



Agenda Report

August 17, 2020

TO: Honorable Mayor and City Council

FROM: City Attorney Department

SUBJECT: AUTHORIZATION TO ENTER INTO A PURCHASE ORDER CONTRACT WITH ALLIANT INSURANCE SERVICES, INC. FOR AN AMOUNT NOT-TO-EXCEED \$205,143 FOR THE PURCHASE OF BUILDER'S ALL-RISK INSURANCE COVERAGE EXTENSIONS FOR THE GAS TURBINE UNIT 2 REPAIR AND GAS TURBINE UNIT 1 & GAS TURBINE UNIT 2 CONTROL SYSTEM RETROFIT

RECOMMENDATION:

It is recommended that the City Council:

1. Find that a purchase order with Alliant Insurance Services, Inc. ("Alliant") is exempt from the California Environmental Quality Act ("CEQA") pursuant to State CEQA Guidelines Section 15301, Existing Facilities; and Section 15302, Replacement or Reconstruction; and that there are no features that distinguish this project from others in the exempt class and, therefore, there are no unusual circumstances;
2. Authorize the issuance of a purchase order contract with Alliant for the purchase of extended builder's risk insurance coverage for the Gas Turbine Unit 2 ("GT2") Repair and Gas Turbine Unit 1 ("GT1") & GT2 Control System Retrofit project in an amount not-to-exceed \$205,143 that includes the base bid amount of \$200,139 and a 2.5% contingency amount of \$5,004. Competitive Bidding is not required pursuant to the City Charter Section 1002 (F) contracts for professional and unique services; and
3. Grant the proposed purchase order 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 interest are served.

BACKGROUND:

As part of the 2018 Power Integrated Resource Plan ("IRP"), which was approved by City Council on December 18, 2018, the GT2 project was a pivotal resource in meeting Pasadena Water & Power ("PWP") energy and capacity needs. Upon completion of the repairs, GT2 will provide the much needed additional generation capacity for the reliability of the City's electrical system as well as the highly valued California Independent System Operator ("CAISO") Resource Adequacy ("RA") requirements.

With a large influx of solar and wind resources into the grid, the need for on-demand quick-start electric generating units like GT2 has become very important to keep the grid stable. The CAISO's RA counting and outage rules have become more restrictive over time because the supply has decreased with generator retirements, and more variability in supply has been introduced as more and more renewables are being introduced to the grid. This is expected to continue into the future, so additional capacity is needed than what has been necessary historically. The IRP assumed that GT2 would be online to meet these needs.

The City Council approved the contract award to Energy Services, LLC ("Energy Services") to design, furnish, and perform the work and materials necessary to complete the repair of GT2 and the retrofit of the GT1 & GT2 control systems on May 4, 2020.

Builder's All-Risk Insurance offers coverage during the construction, hot testing, and commissioning phases of the project. It even extends the protection to the construction activities that are otherwise not covered by the City's existing policies. During contract negotiations with Energy Services the City's insurance broker recommended it was in the best interest of the City to procure and manage this coverage.

Alliant, City's insurance broker, performed a market survey to find the best fit and least cost Builder's All-Risk Insurance coverage. It would afford the City to control the policy and provide savings of almost \$300,000 to the City. The budgetary proposal Energy Services received from their insurance provider was approximately in the \$500,000 range.

COUNCIL POLICY CONSIDERATION:

This authorization supports the City Council's strategic goals to improve, maintain, and enhance public facilities and infrastructure, to increase conservation and sustainability, and maintain fiscal responsibility and stability. This authorization also supports PWP's energy efficiency and renewable portfolio standard goals, as well as the major strategic planning targets identified in the IRP.

