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# Report to the BOARD OF AIRPORT COMMISSIONERS

*R. J. Connolly*  
 Approver: Richard J. Connolly, Deputy Executive Director  
 Facilities Management Division

*Brian C. Ostler*  
 Reviewer: Brian C. Ostler, City Attorney *JRL*

*Justin Erbacci*  
 Justin Erbacci (Oct 28, 2022 15:42 PDT)  
 Justin Erbacci, Chief Executive Officer

<u>Meeting Date</u>			
11/3/2022			
Needs Council Approval: <input checked="" type="checkbox"/> Y			
Reviewed for/by	Date	Approval Status	By
Finance	10/19/2022	<input checked="" type="checkbox"/> Y <input type="checkbox"/> NA	JS
CEQA	10/17/2022	<input checked="" type="checkbox"/> Y	VW
Procurement	10/21/2022	<input type="checkbox"/> Y <input checked="" type="checkbox"/> Cond	DM
Guest Experience	10/24/2022	<input checked="" type="checkbox"/> Y	TB
Strategic Planning	10/18/2022	<input checked="" type="checkbox"/> Y	BHZ

## SUBJECT

Request to approve the Second Amendment to Contract DA-5260 with Solar Turbines, Incorporated to add contract authority in the amount of \$3,000,000, for a total contract amount not to exceed \$12,227,860, and extend the term for one year through February 13, 2024, with a one-year renewal option, for ongoing maintenance and repair of two cogeneration turbines and related equipment at Los Angeles World Airports.

## RECOMMENDATIONS

Management RECOMMENDS that the Board of Airport Commissioners:

- ADOPT the Staff Report.
- DETERMINE that this action is exempt from the California Environmental Quality Act (CEQA) pursuant to Article II, Section 2.f and Article III, Class 1 (2) of the Los Angeles City CEQA Guidelines.
- APPROVE the Second Amendment to Contract No. DA-5260 with Solar Turbines, Incorporated to increase the contract's authority by \$3,000,000, for a revised not-to-exceed amount of \$12,227,860, and to extend the term for one year through February 13, 2024, with a one-year renewal option.
- AUTHORIZE the Chief Executive Officer, or designee, to execute the Second Amendment to Contract No. DA-5260 after approval as to form by the City Attorney and approval of the Los Angeles City Council.

## DISCUSSION

### 1. Purpose

The proposed action is to ensure that Los Angeles World Airports (LAWA) has a contract in place to maintain uninterrupted technical and engineering services needed to support daily operations of the Central Utility Plant (CUP) at Los Angeles International Airport (LAX).

### 2. Prior Related Actions/History of Board Actions

- **October 2, 2014 – Resolution No. 25532 (DA-4946)**  
The Board of Airport Commissioners (Board) awarded a two-year contract to Solar Turbines, Incorporated (Solar Turbines, Inc.) for Equipment Health Management services, providing remote monitoring, preventive maintenance, and spare parts for the Central Utility Plant's (CUP) two cogeneration turbines for a not-to-exceed amount of \$552,632. The contract was due to expire on February 15, 2017.
- **January 10, 2017 – Resolution No. 26145 (DA-4946A)**  
The Board approved a one-year amendment to DA-4946, adding \$298,840 to the contract for an overall adjusted amount of \$851,472. Contract DA-4946A expired February 15, 2018.
- **December 14, 2017 – Resolution No. 26395 (DA-5260)**  
The Board approved a five-year sole-source contract with Solar Turbines, Inc. for a Beneficial Use Service Agreement covering the cogeneration turbines in the LAX Central Utility Plant for a not-to-exceed amount of \$7,227,860. Contract DA-5260 will expire on February 13, 2023.
- **November 4, 2021 – Resolution No. 27373 (DA-5260A)**  
The Board approved the First Amendment to DA-5260 with Solar Turbines, Inc. to increase contract authority by \$2,000,000 for a new total not to exceed \$9,227,860.

