

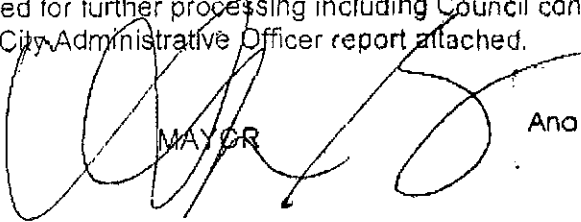
Power System Engineering  
Division

SEP 14 2015

SEP 17 2015

EXECUTIVE OFFICE

RECEIVED

<b>TRANSMITTAL</b>		0150-10438-0000
TO Marcie L. Edwards, General Manager Department of Water and Power	DATE <b>SEP 11 2015</b>	COUNCIL FILE NO.
FROM The Mayor	COUNCIL DISTRICT	
<p><b>AMENDMENT 1 TO AGREEMENT 47105-3 BETWEEN THE DEPARTMENT OF WATER AND POWER AND ENVIRONEX, INCORPORATED</b></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

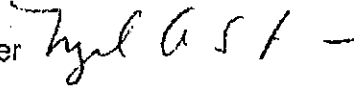
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Date: September 9, 2015

CAO File No. 0150-10438-0000  
Council File No.  
Council District:

To: The Mayor

From: Miguel A. Santana, City Administrative Officer



Reference: Transmittal from the Department of Water and Power dated June 5, 2015; referred by the Mayor for report on June 19, 2015

Subject: **AMENDMENT 1 TO AGREEMENT 47105-3 BETWEEN THE DEPARTMENT OF WATER AND POWER AND ENVIRONEX, INCORPORATED**

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### SUMMARY

The Department of Water and Power (DWP; Department) requests approval of a proposed resolution authorizing Amendment 1 to Agreement 47105-3 (Agreement) with Environex, Incorporated (Environex) to extend the term of an existing agreement that provides emissions testing services and analysis in support of the DWP Emissions Reduction Catalyst Management Plan (ERCMP). The purpose of the ERCMP is to effectively control generation facility emissions by monitoring and testing the emission reduction catalyst performance equipment periodically in order to identify equipment replacement requirements. Approval of the proposed Amendment will provide Environex additional time to collect sufficient data sets for completion of the ERCMP and emissions reporting as required by the South Coast Air Quality Management District (SCAQMD).

Services provided by Environex include, but are not limited to, the following:

- On-Site inspection of internal and external system components of the Emissions Control System (ECS);
- Selective Catalytic Reduction (SCR) emissions performance testing;
- Historical operating data analysis;
- ECS maintenance assessment, performance projection, and recommendations;
- Ammonia Injection Grid tuning and flow modeling; and,
- ECS technical support.

Environex initially recommended that three emissions reduction catalyst tests be performed annually. However, after assessing DWP generating units, Environex modified the annual test interval to three tests conducted every two to three years. This change was determined during the second year of the Agreement and was due to the lack of sufficient operating hours for the generating units. The extended test interval does not increase costs although it does extend completion of ERCMP by seven years and necessitate the proposed contract extension.

The original three year Agreement was executed in October 2012 and will expire on October 2, 2015. Approval of the proposed Amendment provides a seven year extension of the term resulting in a total duration of 10 years. Neither the scope of work or cost of services has changed. An extension of time for the current Agreement will allow for the uninterrupted continuation of emission testing services currently in progress. Contractual costs are not impacted by the proposed extension and sufficient expenditure authority remains for completion of the scope of work. To date, DWP has expended \$573,750 of its \$2.6 million expenditure authority provided under this contract.

DWP asserts that Environex has performed satisfactorily under the current Agreement. A table is provided in the Appendix identifying the completed tests of DWP generation facilities along with the tentative dates for future tests.

Council approval is required for contracts that exceed three years, pursuant to Charter Section 373. The City Attorney has approved the resolution and Agreement as to form and legality.

## RECOMMENDATIONS

That the Mayor:

1. Approve the proposed resolution authorizing Amendment 1 to Agreement 47105-3 with Environex, Inc., to extend the term by seven years resulting in a total term of 10 years for emissions testing services and analysis in support of the Emissions Reduction Catalyst Management Plan; and,
2. Return the proposed resolution and agreement to the Department for further processing, including Council consideration.

## FISCAL IMPACT STATEMENT

Approval of the proposed Agreement does not impact costs to the DWP and continues to authorize the existing expenditure authority up to \$2.6 million from the Power Revenue Fund. There is no impact to the City General Fund. The proposed Agreement complies with the Department's adopted Financial Policies.