ENVIRONMENTAL ANALYSIS:

The repair of GT2 has been determined to be categorically exempt in accordance with CEQA Guidelines Section 15301, Existing Facilities, and 15302, Replacement and Reconstruction. These exemptions allow for the maintenance, repair, minor alteration, etc., of existing facilities (including publicly-owned utilities that involve negligible or no expansion of use), and the replacement and reconstruction of existing facilities and structures, including utility systems where the replacement structures/facility will have substantially the same purpose and capacity. There will be no expansion of use or capacity as a result of the required repairs and maintenance on the existing GT2 unit.

The proposed action to issue a purchase order contract to purchase builder's risk insurance coverage extensions is not a project subject to CEQA in accordance with

Section 21065 of CEQA and State CEQA Guidelines Section 15060 (c)(2), 15060 (c)(3), and 15378. The awarding of contracts for professional services is an organizational and administrative action that would not cause either a direct physical change in the environment or a reasonably foreseeable indirect physical change in the environment. Therefore, the proposed action is not a "project" subject to CEQA, as defined in Section 21065 of CEQA and Section 15378 of the State CEQA Guidelines. Since the action is not a project subject to CEQA, no environmental document is required.

FISCAL IMPACT:

The cost of this action will be in the amount of \$205,143. Funding for this action will be addressed by the utilization of existing budgeted appropriations in the Power Fund Capital Improvement Program, CIP #3182 – GT1 and GT2 Upgrade and Replacement. It is anticipated that this amount will be spent in FY 2021. As a clarification, staff is not seeking additional budget authorization.

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

Respectfully submitted,


ARLENE GALLARDO
Risk and Insurance Administrator

Prepared by:


ARTURO SILVA
Power Plant Manager

Approved by:


MICHELE BEAL BAGNERIS
City Attorney



City of Pasadena: Glenarm Power Plant
GT2 Repair + GT2 & GT1 CEM upgrades

Builder's All-Risk Placing Slip
Anticipated Bind Date: **TBD**





Mutual Confidentiality Agreement

Alliant Insurance Services, Inc. holds all information confidential until authorized by the client to release necessary data to insurance providers for the benefit and placement of the client's insurance and risk management program. It is understood that the company and its consultants will keep the information and ideas in this document confidential, and that they and their employees will not disclose the technical information herein to anyone outside the company. This material will not be photocopied or otherwise reproduced except to fulfill the purpose of this submission.

If a company which receives this submission is not in a position to quote, all information and any copies thereof are to be promptly returned to:

Alliant Insurance Services, Inc.
131 Oliver Street; 5th Floor
Boston, MA 02110

Alliant Contacts:

Name	Role	Email	Phone
Robert Lowe	First Vice President, Public Entity	robert.lowe@alliant.com	213 270 0145
Robert Bothwell	Executive Vice President	rob.bothwell@alliant.com	617-807-6740
Brenna Melvin	Senior Vice President	brenna.melvin@alliant.com	617-807-6741
Brendan Fountain	Assistant Vice President	brendan.fountain@alliant.com	617-807-6743
Elizabeth Labelle	Assistant Account Manager	elizabeth.labelle@alliant.com	617-807-6747
Tim Prenger	Manager of Engineering	tim.prenger@alliant.com	303-725-5738
Krystle Gutierrez	Property Claims	krystle.gutierrez@alliant.com	713-470-4265

General Information

Named Insured: **City of Pasadena**
And/or any owned, controlled, direct or indirect affiliated or associated company, subsidiary company or corporation or consultant, and/or any company newly created or acquired by the named insured, co-ventures of a joint venture for which the named insured is the operator and is contractually responsible to provide insurance, and/or companies in which they have an insurable interest or financial control.

Mailing Address: 100 N Garfield Ave. Pasadena, CA 91109

Term: Anticipated ~13months 8/1/2020 – 9/15/2020

Website: <https://ww5.cityofpasadena.net/water-and-power/>

Description/Operations: The City of Pasadena Power Station has a combined generating capacity of 197 MW (175MW without GT2). The site is located on 19 acres. The plant primarily operates as a peak load station to provide an N-1 redundancy to the City of Pasadena. The City of Pasadena purchases power from the grid and this station is dispatched by ISO (Independent State Operators) as required. The plant sees very limited run times. See hours in operations section of this report.

