

COMMUNICATION FROM CHAIR AND MEMBER, ENERGY AND ENVIRONMENT COMMITTEE and ORDINANCE FIRST CONSIDERATION relative to authorizing design-build criteria for a contract to be let using a competitive sealed bid proposal method in connection with the Scattergood Generating Station (SGS) Unit 3 Demolition Project.

Recommendations for Council action, SUBJECT TO THE APPROVAL OF THE MAYOR:

1. CONCUR with the Board of Water and Power Commissioner's (Board) action of February 3, 2015, Resolution No. 015-141, approving the SGS Unit 3 Demolition Project Design-Build Ordinance pursuant to Charter Section 371(b) and authorizing a five-year contractual term as detailed in the February 4, 2015 Board report, attached to the Council file.
2. PRESENT and ADOPT the accompanying ORDINANCE approving the award of one design-build contract for the decommissioning, disablement, demolition and removal of SGS Unit 3 pursuant to a competitive sealed proposal.

Fiscal Impact Statement: The City Administrative Officer (CAO) reports that approval of Resolution No. 015-141 will not have a fiscal impact. However, the ensuing contract will result in a total expenditure estimated to be approximately \$34 million which is included in the Multi-Year Expenditure Plan of the Los Angeles Department of Water and Power (LADWP) Power System Capital Budget for Fiscal Years 2015-16 through 2017-18. Resolution No. 015-147 complies with the LADWP's adopted Financial Policies. There is no impact to the City General Fund.

Community Impact Statement: None submitted.

10 Votes Required

Summary:

On March 4, 2015, the Chair and one member of the Energy and Environment Committee considered a February 4, 2015 Board, December 30, 2014 CAO, and February 27, 2015 City Attorney reports, Resolution No. 015-141, and Ordinance relative to authorizing design-build criteria for a contract to be let using a competitive sealed bid proposal method in connection with the SGS Unit 3 Demolition Project. According to the CAO, the LADWP is requesting approval of Resolution No. 015-141 authorizing the criteria of one Design-Build contract for the SGS Unit 3 Demolition Project (Project) that the LADWP intends to let using a competitive sealed bid proposal method permitting negotiations and changes to the proposals.

Upon completion of the bid evaluation process, Resolution No. 015-141 further authorizes the LADWP to award one Design-Build contract for engineering, procurement, and construction, with a five year contractual term, to a bidder with the lowest ultimate cost, as determined by the LADWP. The proposed Project calls for the demolition and removal of the SGS Unit 3 to provide an open site sufficient for the construction and repowering of SGS Units 1 and 2. The LADWP estimates the cost for the SGS Unit 3 Demolition Project is \$34 million.

The SGS Unit 3 Demolition Project is essential for the next repowering project at SGS, the SGS Units 1 and 2 Repowering Project. The LADWP will utilize the space created by removal of Unit 3 to construct Combined Cycle Gas and Steam Turbine Unit (CCGT) Units 8 and 9 (replacing Units 1

and 2). Construction of Units 8 and 9 is estimated by the LADWP to cost \$630 million (based on similar scope projects) and is scheduled to begin in January 2016 following the demolition of Unit 3.

A separate proposal regarding the SGS Units 1 and 2 Repowering Project is anticipated to be submitted by the LADWP in 2015 for Council approval. The Design-Build criteria proposed for approval will permit an award to a bidder specialized in the decommissioning, decoupling, disablement, and demolition of power generation stations. The hazardous material abatement and major equipment demolition activities to be performed require specialized equipment and expertise to complete the work safely and to minimize any impact to the environment.

The LADWP states that it does not have the equipment, expertise in demolition, or sufficient hazardous material abatement personnel to complete the Project in the time frame necessary to allow for repowering Units 1 and 2 while also complying with the State of California Once-Through Cooling Policy that prohibits the current use of ocean water cooling in Units 1 and 2 after December 31, 2020. LADWP personnel will be involved in the initial isolation of the existing Unit 3 equipment and the decoupling activities associated with mechanically and electrically separating Unit 3 from Units 1 and 2. The decoupling activities will include development of the engineering work packages and field labor in preparation for the demolition work. LADWP personnel will also administer the contract and manage the demolition project throughout the duration of the process. It is estimated by the LADWP that approximately 10,000 staff-hours of engineers from various fields including electrical, mechanical, and civil will be needed for the Project.

The demolition Project for Unit 3 is anticipated to commence in January 2016 with a duration of 2 years. The Department states that a competitive sealed proposal with negotiations is necessary to allow the LADWP to obtain the best value for the Project. The technical details and complexity of the Project make it not practical or feasible to write detailed specifications, advertise, open bids publicly, and award a contract without any clarifications, changes, or negotiations for this highly complex project. Consistent with Charter Section 371(b) competitive bidding requirements, Design-Build or other appropriate project delivery method may be used when justified by the type of project and approved by the contracting authority. A benefit of the Design-Build contracting method (compared to the traditional Design-Bid-Build method) is the ability to overlap certain design and construction tasks and processes which offer a potentially reduced overall project duration.

Pursuant to Charter Section 371(b), for competitive sealed proposals, a vote of two-thirds the City Council approving the contract selection criteria is required to let a contract using a competitive sealed proposal method. The City Attorney has approved the proposed resolution and ordinance as to form and legality.

After further consideration and having provided an opportunity for public comment, the Committee Chair moved to recommend approval of Resolution No. 015-141 and its accompanying Ordinance. The matter is now submitted to Council for its consideration.

Respectfully Submitted,

COUNCILMEMBER FELIPE FUENTES, CHAIR

ENERGY AND ENVIRONMENT COMMITTEE

<u>MEMBER</u>	<u>VOTE</u>
FUENTES:	YES
BLUMENFIELD:	YES
LABONGE:	ABSENT
HUIZAR:	ABSENT
KORETZ:	ABSENT

ARL
3/4/15

-NOT OFFICIAL UNTIL COUNCIL ACTS-