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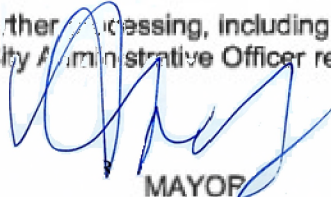
TRANSMITTAL

TO Deborah Flint, Chief Executive Officer Los Angeles World Airports	DATE 1/31/18	COUNCIL FILE NO.
FROM The Mayor	COUNCIL DISTRICT 11	

Approval to Award a Contract to Solar Turbines, Inc. as a Beneficial Use Service Agreement to Guarantee the Continuing Operation, Maintenance and Repair of the Central Utility Plant Co-Generation Turbines at Los Angeles International Airport

Transmitted for further processing, including Council consideration.
See the City Administrative Officer report, attached.

(Ana Guerrero) for



MAYOR

RHL:AVM:10180059f

REPORT FROM

OFFICE OF THE CITY ADMINISTRATIVE OFFICER

Date: January 31, 2018

CAO File No. 0150-11054-0000

Council File No.

Council District: 11

To: The Mayor

From: Richard H. Llewellyn, Jr., Interim City Administrative Officer

Reference: Communication from the Los Angeles World Airports dated December 13, 2017; referred by the Mayor for a report on December 13, 2017

Subject: **APPROVAL TO AWARD A CONTRACT TO SOLAR TURBINES, INC. AS A BENEFICIAL USE SERVICE AGREEMENT TO GUARANTEE THE CONTINUING OPERATION, MAINTENANCE AND REPAIR OF THE CENTRAL UTILITY PLANT CO-GENERATION TURBINES AT LOS ANGELES INTERNATIONAL AIRPORT**

RECOMMENDATIONS

That the Mayor:

1. Approve a proposed five-year contract with Solar Turbines, Inc. (Solar) as a Beneficial Use Services Agreement to guarantee continuing operation, maintenance and repair of the Central Utility Plant co-generation turbines at Los Angeles International Airport (LAX), for an amount not-to-exceed \$7,227,860. Prior to execution of the contract, Solar must (1) be determined by the Public Works Department, Office of Contract Compliance to be compliance with the provisions of the Equal Benefits Ordinance, (2) submit the Bidder Contributions City Ethics Commission Form 55 and will comply with its provision, and (3) have approved insurance documents, in the terms and amounts required, on file with the Los Angeles World Airports. In addition, Solar will submit the Contractor Responsibility Program Questionnaire and Pledge of Compliance and comply with provisions of the Contractor Responsibility Program, as well as comply with the City's Standard Provisions for the Affirmative Action Program, Child Support Obligations Ordinance, First Source Hiring Program for all non-trade LAX Airport jobs, and Living Wage Ordinance. Solar has an assigned Business Tax Registration Certificate Number. The contract is subject to approval by the City Attorney as to form;
2. Authorize the Chief Executive Officer to execute the proposed contract with Solar, and,
3. Return the request to the Los Angeles World Airports for further processing, including Council consideration.

SUMMARY

A recent undertaking at Los Angeles International Airport (LAX) was the competitively-bid Central Utility Plant (CUP) Project to replace the 50-year old unit and construct an upgraded facility. In March 2014, two new natural gas co-generation turbines were installed in the replacement CUP. The new turbines were made by Solar Turbines, Inc. (Solar), a division of Caterpillar Inc. (the company which makes bulldozers) and, as noted by staff of Los Angeles World Airports (LAWA, Department) - to avoid confusion - 'solar' in the company name does not refer to solar (sun) power. On October 2, 2014, the Board of Airport Commissioners (BOAC) awarded a two-year contract to Solar to provide remote monitoring, preventive maintenance and spare parts, as part of a comprehensive warranty package. The contract total, for an amount not-to-exceed \$552,632, had two components: \$100,000 to purchase parts not provided through the warranty, plus \$452,632 to cover the equipment health management contract. The contract expiration date was February 2017. However, the BOAC approved an amendment to extend the term an additional year to February 14, 2018, and increase the budget by \$298,840, for a revised total of \$851,472.

The co-generation turbines each produce 4.2 megawatts of electricity from natural gas to power the CUP, most of the Central Terminal Area (CTA) parking structures, CTA lighting and traffic signals. Additionally, these co-generation turbines employ a "recuperative cycle" – providing more energy efficiency - in which exhaust gases are used to heat the air going into the combustion cycle and also to heat water, thus creating steam that drives both heating and cooling of LAX passenger terminals. The Solar co-generation turbine system is proprietary and as such, according to LAWA staff, no third party contractors are authorized to work on the system. Presently the Department cannot seek bids for services to maintain and repair the turbine equipment and Solar, as the manufacturer, is the sole source service and parts provider (Los Angeles City Charter, Section 371(e)(7), and Los Angeles Administrative Code Section 10.15).

Staff anticipates a need for a more complete service package because, by March 2018, it is expected that the four year old turbine units will have over 24,000 hours of combined run-time. Staff at LAWA evaluated three service agreements offered by Solar which varied in cost and extent of services (inspection, maintenance and repair provided): low, 'Equipment Health Management'; medium, 'Beneficial Use Service Agreement' (BUSA); and, high, 'Full Service Agreement', (FSA).

Approval is requested to award a five-year contract (Contract) to Solar, in an amount not-to-exceed \$7,227,860, for the BUSA option which, according to LAWA staff, is the most appropriate selection for the CUP's intended operation over the next five years. The co-generation turbines no longer are under warranty. Department staff notes the BUSA scope of services includes a complete overhaul of both turbines, possibly to occur in the third or fourth year of the Contract term. Staff projects the complete overhaul service will be 40 percent of the Contract authority cost. The BUSA scope of services also is substantially expanded if compared to the current equipment health management contract (with warranty intact). Through the BUSA, Solar will: provide a technical manager for maintenance coordination and trouble-shooting, repair and maintenance guidance, and for remote diagnostic and monitoring the units' performance; cover normal preventative maintenance, scheduled maintenance inspections with associated

consumables and replacement parts; and, a complete overhaul or replacement of each co-generation turbine system. Staff at LAWA seeks Contract start-up cost resources of \$260,000 from the LAX Revenue Fund.

The BOAC approved the proposed Contract award to Solar Turbines, Inc. at its meeting on December 14, 2017.

FISCAL IMPACT STATEMENT

Approval of the proposed, \$7,227,860 five-year contract (Contract) with Solar Turbines, Inc. will have no impact on the General Fund. Partial funding for the Contract is available in the Fiscal Year 2017-18 Los Angeles World Airports Operating Budget in LAX Cost Center 11500070-Central Utility Plant, Commitment Item 520 – Contractual Services. Additional funds in an amount of \$260,000 will be appropriated and allocated from the LAX Revenue Fund to the same cost center. Funding for subsequent years will be requested through the annual budget process. The contract complies with the Department of Airports' adopted Financial Policies.

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