The power station consists of the following generating equipment:

- Units 1 and 2 - Two ~22 MW - FT4C-1D - GG4C Pratt and Whitney combustion turbines driving 32,100 kVA Brush generators, Units 1 and 2, operating in open cycle, which were installed in 1975; Unit 2 is non-operational.
- Units 3 and 4 - Two ~44 MW - LM 6000 PC Sprint gas turbines driving 71,176 kVA Brush generators installed in 2003 and operating in open cycle.
- Unit 5 - a 65 MW - GE LM 6000 PG gas turbine (1 x 1 combined cycle) with OTSG and Shinn Nippon steam turbine.

Project Overview:

GT-2 is in a prolonged outage due to fire damage that occurred in October 2012. Gas turbines GT1 and GT2 are originally Model MOD POD 30 Electrical Power Generation unit produced by Curtiss-Wright Power Systems, 30.6 MW capacity each, and were built in 1976. The units were derated to 22 MW each due to age and after installation of SCR.

Unit GT1 caught fire in May 2010 and was put back in operation in September 2013. The rebuilt GT-1 unit is now composed of the original Pratt & Whitney GG4C-1DF gas generator and a replacement/refurbished Pratt & Whitney FT4C-1D power turbine. Unit GT2 caught fire in October 2012, and has been

General Information

shutdown ever since. GT2 is composed of Pratt & Whitney GG4C-1DF gas generator and Curtis-Wright CT2 power turbines Units GT-1 and GT-2 are simple cycle vintage gas turbines and are mainly used for peak power generation.

Energy Services, Inc. (the contract) will provide the engineering, design, permitting, project management, labor, materials, equipment, and inspections in accordance with the requirements of these Specifications to:

- 1) Restore the fire damaged GT-2 to commercial operation, and
- 2) Upgrade the control system and field devices for GT-1, GT-2, their SCR systems, and the associated fuel gas compressors.

Please see attached Scope of Work Sections 5 and 6 enclosed in the submission documents.



Glenarm Site

Marketing Summary

Insurance Carrier	Result
Zurich American Insurance Co	Quote Presented, 100% capacity offered
Munich Re	Quoted, \$697,152 deposit premium at a 25% capacity offered
Hartford Steam & Boiler	Declined, due to Scope of Work, specific to commissioning a refurbished turbine (post fire)
Aspen Specialty Insurance Co	Declined, due to Scope of Work
Allianz Global Risks US Insurance Co	Declined, due to Scope of Work, specific to commissioning a refurbished turbine (post fire)
AEGIS NJ	Declined, due to not writing the operational program.
Chubb	Declined, due to not writing the operational program.
AIG	Declined, due to not writing the operational program.
SCOR UK Company Ltd	Declined, due to minimum premium restraints
Swiss Re International SE	Declined
Helvetia Swiss Insurance Company	Potential European subscription market'
HDI	Potential European subscription market'
Royal Sun Alliance (RSA)	Potential European subscription market'
Travelers Lloyd's Syndicate TRV 5000	Potential Lloyds of London subscription market
Argenta Lloyd's Syndicate ARG 2121	Potential Lloyds of London subscription market
Lancashire	Potential European subscription market'
CNA Hardy Lloyd's Syndicate HDU 0382	Potential Lloyds of London subscription market
Tokio Marine Kiln Lloyd's Syndicate KLN 0510	Potential Lloyds of London subscription market
WR Berkley Lloyd's Syndicate WRB	Potential Lloyds of London subscription market
Arch Insurance (UK) Ltd	Potential European subscription market'
Partner Re	Potential European subscription market'
Amlin Lloyd's Syndicate AML 2001	Potential Lloyds of London subscription market
HannoverRe	Potential European subscription market'
Axa XL	Potential European subscription market'
Hiscox Lloyd's Syndicate HIS 33	Potential Lloyds of London subscription market
Ark Lloyd's Syndicate ARK 4020	Potential Lloyds of London subscription market
Liberty Lloyds Syndicate 4472	Potential Lloyds of London subscription market
Atrium Lloyds Syndicate AUW 609	Potential Lloyds of London subscription market
AXIS Specialty Europe SE	Closed Power Generation Book in US
Liberty Surplus Insurance Corporation (LIU)	Closed Power Generation Book in US
Navigators Lloyd's Syndicate NAV 1221	Closed Power Generation Book in US
Elseco Ltd.	Closed Power Generation Book in US

