

Agenda Report

December 17, 2012

TO: Honorable Mayor and City Council
FROM: Water & Power Department
SUBJECT: INCREASE PURCHASE ORDER NUMBER 52221 WITH GE PACKAGED POWER, INC. ISSUED UNDER EMERGENCY PURCHASE PROVISIONS FOR A TOTAL AMOUNT NOT TO EXCEED \$666,525 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. Authorize the City Manager to increase purchase order number 52221 by an additional \$290,025 for a new total not-to-exceed amount of \$666,525 to complete additional repairs recommended by GE; and,
3. 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 unit was sent to the GE repair facility in Bakersfield, CA. Once in Bakersfield, GE uncovered wear to engine components that is beyond the serviceable limits. On October 10, 2012, staff requested and City Council approved an increase of \$200,000 to the original P.O. for a new P.O. total amount of \$376,500. GT-3 was shipped to the closest GE repair facility with the capabilities to complete the expanded scope of repair. Further

disassembly performed in the GE repair facility in Houston, TX has uncovered additional engine components that are beyond the serviceable limits. The quote for repairs to this damage exceeds the current amount of the purchase order with GE by \$203,086.

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 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 outages of unit GT-1, currently under repair, and GT-2.

In addition, GT-3's outage will reduce potential revenues and increase the cost of electricity generation. 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 Pasadena Water and Power's ("PWP") resource adequacy requirements, extended duration forced outages increase the likelihood and amount of fines that may be imposed by the CAISO for not meeting these requirements. As a combined result, staff estimates that each day of the current outage may cost PWP approximately \$4,000 to \$10,000.

The proposed P.O. increase of \$203,086 will allow GT-3 to return to service as quickly as possible. A contingency amount of \$86,939 (15% of the new P.O. amount) has been set to accommodate any further unforeseen repairs. The inspection portion of the work by GE has been completed; therefore, staff expects that a 15% contingency is sufficient and additional requests for an increase will not be necessary. The repair is expected to be completed by late December and the unit is expected to be back in service by the middle to the end of January.

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.

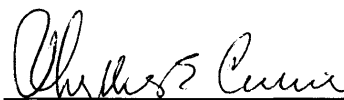
FISCAL IMPACT:

The cost of this purchase order action will be up to \$666,525, 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.

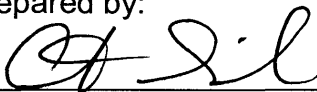
Initial Emergency PO Amount	
Sub-Total	\$176,500
Previously Increased Amount	
Additional Amount approved on September 24	\$200,000
Requested Increase	
Quote for Additional Scope of Repair	\$203,086
Contingency	\$ 86,939
Total Purchase Order Amount	\$666,525

Respectfully submitted,



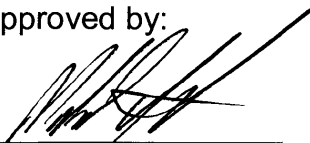
PHYLLIS E. CURRIE
General Manager
Pasadena Water and Power

Prepared by:



Arturo Silva
Power Production Supervisor
Power Supply Business Unit

Approved by:



MICHAEL J. BECK
City Manager

**Disclosure Pursuant to the
City of Pasadena Taxpayer Protection Amendment
Pasadena City Charter, Article XVII**

Contractor/Organization hereby discloses its trustees, directors, partners, officers, and those with more than 10% equity, participation, or revenue interest in Contractor/Organization, as follows:

(If printing, please print legibly. Use additional sheets as necessary.)

1. Contractor/Organization Name:
GE PACKAGED POWER, INC.

2. Type of Entity:
 non-government nonprofit 501(c)(3), (4), or (6)

3. Name(s) of trustees, directors, partners, officers of Contractor/Organization:

Darryl Wilson

4. Names of those with more than a 10% equity, participation or revenue interest in Contractor/Organization:

Owned by GE ENERGY PRODUCTS, INC.

Prepared by: Thuy V. Nguyen
Title: Commercial Finance Manager
Phone: (713) 803-0429
Date: Oct. 3, 2011