



Los Angeles
Department of
Water & Power

RESOLUTION NO. _____

BOARD LETTER APPROVAL

A handwritten signature in blue ink, reading "Michael S. Webster", is written above a horizontal line.

MICHAEL S. WEBSTER
Executive Director - Power System
Engineering and Technical Services

A handwritten signature in blue ink, reading "Marcie L. Edwards", is written above a horizontal line.

MARCIE L. EDWARDS
General Manager

DATE: May 26, 2016

SUBJECT: Agreement No. 47400 for Proprietary Professional, Technical, and Repair Services and Parts With General Electric International, Inc.

SUMMARY

The proposed sole source Agreement No. 47400 (Agreement) is to furnish and deliver proprietary professional, technical, and repair services and parts for steam and gas turbine generators and related equipment for a term of five years and an amount not to exceed \$67,000,000 (budgeted). This Agreement is only for General Electric's (GE) steam and gas turbine generator technology and not for GE's aeroderivative turbine generators.

Funds will be utilized on an as-needed basis through the issuance of separately managed Task Orders.

This Agreement will provide specialized services and Original Equipment Manufacturer (OEM) parts to support the LADWP scheduled outages for annual inspections, maintenance, and repair of its fleet of GE manufactured steam and gas turbine generators and related equipment. This will ensure the reliable operation of these units, which will allow LADWP to provide dependable electrical service to the City of Los Angeles.

GE has the proprietary knowledge necessary to provide professional and technical assistance for inspections, diagnostics, repairs, and equipment tuning. A portion of the parts and services provided under this Agreement is necessary to support restoring LADWP's emergency back-up liquid fuel supply that could possibly be used should there be gas curtailments invoked by the Southern California Gas Company due to constrained operation of their Aliso Canyon natural gas storage facility.

City Council approval is required in accordance with Charter Section 373.

RECOMMENDATION

It is recommended that the Board of Water and Power Commissioners (Board) adopt the attached Resolution recommending City Council's approval of this Agreement to General Electric International, Inc. (GEI) as required in Charter Section 373.

ALTERNATIVES CONSIDERED

The alternative to this Agreement is to process one time sole source purchase orders for these services on a case-by-case basis with an approximate cost per work request requiring Board approval. The process of creating individual board-awarded purchase orders will cause delays and create extended unit outages, electric system instability, and considerable loss of revenue, up to \$250,000 per day per unavailable unit. In addition, it could develop into a loss of compliance with electric reliability standards which may result in a fine. Furthermore, it is not possible to train LADWP personnel to perform these services due to the proprietary procedures, information, and tooling involved. GEI is the only firm capable of providing these services.

FINANCIAL INFORMATION

This Agreement is for a term of five years and for an amount not to exceed \$67,000,000 (budgeted).

BACKGROUND

LADWP owns, operates, and maintains GE-manufactured steam and gas turbine generators at all of the in-basin electric generating facilities. To provide reliable electricity to the City of Los Angeles, LADWP must conduct scheduled outages for inspection, maintenance, and repair of its turbine generators. In addition to scheduled outages, LADWP also performs emergency repairs during forced outages when the turbine generators break down.

When one of LADWP's steam and gas turbine generators is off-line for repairs, it costs LADWP up to \$250,000 per day per unavailable unit (depending upon the capacity of the unit and the time of year) in lost revenues and purchase of make-up power. This Agreement will help eliminate the additional expense and lost revenue associated with forced outages, or extended planned outages.

To maintain the safety, reliability, and availability of LADWP's electric generating facilities, GE field engineers and technicians can be immediately contacted through this Agreement to provide the necessary parts and services. These proprietary services are critical during forced outages and planned outages because the generators need to be brought back into service to maintain electric system reliability. GE will provide proprietary professional and technical assistance for inspections, diagnostics, repairs, and tuning of equipment. This will provide the highest levels of reliability and availability of the generating units. An additional benefit of the Agreement is the transfer of knowledge and information to LADWP personnel for future reference.

Without an agreement to quickly procure the parts and services, LADWP is at risk of incurring large financial losses and operational difficulties in the event of a major unit outage, as repair assistance will not be immediately available. A majority of LADWP's in-basin generating units were procured from GE. They provided services for these units and continued to provide consistent support to assist LADWP in maintaining the availability of the generating units.

LADWP is presenting to the Board today two separate Agreements: one with GEII and the other with GE Packaged Power, Inc. (Agreement No. 47401). Each agreement covers a different category of power-generation equipment. This Agreement covers parts and services for LADWP's fleet of steam and gas turbine generators. Agreement No. 47401 covers parts and services for LADWP's fleet of aeroderivative turbine generators.

The steam and gas turbine generators were designed from the ground up for power generation. The aeroderivative turbine-generators were developed from GE aircraft engines which were specially modified for power generation. As a result, the design, manufacturing, and engineering support necessary for each type is significantly different. GE draws from separate and distinct resource pools to service each category of power-generation equipment. Each are controlled by a distinct business line of GE and operating out of entirely separate repair and service facilities.

The work performed under this Agreement will be assigned using a Task Order System as described in Article V, Task Order Development and Approval, of the Agreement. The Task Order(s) will be issued by the Contract Administrator, and the work performed will be monitored for completion prior to approval of invoice payment. The Contract Administrator will be a Mechanical Engineer and responsible for controlling the costs within the expenditure limit of the Agreement.

The proposed Agreement will require City Council approval in accordance with Charter Section 373. The City Administrative Officer report was waived.

ENVIRONMENTAL DETERMINATION

In accordance with the California Environmental Quality Act (CEQA), it has been determined that the purchase of proprietary professional and technical assistance to provide support for repairs of GE manufactured steam and gas turbine generator units is categorically exempt pursuant to Class 1 (b) as described in CEQA Guidelines Section 15301. This exemption applies to the repair, maintenance, or minor alteration of existing facilities used to provide public utility services involving negligible or no expansion of an existing use.

CITY ATTORNEY

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

ATTACHMENTS

- Procurement Summary
- Resolution
- Agreement