Schedule of Values

Site Description	Existing or New	Part of "Work"	Building Values	Contents Values	Total Insured Value	Comments If Any
Unit 1						
GT1 Switchgear	Existing	No	\$22,177.98	\$439,214.67	\$461,392.65	
GT1 And Gt2 Control Room	Existing	Yes	\$83,168.46	\$1,015,683.80	\$1,098,852.26	
GT1 Control Systems Work	New	Yes		\$413,111.00	\$413,111.00	
GT1 Auxiliary Module	Existing	No	\$27,722.48	\$109,803.15	\$137,525.63	
GT1 CEMS	Existing	Yes	\$16,633.49	\$541,273.22	\$557,906.71	
GT1 Transformer	Existing	No	\$1,108,907.28	\$0.00	\$1,108,907.28	
GT1 Transformer	Existing	No	\$121,979.93	\$0.00	\$121,979.93	
GT1 SCR NOX System	Existing	Yes	\$5,322,754.53	\$0.00	\$5,322,754.53	
GT1 Cooling System	Existing	Yes	\$304,949.30	\$0.00	\$304,949.30	<incl. repairs to GT-1 & 2 cooling basin, minor welding
GT1 Gas Turbine 26 Mw	Existing	Yes minor see comment with cooling basin)	\$33,331,502.88	\$0.00	\$33,331,502.88	
GT1 Generator 26 Mw	Existing	Yes minor see comment with cooling basin)	\$16,665,751.44	\$0.00	\$16,665,751.44	
Pump Skid Demin Water-GT1>2	Existing	No	\$66,533.94	\$0.00	\$66,533.94	
Grand Total					\$59,591,168	
Est Total Existing					\$59,178,057	
Est Total New					\$ 413,111	
Unit 2						
GT2 Switchgear	Existing	No	\$22,177.98	\$439,214.67	\$461,392.65	
GT2 Control Systems Work	New	Yes		\$413,111.00	\$413,111.00	
GT2 Auxiliary Module	Existing	No	\$27,722.48	\$109,803.15	\$137,525.63	
GT2 CEM	New	Yes		\$553,887.00	\$553,887.00	
GT2 Transformer	Existing	No	\$1,108,907.28	\$0.00	\$1,108,907.28	
GT2 Transformer	Existing	No	\$121,979.93	\$0.00	\$121,979.93	
GT2 SCR NOX System	Existing	Yes	\$5,322,754.53	\$0.00	\$5,322,754.53	<incl. \$ 2,122,050.00 SCR catalyst replacement work
GT2 Cooling System	Existing	No	\$304,949.30	\$0.00	\$304,949.30	
GT2 Gas Turbine And Generator (Inc. Work)	New	Yes		\$39,000,000.00	\$39,000,000.00	<Incl. \$4,424,292.00 Power Turbine replacement
GT2 Enclosure & Prelim Work	New	Yes		\$553,887.00	\$553,887.00	\$ 1,024,721.00 Engine Overhaul
GT2 Foundation	New	Yes		\$255,664.00	\$255,664.00	\$ 2,310,429.00 New components
GT1 And Gt2 Basin Repairs	Existing	Yes		\$374,439.00	\$374,439.00	\$180,556.00 Fire Protection System
Grand Total					\$48,608,497	
Est Total Existing					\$2,387,214	
Est Total New					\$46,099,304	
Total Values						



