

Agenda Report

November 7, 2000

TO: City Council
THROUGH: Deregulation Committee

FROM: City Manager

SUBJECT: Inspection and Repair of Broadway Unit B-2 Steam Turbine by Pasadena Water and Power

RECOMMENDATION:

It is recommended that the City Council:

Authorize the General Manager of Pasadena Water and Power to enter into a contract without competitive bidding pursuant to City Charter section 1002 (F) contracts for professional or unique services, with Siemens Westinghouse Power Corporation for inspection and repair of the Broadway Power Plant Steam Turbine Unit B-2, for an amount not to exceed \$607,704; and,

Approve a journal voucher authorizing the Director of Finance to appropriate \$773,000 from the Light and Power Fund unappropriated fund balance to finance the inspection and repair of the Broadway Power Plant Steam Turbine Unit B-2; and,

Grant this contract an exemption from the Competitive Selection process of the Affirmative Action in Contracting Ordinance, pursuant to Pasadena Municipal Code Subsection 4.09.060 (C) Contracts for which the Cities best interests are served.

BACKGROUND:

Inspection and repair of the Broadway Unit 2 steam turbine is necessary in order to reliably operate this unit next summer. As highlighted in the attached presentation to the Deregulation Committee and the Utility Advisory Commission on October 18, 2000, the recommended overhaul is both economic and overdue. The presentation shows that this unit has been run about double the historical level of operating hours between overhauls. It has contributed over \$5 million to the bottom line in the last 12 months, and is expected to contribute more than

\$1 million annually in future years, yielding an expected payback of less than 1 year for the proposed \$773,000 overhaul budget.

Unit B-2 potentially has many more years of remaining useful life and can continue to be used to generate power in the coming years and provide significant revenues in excess of costs. However, prolonged operation without inspection and overhaul increases the likelihood of outages during the critical peak periods next summer.

A contract with Siemens Westinghouse Power Corporation "Siemens" in an amount not to exceed \$607,704 for inspection and repair is recommended because Siemens is best qualified to perform this work and it is highly unlikely that another firm could do it. The B-2 Turbine-Generator was originally designed and built by Allis-Chalmers, to whom Siemens has become the successor in interest. The turbine material composition and design are proprietary, and only Siemens personnel have the capability to advise correct procedures as well as specify the required clearance, torque, and tolerance essential to overhauling of the B-2 Turbine-Generator.

Under the proposed contract, the steam turbine will be opened, disassembled, and inspected for sustained damage over and above normal wear. The B-2 turbine's critical components, such as blades and other rotating elements of the unit, will be subjected to nondestructive examinations. A limited number of parts will be repaired or replaced. During the overhaul, Siemens will provide an on-site field service representative who will give technical advice and assistance to the City's plant maintenance management personnel.

The cost of work to be performed by Siemens is estimated at \$507,704 based on their current labor rates and the comparable, inflation-adjusted cost of previous work done in 1991. An additional \$100,000 contingency amount will be included in the Siemens contract to cover unbudgeted minor repair needs identified during the inspection. If additional damage to critical components is discovered during the inspection of the unit, staff will reassess the economics and request authorization from the City Council for necessary repairs under a separate Agenda Report.

As part of the overhaul effort, PWP staff will need to hire the services of two millwrights and one insulator for the duration of the overhaul at a cost of about \$100,000. These services will be bid, selected and acquired through the competitive selection process and if necessary, a request for authorization from the City Council will be requested under a separate Agenda Report.

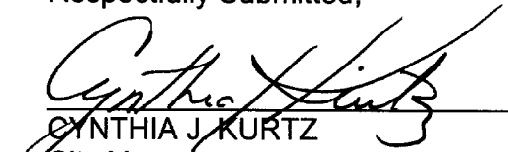
An additional contingency cost of \$65,296 is included the journal voucher to cover unforeseen miscellaneous labor and material expenses for the overhaul.

FISCAL IMPACT:


The overall effect of the B-2 facility on the financial plan during the FY2000-FY2001 time frame will be a net increase to working capital. The local generating units generated an incremental working capital contribution of approximately \$11,000,000 during FY 2000, of which \$6,000,000 was recently approved by City Council for use as an ECAC rate reduction for the rate payers. At that time, Council was advised a request would be forthcoming to prepare the facility for the next summer season. This project will decrease the Power Fund working capital balance by \$773,000, which is being funded by the remaining \$5,000,000 from the local generation plant operations mentioned above.

This overhaul will be expensed in the FY2001 operating budget, and therefore does not adversely impact the FY2001 CIP or the Power Fund Ten Year Financial plan.

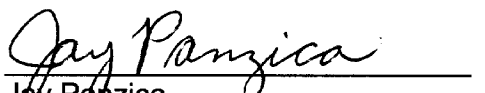
Respectfully Submitted,


CYNTHIA J. KURTZ
City Manager

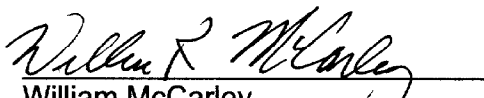
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