### 3. Background

The Airport Utilities and Controls Unit of the Facilities Management Division is responsible for maintaining the equipment at the LAX CUP, including the cogeneration turbines. The turbines run on natural gas, rotate at high speeds, and perform two specific functions: generating power and creating steam.

Each turbine in the Central Utility Plant can produce a maximum output of 4.2 megawatts or 4,200 kilowatts of electricity, and this electricity is used to power various LAX parking structures, traffic signals, and the Central Utility Plant equipment, specifically five electric chiller machines and water circulating pumps. Any excess power produced is exported to the City of Los Angeles, Department of Water and Power (LADWP) for credit to LAWA. The turbines also create steam through exhaust heat, which is used for heating and cooling in central terminal area buildings, the Administration East building, and the LAX Theme Building.

#### 4. Current Action/Rationale

The current contract with Solar Turbines, Inc. does not have sufficient authority to continue necessary maintenance while a new competitive procurement process is conducted. Solar Turbines, Inc. will continue to provide service under the terms of the current contract, which include an annual escalation rate of up to six percent. The requested increase in authority of \$3,000,000 will cover monthly maintenance services in the amount of \$1,500,000 and provides a contingency amount of \$1,500,000 for repairs, materials, and other related costs through the end of the requested contract extension.

Los Angeles World Airports staff was working on a scope of work (SOW) for a Request for Proposal (RFP) to replace the current cogeneration turbines installed at the LAX CUP. However, during this time, new technology has emerged that might change these combustion turbine generators, which would require a change in the way these machines are serviced. This new technology would allow for more environmentally friendly, greener power generation. Therefore, staff decided to take the time to conduct additional research and determine the viability of using newer, green technologies. Once this research, a resulting new SOW and a corresponding RFP process are completed, staff will come to the Board for approval of a new contract.

#### 5. Fiscal Impact

Costs incurred under this contract will be recovered mainly through terminal rates and charges, landing fees, and non-aeronautical revenues. The use of the cogeneration turbines saves LAWA an estimate of \$30,000 in utility costs daily by not having to purchase additional electricity from LADWP. Since the current contract's inception, approximately \$8,386,735, or 91 percent, of the contract authority has been invoiced to date, equivalent to \$152,486 per month.

#### 6. Alternatives Considered

- ***Conduct New Competitive Bid Process***

Staff is preparing to conduct a new competitive RFP process to seek options for new sustainable and green cogeneration turbine technology for the CUP. Research conducted by LAWA Tiger Team staff has shown this to be a potentially feasible solution to help LAWA reduce its carbon footprint by incorporating the latest compressed gas turbine technology. This process may take up to one year to obtain a new contract, and, if new turbines are procured, it will take additional time for installation. In the meantime, this amendment will ensure that LAWA can maintain the current turbines in a safe and efficient manner.

- ***Take No Action***

If this amendment is not approved, then Solar Turbines, Inc. will not be able to perform the required maintenance on the turbines before the authority runs out. Los Angeles World Airports would then have to pay the LADWP for power to maintain air conditioning and heating for all terminals and other facilities.

## APPROPRIATIONS

Funds for this contract are available in the Fiscal Year 2022-23 Los Angeles World Airports Operating Budget in LAX Cost Center 1150070 – Central Utility Plant, Commitment Item 520 – Contractual Services. Funding for subsequent years will be requested as part of the annual operating budget process.