Estimated Premium Summary: Zurich 100% Quoted Option

	GT2	GT1	Entire Term
Est. Start of Work	8/1/2020	4/30/2021	8/1/2020
Est. End of Work	4/30/2021	9/15/2021	9/15/2021
Total Days	272	138	410
Annualized Rate Factor	0.745205479	0.37808219	1.123287671

DEPOSIT PREMIUM TO BE DUE AT INCEPTION

GT2 & GT1	Rating Base	Annual Rate	Rating Metric	Length of Policy Term	Deposit Premium
Builders Risk	\$47,099,304	\$0.2244	per \$100	1.123287671 years	\$118,718.00
Hot Testing	Various	0.035	per month	35 days	\$19,287.00
Coverage Extensions	Varies	\$0.0283	per \$100	1.123287671 years	\$36,544.00
Existing Property	\$5,000,000	\$0.2149	per \$100	1.123287671 years	\$12,072.00
Terrorism	\$52,099,304	2%		1.123287671 years	\$3,609.00
Local & State Assessments					TBD
Total Deposit Premium (incl. Terrorism)					\$190,230.00
Risk Engineering Fees (billed separately)	Flat				\$5,000.00
Minimum Earned					25%

ESTIMATED MIDTERM CHANGES WITH GT2 COMING OFF AND GT1 COMING ON

GT2: To be removed mid-term	Rating Base	Annual Rate	Rating Metric	Length of Policy Term	Estimated Return Premium (subject to date of removal from policy)
Builders Risk	\$46,099,304	\$0.2244	per \$100	0.378082192 years	\$39,111.41
Existing Property	\$5,000,000	0.2149	per \$100	0.378082192 years	\$4,062.00

GT1: To be added mid-term	Rating Base	Annual Rate	Rating Metric	Length of Work	Estimated Additional Premium (subject to date of addition to policy)
Existing Property	\$59,178,057	0.2149	per \$100	0.378082192 years	\$48,082.00

*Rate for existing property above subject to no losses during construction prior to adding

Total Estimated Project Costs Incl. Risk Engineering	\$200,138.59
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Builder's All-Risk

Insure ring Company: Zurich American Insurance Company (AM Best Rated A+/stable)

Insured: City of Pasadena

Additional Insureds: Owners, contractors and subcontractors, tenants at the "project site", architects and engineers, all as required by any written contract or written subcontract made prior to the date of loss or damage to the Covered Property, and including any other entity as required by the first Named Insured and then only as to their respective financial interest in the Covered Property, are included as Additional Insureds under this Policy. As respects manufacturers and suppliers, their interest is limited to their respective financial interest in the Covered Property at the "project site" only.

Policy Term: Anticipated 15 Months from effective on August 1, 2020 and shall expire on September 15, 2021 at 12:01 A.M. standard time, at the covered project.

Liability under this policy will end upon the earlier of the point in time when the covered project achieves provisional acceptance and the Owner accepts the care, custody and control and risk of loss of the covered project from the Contractor, the expiry of the Insured's interest or the expiration or cancellation date as herein provided, unless otherwise agreed by endorsement. The term of insurance includes a **HOT TESTING PERIOD** not exceeding 35 days

Limits of Liability	Amount
Policy Limit of Liability	\$52,099,304 per occurrence for GT2 and associated work. (to be adjusted accordingly when GT1 begins work and GT2 goes operational)
Builders Risk Property Limits of Liability	
Project Site	\$47,099,034 per occurrence
Escalation Clause – Insured Project	5%
Transit	\$25,000,000 per occurrence
Temporary Offsite Location	\$25,000,000
Water Damage	Included
Delay in Completion	No Cover Provided

