

Agenda Report

November 3, 2014

TO: Honorable Mayor and City Council

THROUGH: Municipal Services Committee (October 28, 2014)

FROM: Water and Power Department

SUBJECT: AUTHORIZATION TO ENTER INTO A CONTRACT WITH SOUTHERN CALIFORNIA GAS COMPANY IN THE AMOUNT OF \$1,417,400 FOR THE NATURAL GAS PIPELINE/METER UPGRADE FOR THE GLENARM REPOWERING PROJECT.

RECOMMENDATION:

It is recommended that the City Council:

1. Find that the Glenarm Repowering Project was subject to adequate environmental review as part of the Glenarm Repowering Project Final Environmental Impact Report Findings adopted by City Council on April 8, 2003;
2. Authorize the City Manager to enter into a contract with the Southern California Gas Company ("Gas Company") to upgrade the natural gas supply piping/meter at Pasadena's electric generating power plant ("Plant"), in an amount not to exceed \$1,417,400. The proposed contract is exempt from Competitive Bidding pursuant to City Charter Section 1002C, contracts for labor, materials, services or supplies available only from one vendor.

BACKGROUND:

On March 16, 2009, the City Council adopted the energy Integrated Resource Plan ("IRP"), Pasadena Water & Power's ("PWP") 20-year plan to deliver reliable and environmentally responsible electricity at competitive rates. One of the key recommendations of the IRP is the replacement of the existing steam unit B-3 with a new combined cycle unit of an equivalent capacity of 71MW. The IRP was updated on March 5, 2012 and retained this recommendation. The installation of the new combined cycle unit ("GT-5") is known as the Glenarm Repowering Project ("Repowering Project")

The construction of GT-5 requires an upgrade to the existing metering and piping system that brings natural gas to the Plant. The Gas Company is the owner and operator of this gas utility system and is the sole provider of the necessary upgrades.

Three options were evaluated by PWP for the upgrade: (1) Broadway metering station assembly upgrade (“Broadway Upgrade”); (2) Glenarm metering station upgrade (“Glenarm Upgrade”); and (3) Fair Oaks new meter installation. The third option was determined to be unfeasible due to refusal of the Gas Company to service a new meter at the Plant. Furthermore, a new meter would be more costly than an upgrade because of the special facility fee that would be imposed by the Gas Company for the new equipment. The two viable upgrade options were evaluated based on total construction cost and risk and would apply only to the Plant piping systems that are owned and operated by the Gas Company.

For the Glenarm Upgrade, the Gas Company is proposing to extend their existing supply piping by installing new lines and also replacing the existing meter with a larger, more modern model. For the Broadway Upgrade, it is proposing to replace the existing supply piping with that of a larger diameter, but leaving the existing meter in place.

To bring the natural gas piping to the Repowering Project boundary, additional Plant piping must be installed after the Broadway Upgrade. This additional installation, which is outside of the Gas Company’s upgrade work, would require trenchless boring to cross under the right-of-way of the Gold Line train. The City would hire a separate contractor to install this additional piping after obtaining approval from the Gold Line operator to bore under the existing tracks. There is also a risk of encountering boulders or other obstructions during the boring operation which would increase the cost.

The Gas Company submitted a standard contract with estimated prices for the design, engineering, and construction for the Broadway and Glenarm upgrades. The City also obtained estimates from contractors for the installation of additional Plant piping beyond the Broadway Upgrade. Below is the table that shows the total cost comparison for the two options:

Description	Glenarm Upgrade	Broadway Upgrade
Gas Company Meter/Piping Upgrades (Gas Company Estimated Cost)	\$1,288,545	\$727,324
Additional Plant Piping Work (Contractor Estimated cost obtained by City)	\$0	\$450,000
Engineering & Soils Report for Additional Plant Piping Work (City Estimated Cost)	\$0	\$130,000
Total Cost	\$1,288,545	\$1,307,324

Since the Glenarm Upgrade has a lower estimated cost and would not require trenchless boring, staff recommends selecting the Glenarm Upgrade. The Gas Company’s estimate, based on past experience of similar work, includes engineering, materials, contract labor, paving, permits, and taxes, and requires payment of the estimated amount in advance of the work. The Gas Company also reserves the right to adjust this amount up or down depending on the actual cost. The Gas Company did not agree to a maximum cost limit.

Staff requests that the City Manager enter into a contract with the Gas Company for an amount not to exceed \$1,417,400. This includes a 10% contingency amount of \$128,855 to pay for the difference, if any, between the actual and estimated cost at the completion of the work.

Budget Status:

Subsequent to Council approval on September 29, 2014, the budget was increased by \$5 million from \$131,904,183 to \$136,904,183. Accordingly, the uncommitted remaining balance was increased from \$4,206,978 to \$9,206,978. The table below provides a summary of budget and expenses.

Table -1 – Summary of current and proposed budget

Currently Approved Budget		\$136,904,183
Currently Committed Expenditures (contracts, staff costs and Art Funding)		\$127,697,205
Uncommitted Balance (\$136,904,183 - \$127,697,205)		\$9,206,978
Project Contingency for six specific existing contracts...City Council approval on 9/29/14	(\$2,500,000)	
Remaining Uncommitted Balance		\$6,706,978
Proposed Contract with Southern California Gas Co.	(\$1,417,400)	
Remaining Uncommitted Balance if contract with Southern California Gas Co. is approved		\$5,289,578

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 Energy IRP.

ENVIRONMENTAL ANALYSIS:

On April 8, 2013, the City Council certified the final Environmental Impact Report (“EIR”) for the Repowering Project, made environmental findings, adopted a Mitigation Monitoring and Reporting Program and a Statement of Overriding Considerations, and granted the land use approvals for the Repowering Project. The actions proposed herein are a subsequent discretionary step required to implement the Project studied in the EIR. Pursuant to State CEQA Guidelines Section 15162, there are no changed circumstances or new information which would trigger further additional environmental review.

FISCAL IMPACT:

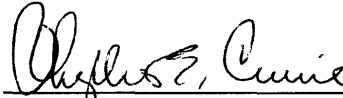
The cost of the recommended action will be \$1,417,400. Funding for this action will be addressed by the utilization of existing budgeted appropriations in CIP Number 3194 – Local Generation Repowering Project – Phase II. It is anticipated that the full amount will be spent during the current fiscal year.

The following table presents a contract summary.

Description	Amount
Gas Company estimated costs	\$ 1,288,545
Contingency	\$ 128,855
Total fiscal impact	\$ 1,417,400


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

Respectfully submitted,



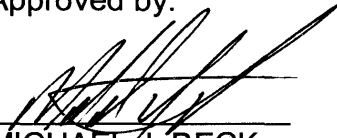
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