## 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.

**NOTICE OF COMPLIANCE WITH CONTRACTING OUT POLICY**

TO: David H. Wiggs, Senior Assistant General Manager – Power System  
Attn: Jessica K. Lewis Ext. 72754

NAME OF CONTRACT: Environex, Inc., to Provide Emissions Reduction Catalysts  
Management Plan Services

CONTRACT NUMBER: Amendment No. 1 to Agreement No. 47105-3;

DATE CONTRACT RECEIVED IN LABOR RELATIONS: 04/15/2014  
CONTRACT FORWARDED TO:

( ) LOCAL 18, IBEW ( ) OTHER:

DATE CONTRACT SUBMITTED TO UNION(S): N/A

UNION HAS NO OBJECTION TO CONTRACT ( )

5-DAY APPEAL PERIOD HAS LAPSED ( )

NO BARGAINING UNIT WORK INVOLVED - NOT SENT TO UNION (X)

TRAINING WORK INVOLVED - NOT SENT TO UNION ( )

OTHER (X): See note below.

NOTES: This is Amendment No. 1 to Agreement No. 47105-3 with Environex, Inc., to provide Emission Reduction Catalysts Management Plan Services to support compliance with the South Coast Air Quality Management District, Environmental Protection Agency, and other agencies' rules, regulations, and permit requirements for the generating unit. This amendment will extend the contract terms by 48 months to a new contract term of 84 months. The revised contract term is October 3, 2012 through October 2, 2019 with no extension options. The contract amount remains the same at \$2,600,000.00. All services as specified in the original agreement remains the same. A Notice of Compliance was previously approved on April 29, 2011 by Senior Labor Relations Representative, DeMarlo Sims. Currently, Department personnel do not have the knowledge, skills, and specialized equipment to perform the evaluation or ammonia injection grid tuning of the emissions control systems. In accordance with contracting out procedures, the work is exempt and is not required to be submitted to labor organizations for review. Under General Manager intra dated 06-21-06 for established Charter Section 1022 findings, independent review is needed and/or contractor has proprietary and specialized knowledge or equipment the Department needs.

MANAGER OF LABOR RELATIONS:

  
Victoria E. Black

EXTENSION: 71918

TODAY'S DATE: April 21, 2014

**GM Board Agenda Review Executive Summary Sheet – Power System**  
September 25, 2015

**Power Engineering Division**

**Amendment No. 1 to Agreement No. 47105-3 for Emissions Reduction Catalyst Management Plan Services, with Environex, Inc.**

**Purpose/Summary**

On September 18, 2012, the Board approved Resolution 013-061 allowing LADWP to implement an Emissions Reduction Catalyst Management Plan (ERCMP) with Environex for an amount not to exceed \$2,600,000 and for a term of three years. The purpose of the ERCMP is to effectively control generation facility emissions by monitoring and testing the emission reduction catalyst performance equipment periodically in order to identify equipment replacement requirements.

**Context/Business Case**

This amendment is needed to provide additional time for LADWP to collect the remaining sample data sets necessary to generate end-of-life curves for LADWP's emissions reduction catalysts located at Haynes, Harbor, Scattergood, and Valley Generating Stations. The end-of-life curves allow LADWP staff to estimate the end of a catalyst's ability to effectively control emissions as required by the SCAQMD Permit limits. With an end-of-life estimated, LADWP staff can plan ahead for catalyst replacement, and limit the possibility of a power generating unit operating out of compliance with its SCAQMD Permit. If a power generating unit cannot reliably operate within compliance with its SCAQMD Permit, it cannot be allowed to operate until compliance is achieved.

Environex initially recommended that three emissions reduction catalyst tests be performed annually. However, after assessing the power generating units, Environex modified the annual test interval to three tests conducted every two to three years. This change was determined during the second year of the Agreement and was due to the lack of sufficient operating hours for the generating units.

To date, LADWP has expended \$573,750 of its \$2.6 million expenditure authority provided under this agreement.

**Cost and Duration/Fiscal Impact**

This amendment will not change the not-to-exceed amount of \$2.6 million, which is budgeted.

**Method of Selection**

LADWP proposed to amend Agreement 47105-3 instead develop, advertise and award a new contract. Competitive bidding is not recommended because there is no industry standard to sample and test emissions reduction catalysts for remaining life. Therefore, test results from a contractor other than Environex would compromise the integrity of the existing data. Without this amendment, LADWP staff would not be able to estimate remaining life of its catalysts, which is required to effectively control emissions within SCAQMD's Permit limits.

**REVIEWED:**

  
Marvin D. Moon

9/25/15  
Date