Catastrophe Limits of Liability	Amount
Earthquake	\$5,000,000 per occurrence and in the Annual Aggregate
Flood	\$52,099,304 per occurrence and in the Annual Aggregate
Named Windstorm	\$52,099,304 per occurrence and in the Annual Aggregate

Builder's All-Risk

Coverage Extensions: The Coverage Extensions Limits of Liability shown below apply as per "occurrence", unless stated otherwise. These Coverage Extension Limits of Liability are subject to, the Policy Limit of Liability

• Claim Preparation Expense	\$50,000
• Construction Documentation And Records	\$2,000,000
• Construction Trailers	\$100,000
• Contract Penalties	Not Covered
• Contractor Expenses - <u>20%</u> of the amount of covered loss of or damage to "builders risk property", prior to the application of any applicable Deductible, up to the Limit of Liability of :	\$15,000,000
• Crane Re-Erection Expense	\$50,000
• Damage to Existing Real Property - Limited (to be increased when GT1 begins work)	\$5,000,000
• Debris Removal – 25% of the amount of covered loss of or damage to Covered Property. prior to the application of any applicable Deductible, up to the Limit of Liability of:	\$25,000,000
• Design Professional Fees	\$2,000,000
• Emergency Property Protection Expense – Annual Aggregate	\$1,000,000
• Fire Protective Equipment Refills	\$500,000
• Off Premises Service Interruption – Direct Damage	\$500,000
• Ordinance or Law – Demolition and Increase Cost of Construction	\$10,000,000
• Ordinance or Law – Undamaged Portion of the Insured Project Limit of Liability	Included in Project Site
• Pollutant Clean-Up and Decontamination – Policy Aggregate	\$5,000,000
• Prevention of Access – Ingress or Egress	\$10,000,000
• Protection Service Charges	\$1,000,000
• Reward Payments – 25% of the amount of covered loss of or damage to Covered Property, prior to the application of any applicable Deductible, up to the Limit of Liability of	\$100,000
• Spare Construction Materials	\$500,000

Deductible	Amount
Physical loss or damage to Covered Property, except	\$250,000 per occurrence
Gas Turbine Sets	\$750,000 per occurrence
Earthquake	5% of Values at Risk at time of loss minimum \$250,000 per occurrence
Existing Property	\$750,000
Start Up and Testing	\$1,000,000

Builder's All-Risk

Terms and Conditions:

- Real and Personal Property – Valuation per Zurich Construction form
- 60 days accept (other policies I've seen non-cancellable) 10 Days for non-payment of Premium.
- 72 Hours clause in respect of the perils of Earthquake Shock, Flood and Named Wind Storm
- Erosion and Corrosion excluded – resultant damage from a covered peril included
- Consequential loss, excluded
- Cost of Correcting or Making Good faulty or defective workmanship or material, or error/omission/deficiency in design, plans or specification excluded (Resultant Damage is covered)
- Wear and tear, gradual deterioration, inherent vice (Resultant Damage is covered)
- Pollution exclusion
- Contractors plant and equipment excluded
- Disease & infestation exclusion
- Coverage extended to foundations, except damage caused by subsidence, settling, cracking or expansion
- Extension of Term of Insurance: With notification to, and agreement by, the Company prior to the expiration date of this Policy, the Policy Term may be extended for 90 days or less based on the rates stated on the Declarations, with the exception of the perils of "earthquake", "flood" and "named storm", which may be subject to different rates, deductibles, limits, terms and conditions determined by the Company at the time of the Company's agreement to the extension.
Any extensions for more than 90 days beyond the original Policy Term expiration date will be subject to payment of additional premiums at rates, deductibles, limits, terms and conditions determined by the Company at the time of the Company's agreement to the extension.
- 5% Escalation clause
- Blanket Additional Insured as required by written contract

Conditions:

- Require updated Construction Schedule