## STANDARD PROVISIONS

1. This item, as a continuing administrative, maintenance and personnel-related activity, is exempt from California Environmental Quality Act (CEQA) requirements pursuant to Article II, Section 2.f of the Los Angeles City CEQA Guidelines. In addition, operation, repair, maintenance or minor alteration of existing facilities of both investor and publicly owned utilities, electrical power, natural gas, sewage, water, telephone, and mechanical systems serving existing facilities, including alterations to accommodate a specific use, is exempt from CEQA requirements pursuant to Article III, Class 1 (2).
2. The proposed document(s) is/are subject to approval as to form by the City Attorney.
3. Actions taken on this item by the Board of Airport Commissioners will become final pursuant to the provisions of Los Angeles City Charter Section 373.
4. Solar Turbines, Inc. is required by contract to comply with the provisions of the Living Wage Ordinance.
5. This action is not subject to the provisions of the SBE/LBE/LSBE/DVBE Program.
6. Solar Turbines, Inc. is required by contract to comply with the provisions of the Affirmative Action Program.
7. Solar Turbines, Inc. has been assigned Business Tax Registration Certificate No. 0002747073-0001-1.
8. Solar Turbines, Inc. is required by contract to comply with the provisions of the Child Support Obligation Ordinance.
9. Solar Turbines, Inc. has approved insurance documents, in the terms and amounts required, on file with the Los Angeles World Airports.
10. Pursuant to Charter Section 1022, staff determined the work specified in this contract can be performed more feasibly and economically by Independent Contractors than by City employees.
11. Solar Turbines, Inc. has submitted the Contractor Responsibility Program Pledge of Compliance and will comply with the provisions of the Contractor Responsibility Program.
12. Solar Turbines, Inc. must be determined by Public Works, Office of Contract Compliance, to be in compliance with the provisions of the Equal Benefits Ordinance prior to execution of the Contract Amendment.
13. Solar Turbines, Inc. will be required to comply with the provisions of the First Source Hiring Program for all non -trade LAX Airport jobs.

14. Solar Turbines, Inc. has submitted the Bidder Contributions CEC Form 55 and will comply with its provisions.
15. Solar Turbines, Inc. has submitted the Bidder Contributions MLO CEC Form 50 and will comply with its provisions.
16. Solar Turbines, Inc. will comply with the provisions of the Iran Contracting Act.

**SECOND AMENDMENT TO BENEFICIAL USE SERVICE AGREEMENT/  
CONTRACT NUMBER DA-5260 BETWEEN THE CITY OF LOS ANGELES  
AND SOLAR TURBINES INCORPORATED**

This **SECOND AMENDMENT TO BENEFICIAL USE SERVICE AGREEMENT/** CONTRACT NUMBER DA-5260 (“Amendment”) is made and entered into as of this \_\_\_\_ day of \_\_\_\_\_, 202\_ by and between the **CITY OF LOS ANGELES** ("City"), a municipal corporation, acting by order of and through its Board of Airport Commissioners (the "Board") of the Department of Airports (“Department” or “LAWA”) and **SOLAR TURBINES INCORPORATED** ("Contractor").

**RECITALS**

WHEREAS, City and Contractor entered into Los Angeles World Airports Beneficial Use Service Agreement/Contract Number DA-5260 (the “Contract”) to provide maintenance coordination/planning, remote trouble shooting and support, Remote Monitoring & Diagnostics, on-site maintenance and component replacement, scheduled maintenance inspections, replacement parts and repairs, generator inspections and engine exchange/overhaul for the two (2) co-generation turbines in the Airport Utilities Control Unit at Los Angeles International Airport on February 14, 2018; and

WHEREAS, the original funding for the Contract was for an amount not to exceed Seven Million Two Hundred Twenty Seven Thousand Eight Hundred Sixty and 00/100 Dollars (\$7,227,860.00); and

WHEREAS, the Contract was amended on February 17, 2022 to add funding in the amount of Two Million and 00/100 Dollars (\$2,000,000.00) for an amended overall Contract amount not to exceed Nine Million Two Hundred Twenty Seven Thousand Eight Hundred Sixty and 00/100 Dollars (\$9,277,860.00); and

WHEREAS, the Contract was also amended to add Equal Benefits Ordinance and Iran Contracting Act of 2010 provisions to the Administrative Requirements of the Contract; and

WHEREAS, City wishes to increase the term of the Contract for one (1) year through February 13, 2024, with a single one (1) year renewal option, which will require the approval of both the Board and the Los Angeles City Council; and

WHEREAS, City also wishes to increase the not-to-exceed amount of the Contract from Nine Million Two Hundred Twenty Seven Thousand Eight Hundred Sixty and 00/100 Dollars (\$9,277,860.00) to Twelve Million Two Hundred Twenty Seven Thousand Eight Hundred Sixty and 00/100 Dollars (\$12,277,860.00); and

