



Los Angeles
Department of
Water & Power

RESOLUTION NO. _____

BOARD LETTER APPROVAL

Handwritten signature of Reiko A. Kerr in purple ink.

REIKO A. KERR

Senior Assistant General Manager – Power System
Engineering, Planning, and Technical Services

Handwritten signature of Martin L. Adams in blue ink.

MARTIN L. ADAMS

Chief Operating Officer

Handwritten signature of David H. Wright in blue ink.

DAVID H. WRIGHT

General Manager

DATE: August 3, 2017

SUBJECT: Haynes Units 3 through 6 Demolition Project Resolution for an Ordinance Requesting the Los Angeles City Council to Establish Design-Build Criteria Pursuant to §371(b) of the City Charter

SUMMARY

The Proposed Ordinance will authorize the LADWP to let a design-build contract for the Haynes Generating Station (Haynes) Units 3 through 6 Demolition Project (Project). This will permit negotiations relating to the engineering, decoupling, and demolition of the Project based on the criteria established by the Ordinance. The Ordinance will authorize a term not to exceed five years for the contract.

Approval of this Ordinance does not authorize any rebuilding of Haynes Units.

Pursuant to a competitive sealed proposal method, design-build criteria adopted by the Ordinance will permit an award to a bidder specialized in the decoupling and demolition of power generation stations. The sealed proposal method, per Los Angeles City Charter (Charter) §371(b), permits negotiations after proposals have been opened to allow clarifications and changes to the proposal. Per Charter §371(a) and Los Angeles Administrative Code §10.47, the Local Business Preference Program will apply. The extended contract term, per Charter §373, is necessary to, (i) address the complexity of the Project; (ii) schedule uncertainties to conduct the environmental impact studies; (iii) and complete the permitting process due to the uncertainties in hazardous material abatement, and the inherent safety precautions associated with demolition projects.

The approach will be to advertise one Request for Proposal with one agreement which will be awarded in whole at LADWP's discretion. The contract will be for the decoupling and demolition of the Haynes Units 3 through 6.

City Council approval is required according to Charter §§371(a) and (b), 373 and 674, and Administrative Code Section §10.47.

ENVIRONMENTAL DETERMINATION

This proposed project is subject to the California Environmental Quality Act (CEQA), Public Resources Code §2100, et seq. As such, it is important to note that the Board of Water and Power Commissioners (Board) has made no final determinations regarding the proposed Project. The Board retains its full discretion to make a determination regarding the proposed Project, including but not limited to, the possible selection of an alternatively analyzed project or the selection of no project at all. The Board will review the CEQA analysis and make a determination pursuant to law. Bidders recognize and assume this risk. No contracts shall be awarded prior to the completion of CEQA compliance.

RECOMMENDATION

It is requested that the Board adopt the attached Resolution recommending City Council approval of an Ordinance authorizing the use of the competitive sealed bid proposal method to let a contract not to exceed five years in length, in accordance with §§371(b), 373, and 674 of the Charter.

ALTERNATIVES CONSIDERED

One alternative is to decommission Units 1 and 2 to comply with the California State Water Resources Control Board (SWRCB) mandate and not construct the combined cycle. Although this alternative would satisfy the mandate to eliminate use of ocean cooling, it would not support the local load demands of the Los Angeles electric system and requirements to maintain grid stability. More importantly, Units 3-6 are decommissioned and permanently inoperable. The dilapidated building structures and equipment contain hazardous material which if left to deteriorate further will pose a significant safety hazard to plant personnel.

The future projects to be constructed at the site are being studied in the comprehensive electric system study. Recommended actions will be brought forth for approval separately in the future.

The proposed Project is the most viable solution to complying with the SWRCB mandate to eliminate the use of once-through cooling (OTC) while removing deteriorating building structures and equipment that are potential safety hazards and support the LADWP's generation requirements and power system stability and reliability.

FINANCIAL INFORMATION

The total estimated cost for the proposed contract is approximately \$91.4 million. The duration will not exceed five years.

BACKGROUND

The Project is necessary to facilitate compliance with the United States Supreme Court ruling confirming the legality of the SWRCB mandate to eliminate the use of OTC and to support the South Coast Air Quality Management District (SCAQMD) in reducing air pollutant emissions in the South Coast Air Basin under the provisions of the Regional Clean Air Incentives Market Program.

To mitigate a potential safety hazard, the Project will demolish and remove the Units 3-6 decommissioned building structures and equipment. The Project will also provide the area required for a future project with options being currently explored and modeled to incorporate alternative technologies and renewable sources to replace the energy and generating capacity currently provided by Haynes Units 1 and 2. Consequently, the future project will satisfy the state mandate to eliminate the use of ocean water for cooling purposes by maintaining system capacity after shutting down Haynes Units 1 and 2. The proposed equipment will also (i) improve the ability to integrate renewable energy into LADWP's power distribution system by providing rapid start capability and faster ramp rates than the existing Haynes Units 1 and 2; (ii) facilitate achievement of the City of Los Angeles (City) stated Renewable Portfolio Standard goal to generate 33 percent of the City's total energy from renewable resources by 2020; and (iii) help continued ownership and control of adequate generating capacity to supply ratepayers and maintain the required reliability margins.

LADWP has notified the SWRCB of its intention to eliminate the use of OTC at its coastal generating stations by December 31, 2029.

All elements of the proposed project are subject to the final disposition of the CEQA process.

The City Administrative Officer (CAO) report, dated July 7, 2017, is attached.

CITY ATTORNEY

The Office of the City Attorney reviewed and approved the Resolution and the Ordinance as to form and legality.

ATTACHMENTS

- Resolution
- Ordinance
- CAO Report