

# Agenda Report

September 24, 2012

**TO:** Honorable Mayor and City Council  
**FROM:** Water & Power Department  
**SUBJECT: APPROVE PURCHASE ORDER NUMBER 52221 WITH GE PACKAGED POWER, INC. ISSUED UNDER EMERGENCY PURCHASE PROVISIONS FOR A TOTAL AMOUNT NOT TO EXCEED \$376,500 FOR REPAIRS TO THE GAS TURBINE 3**

## **RECOMMENDATION:**

It is recommended that the City Council:

1. Find that contracting with GE Packaged Power, Inc. ("GE") for the repair of the Gas Turbine 3 ("GT-3") is exempt from the California Environmental Quality Act ("CEQA") pursuant to State CEQA Guidelines Section 15301, Existing Facilities;
2. Grant approval of purchase order number 52221 with GE for \$176,500 issued by the City Manager under the emergency purchase provisions of the Pasadena Municipal Code Section 4.08.150;
3. Approve and authorize the City Manager to increase the purchase order number 52221 by up to an additional \$200,000 as may be needed to complete any additional repairs that may be recommended by GE; and,
4. It is further recommended that the City Council grant this contract an exemption from the Competitive Selection process of the competitive Bidding and Purchasing Ordinance, pursuant to Section 4.08.049(B), contracts for which the City's best interests are served

## **BACKGROUND:**

On September 6, 2012, power plant operating staff removed GT-3 from service due to a suspected bearing seal failure, as continued operation of unit GT-3 could result in substantial damage to the unit. Following a consultation with GE Packaged Power, Inc., a subsidiary of GT-3 manufacturer General Electric specializing in gas turbine repairs, the City of Pasadena (City) issued a purchase order on an emergency basis for an amount of \$176,500 to perform replacement and/or repair of bearing seals. The actual scope of necessary work will be determined after GE disassembles the engine at their Bakersfield, California facility.

As one of two of the City's largest fast start peaking generators, GT-3 is an essential part of the City's electric system. GT-3 generates electricity on an as needed basis to meet the City's electricity demand and also when called upon by the California Independent System Operator ("CAISO"). The fast start capability allows GT-3 to reach its full rated capacity of 47 megawatts within ten minutes. The GT-3 outage increases the possibility of power outages during very hot days, or when the City's import capacity and/or electrical distribution system are constrained. These risks are exacerbated by the ongoing outage of unit GT-1 while its fire damage is being repaired.

In addition to supporting reliable service, GT-3's timely return to service will reduce costs and generate additional revenues. When electric market prices are high, GT-3 provides the ability to generate lower cost energy to meet load or for sale to the CAISO. GT-3 also generates ancillary services revenues when it is available for service. Since GT-3 is used to meet PWP's resource adequacy requirements, extended duration forced outages increase the likelihood and amount of fines that may be imposed by the CAISO for not meeting the requirements. As a combined result, staff estimates that each day of the current outage may cost PWP approximately \$4,000 to \$10,000.

On September 6, 2012, GT-3 was removed from service due to an oil leak. Upon investigation, staff concluded on September 10<sup>th</sup> that the number 1 and 3 bearing seals were the probable sources of the oil leak. GE Packaged Power, Inc. provided a quote of \$150,350 to disassemble and inspect the unit at their facility in Bakersfield, California, replace the number 1 air/oil and number 3 bearing oil seals, and reassemble the unit. In order to minimize downtime, the City issued a purchase order on an emergency basis with GE packaged power in the amount of \$176,500, including contingency for additional minor repairs, as shown below.

Estimated Repair Cost	\$150,350
Contingency	\$16,850
Shipping	\$6,000
Tax	\$3,300
<b>Total</b>	<b>\$176,500</b>

Staff also recommends that in the best interest of the City approval should be granted for up to an additional \$200,000 to cover the costs of repair for unforeseen damage and additional work that may be recommended by GE as a result of their inspections. This authorization would enable timely completion of recommended repairs without requiring a future outage and incurring the associated \$100,000-plus expenses of disassembly, shipping, and reassembly. It is possible that performing certain additional repairs could extend the outage duration. Staff will take this into consideration when authorizing any additional repair work.

**COUNCIL POLICY CONSIDERATION:**

The proposed contract supports the City Council Strategic Planning Goal to improve, maintain, and enhance public facilities and infrastructure. It also supports the Public Facilities Element of the General Plan by maintaining public facilities to enhance the quality of life of the community.

**ENVIRONMENTAL ANALYSIS:**

The nature of the work performed by GE qualifies for a categorical exemption in accordance with State CEQA Guidelines Section 15301(Existing Facilities). Section 15301 allows for the categorical exemption from CEQA for repair work on existing publically owned facilities used to provide electric power that will not result in an increase in capacity or an expansion of existing use. The repair of the GT-3 Combustion Turbine adheres to these guidelines.

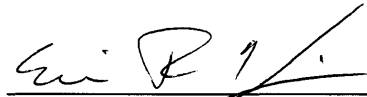
**FISCAL IMPACT:**

The cost of this purchase order action will be up to \$376,500, as necessary to complete the required repairs. Funding will be addressed by the utilization of existing budgeted appropriations in the Power Fund 411, CIP 3186 (GT-3 and GT-4 Renewals, Replacement and Improvements), accounts 8101-411-841200-0345-23364-04 and 8114-411-841200-0345-23364-04. It is anticipated that the project will be completed and all associated expenses will be incurred during FY2013.

There is no anticipated impact to other operational programs or capital projects as a result of this action.

<b>Initial Emergency PO Amount</b>	
Contract Amount-engine Repair	\$150,350
Contingency	\$16,850
Shipping	\$6,000
Tax	\$3,300
<b>Sub-Total</b>	<b>\$176,500</b>
<b>Request For Increased Amount</b>	
Additional repairs based on inspection after the engine is disassembled	\$200,000
<b>Total Purchase Order Amount</b>	<b>\$376,500</b>

Respectfully submitted,



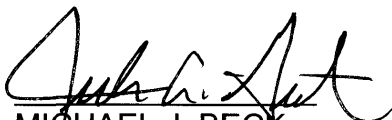
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