NOW, THEREFORE, in consideration of the premises and of the terms, covenants and conditions hereinafter contained to be kept and performed by the respective parties hereto, the parties do mutually agree that the Contract is HEREBY AMENDED AS FOLLOWS:

#### **AMENDMENT**

**Amendment Section 1.** Section 1.2 of the Contract titled “TERM” shall be amended and restated in its entirety as follow:

The term (“Term”) of this Agreement shall be for a period of seventy-two (72) months beginning on February 14, 2018, with a one (1) year renewal option thereafter, subject, however, to earlier termination as hereinafter specified in Section 4.5, “Termination.”

**Amendment Section 2.** Section 1.5 of the Contract titled “PRICING” shall be amended and restated in its entirety as follows:

Solar shall charge, and Customer shall pay, the prices and rates stated in Section 3.0 , ‘*Pricing and Commercial Considerations*’, but in no event, shall the total not-to-exceed amount of this contract exceed \$12,227,860.00.

**Amendment Section 3.** Except as specifically provided herein, this Amendment shall not in any manner alter, change, modify, or affect any of the rights, privileges, duties, or obligations of either of the parties hereto, under, or by reason of said Contract, as amended.

**Execution.** This Amendment and any other document necessary for the consummation of the transaction contemplated by this Amendment may be executed in counterparts, including counterparts that are manually executed and counterparts that are in the form of electronic records and are electronically executed. An electronic signature means a signature that is executed by symbol attached to or logically associate with a record and adopted by a party with the intent to sign such record, including facsimile or e-mail signatures. All executed counterparts shall constitute one Amendment, and each counterpart shall be deemed an original. The parties hereby acknowledge and agree that electronic records and electronic signatures, as well as facsimile

signatures, may be used in connection with the execution of this Amendment and electronic signatures, facsimile signatures or signatures transmitted by electronic mail in so-called PDF format shall be legal and binding and shall have the same full force and effect as if a paper original of this Amendment had been delivered that had been signed using a handwritten signature. All parties to this Amendment (i) agree that an electronic signature, whether digital or encrypted, of a party to this Amendment is intended to authenticate this writing and to have the same force and effect as a manual signature; (ii) intended to be bound by the signatures (whether original, faxed, or electronic) on any document sent or delivered by facsimile or electronic mail or other electronic means; (iii) are aware that the other party(ies) will rely on such signatures; and, (iv) hereby waive any defenses to the enforcement of the terms of this Amendment based on the foregoing forms of signature. If this Amendment has been executed by electronic signature, all parties executing this document are expressly consenting, under the United States Federal Electronic Signatures in Global and National Commerce Act of 2000 (“E-SIGN”) and the California Uniform Electronic Transactions Act (“UETA”) (California Civil Code §1633.1 et seq.), that a signature by fax, e-mail, or other electronic means shall constitute an Electronic Signature to an Electronic Record under both E-SIGN and UETA with respect to this specific transaction.

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IN WITNESS WHEREOF, City has caused this Amendment to be executed, by the CEO, and Contractor has caused the same to be executed by its duly authorized officers and its corporate seal to be hereunto affixed, all as of the day and year first hereinabove written.

APPROVED AS TO FORM:  
Michael N. Feuer,  
City Attorney

**CITY OF LOS ANGELES**

Date: \_\_\_\_\_

By: \_\_\_\_\_  
Chief Executive Officer  
Department of Airports

By: \_\_\_\_\_  
Deputy City Attorney

By: \_\_\_\_\_  
Chief Financial Officer  
Deputy Executive Director  
Department of Airports

ATTEST:

**SOLAR TURBINES INCORPORATED**

By: Wendy Hager  
Signature

By: Dustin Smith  
Signature  
DocuSigned by:  
0CB5890B817E40A

Wendy Hager  
Print Name

Dustin Smith  
Print Name

Assistant Secretary  
Print Title

Director, CS sales  
Print Title

